Raffles Capital Limited

# Annual Report 2015

Raffles Capital Limited
ASX: RAF

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# CORPORATE DIRECTORY

**Raffles Capital Limited**

ACN 009 106 049
ABN 66 009 106 049

**Registered and Corporate Office**

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000

Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.rafflescapital.com.au

**Auditors**

K.S. Black & Co
ABN 48 117 620 556
Level 6
350 Kent Street
Sydney NSW 2000

Telephone: +61 2 8839 3000

**Lawyers**

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Telephone: +61 2 9253 9999

**Bankers**

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2000
Telephone: +61 2 9236 2230

**Directors**

Dr Charlie In (Non-Executive Chairman)
Abigail Zhang
Richard Holstein
Benjamin Amzalak

**Company Secretary**

Henry Kinstlinger

**Share Registry**

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Australia
Telephone: 1300 850 505 within Australia

**ASX Code – RAF**

Raffles Capital Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Raffles Capital Limited and its controlled entities.

Raffles Capital Limited is a company limited by shares, incorporated and domiciled in Australia.

# CHAIRMAN'S REPORT

Dear Fellow Shareholder,

It is with great pleasure I write to you regarding Raffles Capital Limited.

This financial year has been a year of strategic review of a number of opportunities for your Company.

The directors and executive team have been reviewing various investment and business opportunities primarily, in the diversified financial space. During this review it has become apparent that some opportunities which present themselves may not have the endurance to provide real value going forward and therefore do not meet the parameters of adding Shareholder value in the future as set by the Company.

We will continue to explore opportunities and hope to be able to announce an opportunity shortly which will add increased value to the Company going forward.

In relation to the existing cost base, the Company has been working to ensure that it is kept at a minimum. All have been working tirelessly to ensure that any investment the Company makes will return positive cash flows in the short term.

Currently the difficult property market in the Peoples' Republic of China (PRC) has provided a strong headwind for Sequoia Capital to navigate. The board has been prudent not to outlay excessive capital or take on excess risk during this difficult time in PRC. We are mindful that existing headwinds may ease.

Finally, I would like to thank all those involved in providing Raffles Capital with the energy and impetus necessary to make the Company a success.

Kindest regards

Dr. Charlie In
Chairman

# REVIEW OF OPERATIONS

During 2015 Raffles Capital Limited continued to focus on business development – identifying commercial and corporate opportunities, synergic partnerships and project funding. Partnerships and acquisitions are examined for strategic returns to reflect the Company's contribution.

In late 2014 / early 2015 the Company raised new funding of $1.0 million by issuing two convertible notes each with a face value of $0.5 million which was received in the first quarter of 2015. This funding provided working capital to allow the Company to continue with corporate opportunities as identified from time to time. The 2 convertible notes were converted into the Company's shares in late May 2015. A third convertible note approved by shareholders, also with a face value of $0.5 million, was not issued, as funds were not received within the 3 month period approved by shareholders.

On 27 February 2015, the shareholders of the Company approved at a general meeting:

- a corporate reconstruction via a distribution of RafflesCo Limited (**RafflesCo**) shares, an unlisted public company, to the Company's existing shareholders
- the acquisition of a prospective business: Sequoia Capital (Hong Kong) Limited with consideration being a $1 million convertible note. This convertible note was fully converted to ordinary shares in the Company during the year. Sequoia is a Hong Kong company that holds an exclusive technology consulting services agreement with China Chongqing Branch Gezhouba Xinjiang Engineering Bureau (**CGGC**) to manage all projects that are developed by CGGC, a State owned enterprise of the Peoples Republic of China. CGGC has a 40 year track record in engineering and construction. It is best known for its work on the Three Gorges Dam on the Yangtze River. Whilst Raffles will own Sequoia, Sequoia will be managed by its existing management.
- A capital reconstruction reducing issued share capital by $5,184,277 by the distribution of one share in RafflesCo, an unlisted public company, for every share held in the Company followed by a one for two share consolidation.

On 3 March 2015 Charlie In was appointed Chairman of the Company and Lucy Ziang Li Ying was appointed an Executive Director of the Company following the retirement of Tan Sri Ibrahim Menudin as a director of the Company.

On 16 March 2015 the Company completed the corporate actions approved by its shareholders.

Between 13 April 2015 and 28 May 2015 the Company considered the acquisition of Nano Sun Pte Limited, an unlisted private technology company incorporated in Singapore, a developer of water filtration systems. This investment proposal did not proceed.

In December 2015 the Company placed 1.75 million shares to raise $350,000 to be used to fund working capital requirements and develop assets.

The Company continues to assess a number of other opportunities. The Company will advise shareholders where opportunities exist that may increase shareholder value as they progress through evaluation.

# DIRECTORS' REPORT

Your Directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Raffles Capital Limited (the **Company**) and the entities it controlled at the end of or during the year ended 31 December 2015.

**Principal activities**

The consolidated entity operates through its interest in Sequoia principally in China.

**Consolidated results**

Net loss for the year ended 31 December 2015 amounted to $0.03 million compared to a loss of $11.1 million in the previous year.

Total Shareholders' Funds as at 31 December 2015 are $0.59 million.

Additional information on the operations of the Group is disclosed in both the Chairman's review and the Review of Operations section of this report.

**Review of operations**

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on page 4 of this report.

**Dividends**

The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

**Directors**

The following persons were Directors of the Company during the year and up to the date of this report, unless otherwise state:

| | | |
|---|---|---|
| Dr Charlie In | Non-Executive Chairman | |
| Abigail Zhang | Executive Director | appointed 3 Mar 2015 |
| Richard Holstein | Non-Executive Director | |
| Benjamin Amzalak | Non-Executive Director | |
| Tan Sri Ibrahim Menudin | Non-Executive Chairman | retired 3 Mar 2015 |

**Meetings of Directors**

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2015, and the numbers of meetings attended by each Director were:

| | **Directors Meetings** | | **Remuneration Committee*** | | **Audit Committee*** | |
|---|---|---|---|---|---|---|
| **Directors** | **Attended** | **Held Whilst in Office** | **Attended** | **Held Whilst in Office** | **Attended** | **Held Whilst in Office** |
| Charlie In | 8 | 8 | 1 | 1 | 2 | 2 |
| Abigail Zhang** | 7 | 7 | 1 | 1 | 2 | 2 |
| Richard Holstein | 8 | 8 | 1 | 1 | 2 | 2 |
| Benjamin Amzalak | 8 | 8 | 1 | 1 | 2 | 2 |
| Tan Sri Ibrahim Menudin*** | 0 | 1 | 0 | 0 | 0 | 0 |

** The Remuneration and Audit Committees are composed of the entire board.*
*** Abigail Zhang appointed as director on 3 March 2015*
**** Tan Sri Ibrahim Menudin retired as director on 3 March 2015*

## Information on directors & key management personnel

### Directors

**Dr Charlie In**
**Non-Executive Chairman - Appointed 5 December 2014**

| | |
|---|---|
| **Experience and expertise** | Dr Charlie In's experience covers business management, capital sourcing, consulting, marketing, mergers, acquisitions investments and divestments. He has been instrumental in arranging the public listing of several PRC companies.<br>Dr In holds a marketing diploma from the UK Chartered Institute of Marketing, MBA from University of East Asia of Macau and post-graduate qualification from ADMA/Macquarie University of Australia. |
| **Other Current Directorships** | He was the Chairman of Direct Marketing Association of Singapore, an advisor to the Asia Pacific Management Institute, Sapphire China, Sky China Petroleum and Ying Li Property Development. He was Chairman of the Board of Sino-Environment Technology Ltd and Asia Fashion Holdings Ltd, both listed on the Singapore Stock Exchange. He was also an adjunct faculty member of Singapore Institute of Management for 20 years and 17 years at the University of South Australia. He was the advisor to Talent Advisory Panel of the People's Association in Singapore for 10 years. |
| **Former Directorships in the Last Three Years of Listed Companies** | Sino-Excel Energy Limited (ASX: SLE)<br>Chairman of edar Strategic Holdings Ltd (listed on Singapore Stock Exchange)<br>SWIFT China Ltd. |
| **Special Responsibilities** | Chairman<br>Member of the Audit Committee<br>Member of the Remuneration Committee |
| **Interests in Shares and Options** | None |

**Abigail Zhang**
**Executive Director - Appointed 3 March 2015**

| | |
|---|---|
| **Experience and expertise** | Abigail Zhang is currently a director of Marvel Earn Ltd, and has been since August 2008. She was also the executive director of Sino-Excel Energy Limited from August 2011 to June 2015. She has exposure in investments and advisory services to Chinese companies seeking overseas listings, capital raisings and potential merger and acquisition opportunities.<br>Abigail's experience includes hands-on management and China business relationships in the bio-tech, agricultural, energy, mining and property sectors. She works closely with investment bankers, auditors, lawyers, valuers and other professionals to enhance the position of clients in preparation for their IPO, RTO and M&A activities. She holds a bachelor degree in Human Resource Management from the Beijing Jiao Tong University. |
| **Other Current Directorships** | None |
| **Former Directorships in the Last Three Years of Listed Companies** | Sino-Excel Energy Limited (ASX: SLE) |
| **Special Responsibilities** | Member of the Audit Committee<br>Member of the Remuneration Committee |
| **Interests in Shares and Options** | None |

**Richard Holstein**
**Non-Executive Director - Appointed 5 December 2014**

| | |
|---|---|
| **Experience and expertise** | Richard has a B Bus (Accounting), FCPA, MBA (Macquarie Graduate School of Management) and is a member of the Governance Institute of Australia. Mr Holstein has over 20 years experience primarily in the property and exploration sectors for listed and unlisted small and medium enterprises. He provides administration and secretarial services to a variety of companies including publically listed companies. |
| **Other Current Directorships** | Sino-Excel Energy Limited (ASX: SLE) |
| **Former Directorships in the Last Three Years of Listed Companies** | |
| **Special Responsibilities** | Member of the Audit Committee<br>Member of the Remuneration Committee |
| **Interests in Shares and Options** | None |

**Benjamin Amzalak B. Com (Marketing & Finance)**
**Non-Executive Director - Appointed 5 February 2010**

| | |
|---|---|
| **Experience and expertise** | Mr Amzalak has an extensive background in capital raising, investor relations and broking communications. He has been engaged in capital management, raising in excess of $250 million in new venture capital for mining and other public companies. He provides advisory services to public companies in many areas including Initial Public Offerings and Mergers and Acquisitions. |
| **Other Current Directorships** | Non-Executive Director of Hudson Resources Limited |
| **Former Directorships in the Last Three Years of Listed Companies** | None |
| **Special Responsibilities** | Member of the Audit Committee<br>Member of the Remuneration Committee |
| **Interests in Shares and Options** | None |

**Former directors**

**Tan Sri Ibrahim Menudin**

Non-Executive chairman – Appointed 16 Dec 2009, retired 3 Mar 2015

**Officers**

**Henry Kinstlinger**
**Company Secretary**

| | |
|---|---|
| **Experience and expertise** | Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Company Secretary of Australian Bauxite Limited, Sovereign Gold Company Limited, and Frontier Capital Group Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance. |

**Francis Choy MCom MBA FCPA (HK) FCPA CA**
**Chief Financial Officer**

| | |
|---|---|
| **Experience and expertise** | Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financing, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia. |

**Likely developments**

Information on likely developments in the operations of the Group, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

**Significant changes in nature of activities**

The business opportunities that the Company is investigating may result in a significant change in the nature of activities which would require the Company to comply with Chapters 1 or 2 of the ASX Listing Rules as if it were seeking admission to the ASX. Shareholders will be required to approve any such change in the nature of the Company's activities.

**Matters subsequent to balance date**

On or around 29 March 2015, the Company agreed to the acquisition of Six Capital (FX Trading) Pte Ltd, Singapore (Six Capital) (Acquisition).

Six Capital is domiciled in Singapore. It was established in 2009 and incorporated in October 2012 to train Forex traders and provide raw trading data.

Over 20,000 students have graduated from one or more of Six Capital's courses. Six Capital is headquartered in Singapore within the Singapore Stock Exchange building. Its main business operations are in Singapore and has advanced plans to expand to Indonesia, India and China.

Six Capital forecast EBITDA for FY2015 is SGD$1 million, growing to SGD$2.7 million for FY2016 and SGD$11.3 million in FY2017.

Six Capital has a unique business model. The vast majority of Forex companies generate revenue by providing pricing, a platform or by taking orders. Six Capital charges training fees and sells data on which statistically significant signals can be created. Signals tell Forex traders when to buy, sell or not to trade. Statistically significant signals do this with accuracies exceeding 50%. Six Capital believes that combined with the right macro trends, the signals produced have accuracies of nearly 70%.

The Acquisition will constitute a change to the nature or scale of Raffles' activities and in accordance with the Listing Rules of the ASX will be considered by shareholders at the Annual General Meeting to be held in May this year. The Notice of Meeting will include information about the likely effect of the transaction on the entity's total assets, total equity interests, annual revenue and annual expenditure and will be dispatched to shareholders following review by the ASX and ASIC. An independent expert report will accompany the Notice of Meeting.

Should shareholders approve the Acquisition, RAF will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and this will be required before the completion of the Acquisition. In the event shareholders approve the Acquisition, the Company will be suspended from trading on the ASX from the date of the Annual General Meeting.

The Company will need to issue a prospectus to raise up to A$1.5 million via a public offer through the issue of up to 7,500,000 fully paid ordinary (FPO) shares, priced at $0.20 per share. The amount raised is to meet the minimum working capital requirements of the Company for re-admission.

The Acquisition will result in the issue of 40,000,000 FPO shares valued at A$0.10 per share and 60,000,000 Performance Shares.

The business being considered is well established and profitable, with good growth prospects.

At the date of this report, there are no other matters or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

# REMUNERATION REPORT - AUDITED

The information provided in this remuneration report has been audited as required by section 308 (3c) of the *Corporations Act 2001*.

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

**Remuneration Committee**

The Remuneration Committee which presently consists of the whole Board, will serve to determine the remuneration level of any Executive Director's remuneration (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The Remuneration Committee meets as often as required but not less than once per year.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

**Directors' and other Key Management Personnel remuneration**

The following persons were Directors of the Company during the whole of the financial year unless otherwise state:

- Dr Charlie In Non-Executive Chairman
- Abigail Zhang Executive Director appointed 3 Mar 2015
- Richard Holstein Non-Executive Director
- Benjamin Amzalak Non-Executive Director
- Tan Sri Ibrahim Menudin Non-Executive Chairman retired 3 Mar 2015

The following persons were other key management personnel of the Group during the financial year:

- Henry Kinstlinger Company Secretary
- Julian Rockett Joint Company Secretary resigned 15 Mar 2016
- Francis Choy Chief Financial Officer

**Principles used to determine the nature and amount of remuneration (audited)**

The Board is remunerated equitably on the basis of equal responsibility for all Directors.

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations. Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

**Cash bonuses**

Cash bonuses granted to directors and officers are at the discretion of the Remuneration Committee. No bonus was granted for the financial year ended 31 December 2015.

**Performance conditions**

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

The Board undertakes an annual review of its performance and the performance of the Board Committees. Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group. Details on the nature and amount of each element of the emoluments of Director and Key Management Personnel of the Company for the year ended 31 December 2015 are set out below.

| | Short term benefits | | Post-employment benefits | Long term benefits | | |
|---|---|---|---|---|---|---|
| | Cash salary and fees | Non-monetary benefits | Super-annuation | Long Service Leave | Share based payments | Total |
| **Consolidated** | **$** | **$** | **$** | **$** | **$** | **$** |
| **2015** | | | | | | |
| **Directors** | | | | | | |
| Charlie In | **99,000** | **-** | **-** | **-** | **-** | **99,000** |
| Abigail Zhang | **153,000** | **-** | **-** | **-** | **-** | **153,000** |
| Richard Holstein | **40,000** | **-** | **-** | **-** | **-** | **40,000** |
| Benjamin Amzalak | **40,000** | **-** | **-** | **-** | **-** | **40,000** |
| Tan Sri Ibrahim Menudin | **-** | **-** | **-** | **-** | **-** | **-** |
| Directors - Total | **332,000** | **-** | **-** | **-** | **-** | **332,000** |
| **Other KMP** | | | | | | |
| Julian Rockett | **-** | **-** | **-** | **-** | **-** | **-** |
| Henry Kinstlinger | **21,000** | **-** | **-** | **-** | **-** | **21,000** |
| Francis Choy | **-** | **-** | **-** | **-** | **-** | **-** |
| KMP - Total | **21,000** | **-** | **-** | **-** | **-** | **21,000** |
| **Consolidated** | $ | $ | $ | $ | $ | $ |
| **2014** | | | | | | |
| **Directors** | | | | | | |
| Charlie In | - | - | - | - | - | - |
| Richard Holstein | - | - | - | - | - | - |
| Benjamin Amzalak | - | 8,100 | - | - | - | 8,100 |
| Tan Sri Ibrahim Menudin | - | - | - | - | - | - |
| Vincent Tan | 180,000 | 8,100 | - | - | - | 188,100 |
| Richard Yap | - | - | - | - | - | - |
| Directors - Total | 180,000 | 16,200 | - | - | - | 196,200 |
| **Other KMP** | | | | | | |
| Julian Rockett | - | - | - | - | - | - |
| Henry Kinstlinger | - | - | - | - | - | - |
| Luisa Tan | 183,120 | - | - | - | - | 183,120 |
| Francis Choy | - | - | - | - | - | - |
| KMP - Total | 183,120 | - | - | - | - | 183,120 |

The amounts reported represent the total remuneration paid by entities in the Raffles Capital Group in relation to managing the affairs of all the entities within the Group.
There is no performance conditions related to any of the above payments.
There are no other elements of Directors and Executives remuneration.

**Executive Service Agreements**
During the year, there were no new service agreements formalising the terms of remuneration of Directors. At the date of this report there are Service Agreements in place formalising the terms of remuneration of Directors or Other Key Management personnel. Please refer to Note 18 for details.

**Share Options Granted to Directors and other Key Management Personnel**
There were no options granted during or since the end of the financial year to any of the Directors or other Key Management Personnel of the Company and the Group as part of their remuneration. At the date of this report there were no unissued shares under option to Directors or other Key Management Personnel of their Company.
Directors received fees for their services as Directors of the Company. Full disclosure of key management personnel are disclosed in note 14.

**End of Remuneration Report**

# DIRECTORS' REPORT continued

**Loans to Directors and Key Management Personnel**

There is no loan to director and key management personnel as at the reporting date.

**Terms and conditions of loans**

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

**Directors' interests**

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares and Options at the date of signing the Directors' Report are:

| Directors | Shares Direct Holding | Shares Indirect Holding | Options | Nature of Interest |
|---|---|---|---|---|
| Charlie In | - | - | - | |
| Abigail Zhang | - | - | - | |
| Richard Holstein | - | - | - | |
| Benjamin Amzalak | - | - | - | |

Please refer note 14 for details.

**Shares under option**

Unissued ordinary shares of Australian Bauxite Limited under option at the date of this report are as follows:

| Class | Date options granted | Expiry Date | Exercise Price | No. of Options |
|---|---|---|---|---|
| Options pursuant issued | May 2015 | 31 December 2015 | $0.20 | 2,500,000 |
| convertible notes | May 2015 | 31 December 2015 | $0.20 | 2,500,000 |
| | | | | 5,000,000 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Indemnification and insurance of Directors**

The company has not, during or since the financial year, in respect of any person who is or has been an officer of the company or related entity:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agree to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | **Consolidated** | | **Parent Entity** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| **Audit services:** | | | | |
| Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group | | | | |
| Audit and review services | **24,415** | 21,190 | **24,415** | 21,190 |
| **Taxation and other advisory services:** | | | | |
| Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity or any entity in the Group | | | | |
| Taxation | **1,295** | 1,150 | **1,295** | 1,150 |
| Advisory Services | **-** | - | **-** | - |
| | **1,295** | 1,150 | **1,295** | 1,150 |

**Auditor**

K.S. Black & Co continues in office in accordance with Section 357 of the *Corporations Act 2001*.

This Director's Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

**Dr Charlie In**
**Chairman**
31 March 2016
Sydney

**Abigail Zhang**
**Director**

Level 6, 350 Kent Street
Sydney NSW 2000

75 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.
Chartered Accountants
ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF RAFFLES CAPITAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2015 there has been:

a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities is in respect of Raffles Capital Limited and the entities it controlled during the period.

KS Black & Co

Chartered Accountants

Scott Bennison

Partner

Dated in Sydney on this 31 day of March 2016



Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au

# CORPORATE GOVERNANCE STATEMENT

The Company has adopted a Corporate Governance Plan, which forms the basis of a comprehensive system of control and accountability for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("**Principles and Recommendations**").

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in the corporate governance information section of the Company's website.

**(a) Board Responsibilities**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- maintain and increase Shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities;
- ensure compliance with the Company's legal and regulatory objectives consistent with these goals, and to achieve this the Board assumes the following responsibilities:
    a. developing initiatives for profit and asset growth;
    b. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
    c. acting on behalf of, and being accountable to, the Shareholders; and
    d. identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis;

**(b) Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting.

However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criteria for the appointment of new Directors is their ability to add value to the Company and its business. All incumbent Directors bring an independent judgement to bear in deliberations and the current representation is considered adequate given the stage of the Company's development. The names, qualifications and relevant experience of each Director are set out on page 6.

**(c) Code of Conduct**

As part of its commitment to recognising the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has an established Code of Conduct (**the Code**) to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of RAF personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code.

These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code governs all of the Company's commercial operations and the conduct of Directors, employees, consultants, contactors and all other people when they represent the Company. This Code also governs the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

The Board, management and all employees of the Group are committed to implementing this Code and each individual is accountable for such compliance. A copy of the Code is given to all employees, contractors and relevant personnel, including directors, and is available on the Company's website (under Corporate Governance).

**(d) Diversity Policy**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, among other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for all genders and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

**(e) Continuous Disclosure**

The Board has designated the Company's company secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX Listing Rule disclosure requirements and accountability at senior executive level for that compliance. A copy of the Company's continuous disclosure policy can be found on the Company's website (under Corporate Governance).

**(f) Audit Committee and Management of Risk**

The Company has a separate audit and risk committee comprising of three non-executive directors and one executive director.

**(g) Remuneration Arrangements**

The Board will decide the remuneration of an executive Director, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $200,000 per annum.

In addition, a Director may be paid fees or other amounts (subject to any necessary Shareholder approval) (for example non-cash performance incentives such as Options) as determined by the Board where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

**(h) Shareholder Communications**

The Board tries to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions. Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and,
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

**(i) Trading in the Company's Shares**

The Company's Share Trading Policy prohibits Directors from taking advantage of their position or information acquired, in the course of their duties, and the misuse of information for personal gain or to cause detriment to of the Group.

Directors, senior executives and employees are required to advise the Company Secretary of their intentions prior to undertaking any transaction in RAF securities.

If an employee, officer or director is considered to possess material non-public information, they will be precluded from making a Security transaction until after the time of public release of that information.

A copy of the Company's Share Trading Policy is available on the Company's website under Corporate Governance.

**(j) Corporate Social Responsibility**

The Company is committed to conducting our operations and activities in harmony with the environment and society, and wherever practicable to work in collaboration with communities and government institutions in decision-making and activities for effective, efficient and sustainable solutions.

Our aim is to minimize our environmental footprint and safeguard the environment while sharing the benefits of share the benefits of mining with our employees and the community and contribute to economic and social development, minimizing our environmental footprint and safeguarding the environment, now and for future generations.

**(k) Departures from recommendations**

The Company is required to report any departures from the recommendations in its annual financial report.

The Company's compliance and departures from Recommendations as at the date of this Prospectus are set out in the following table:

**ASX Corporate Governance Council's Corporate Governance Principles and Recommendations**

| PRINCIPLE | Response |
|---|---|
| **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | |
| **Recommendation 1.1** | |
| The entity should have and disclose a charter, which sets out the the respective roles and responsibilities of the board, the Chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management. | Complies.<br><br>The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board. The responsibilities delegated to the senior management team are set out in the Board Charter.<br><br>The Board Charter can be viewed at the Company's website: http://www.rafflescapital.com.au |
| **Recommendation 1.2** | |
| The entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.<br><br>The entity should provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Complies.<br><br>The Company has conducted appropriate checks for all current Directors.<br><br>These checks will be expanded the required checks described in Guidance Note 1, paragraph 3.15 issued by the ASX before appointing an additional person, or putting forward to Shareholders a candidate for election, as a Director. |
| **Recommendation 1.3** | |
| The entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Does not comply yet.<br><br>Although all of the Directors do not yet have written agreements setting out the terms of their appointments, the Company will endeavour to bring these agreements into being in 2016. |
| **Recommendation 1.4** | |
| The company secretary of the entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Complies.<br><br>The Company secretary has been appointed and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board. |

| | |
|---|---|
| **Recommendation 1.5** | |
| The entity should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them. | Complies.<br><br>The Board has established a Diversity Policy. |
| The entity should disclose in its annual report the measureable objectives of achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them. | The Diversity Policy is disclosed on the Company's website. |
| The entity should disclose in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | Details of the Company's measurable objectives for achieving gender diversity and its progress towards achieving them and the entity's gender diversity figures are set out in the Company's annual report. |
| **Recommendation 1.6** | |
| The entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Will comply.<br><br>The Company will disclose the process for evaluating the performance of the Board, its committees and individual directors in its future annual reports.<br><br>Details of the performance evaluations undertaken will be set out in future annual reports. |
| **Recommendation 1.7** | |
| The entity should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process | Complies.<br><br>Senior executive key performance indicators are set annually, with performance appraised by the Board, and reviewed in detail by the Board.<br><br>The internal review is to be conducted on an annual basis and if deemed necessary an independent third party will facilitate this internal review.<br><br>Details of the performance evaluations undertaken will be set out in future annual reports. |
| **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE** | |
| **Recommendation 2.1** | |
| The entity's board should have a nomination committee which has at least three members, a majority of whom are independent directors; and is chaired by an independent director. | Does not comply.<br><br>The Company does not have a nomination committee |
| The entity should disclose the charter of the committee, the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude. |

| | |
|---|---|
| If the entity does not have a nomination committee, it should disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | The Company does not have a nomination committee. The Board evaluates the skills, experience of its members and then determines whether additional members should be invited to the Board to complement or replace the existing members. |
| **Recommendation 2.2** | |
| The entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | Does not yet comply.<br><br>The Company intends to develop a board skill matrix setting out the mix of skills and diversity the Board has and requires. The skill matrix will be available at the Company's website once finalised |
| **Recommendation 2.3** | |
| The entity should disclose the names of the directors considered by the board to be independent directors and the length of service of each director; | Complies.<br><br>The Company's independent directors are:<br>1. Dr Charlie In<br>2. Mr Benjamin Amzalak<br>3. Mr Richard Holstein<br><br>The independence of each director is set out in the Company's annual report.<br><br>Details of any relevant interest, position, association or relationship impacting upon a director's independence are set out in the Company's annual report.<br><br>The length of service of each director is outlined in the Company's annual report. |
| The entity should disclose if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion | The independence of the directors and length of service of each director are set out in the Company's annual report.<br><br>Details of any relevant interest, position, association or relationship impacting upon a director's independence will be set out in the Company's annual report. |
| **Recommendation 2.4** | |
| A majority of the board of a listed entity should be independent directors. | Complies.<br><br>The Company has four directors. Three of these directors are non-executive directors. |
| **Recommendation 2.5** | |
| The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Complies. |

| **Recommendation 2.6** | |
|---|---|
| The entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Does not yet comply.<br><br>Currently the induction of new directors and plan for professional development is managed informally by the full Board.<br><br>The Company intends to develop a formal program for inducting new directors and providing appropriate professional development opportunities consistent with the development of the Company. |
| **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY** | |
| **Recommendation 3.1** | |
| The entity should establish a code of conduct for its directors, senior executives and employees and disclose the code or a summary of the code. | Complies.<br><br>The Board has established a Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Group's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code.<br><br>The Code of Conduct is available on the Company's website. |
| **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING** | |
| **Recommendation 4.1** | |
| The board of the entity should have an audit committee, which consists only of non-executive directors, a majority of which are independent directors and is chaired by an independent chair that is not the chair of the board.<br><br>The entity should disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | Complies.<br><br>The board has established an audit and risk committee Charter.<br><br>Members of the committee have appropriate and relevant financial experience to act in this capacity.<br><br>A summary of the charter and details of the number of times the audit and risk committee met throughout the period and the individual attendances of the members at those meetings are set out in the Company's annual report.<br><br>The full audit and risk committee charter is available on the Company's website |

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| **Recommendation 4.2** | |
| The board should disclose whether it has, before approving the entity's financial statements for the financial period receive assurance from its Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks. | Complies.<br><br>The Board requires the Chief Executive Officer and the Chief Financial Officer to provide such a statement before approving the entity's financial statements for a financial period. |
| **Recommendation 4.3** | |
| When the entity has an AGM it should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Complies.<br><br>The external auditor attends AGMs and is available to answer questions from Security Holders relevant to the audit. |
| **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE** | |
| **Recommendation 5.1** | |
| The entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies. | Complies.<br><br>The Company has a written policy on information disclosure. The focus of these policies and procedures is continuous disclosure and improving access to information for investors.<br><br>The Company's continuous disclosure policy can be viewed at the Company's website. |
| **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS** | |
| **Recommendation 6.1** | |
| The entity should provide information about itself and its governance to investors via its website. | Complies.<br><br>The Company has provided specific information about itself and its key personnel and has developed a comprehensive Corporate Governance Plan.<br><br>Details can be found at the Company's website. |
| **Recommendation 6.2** | |
| The entity should design and implement an investor relations program to facilitate effective two-way communication with shareholders. | Complies.<br><br>The Company has established a Shareholder's Communication Policy. The Company recognises the importance of forthright communications and aims to ensure that the shareholders are informed of all major developments affecting the Company.<br><br>Details of the Shareholder's Communication Policy can be found at the Company's website. |

| | |
|---|---|
| **Recommendation 6.3** | |
| The entity should disclose the policies and processes it has in place to facilitate and encourage participation at general meetings | Complies.<br><br>The Shareholder's Communication Policy is available on the Company's website and details are set out in the Company's annual report. |
| **Recommendation 6.4** | |
| The entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complies.<br><br>The Company has provided the option to receive communications from, and send communications to, the entity and its security registry electronically. |
| **PRINCIPLE 7: RECOGNISE AND MANAGE RISK** | |
| **Recommendation 7.1** | |
| The board of a listed entity should have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors and is chaired by an independent director.<br>The entity should disclose the charter of the committee, the members of the committee and at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | Complies.<br><br>The Board has established an audit and risk committee to oversee risk which is comprised of the whole Board.<br>Complies<br><br>The Company's charter for the audit and risk committee is available at: the Company's website and the details of the number of times the committee met and the individual attendances is set out in the Company's annual report. |
| **Recommendation 7.2** | |
| The board or board committee should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risk the entity faces and to ensure that they remain with the risk appetite set by the board. | Complies. |
| The entity should also disclose in relation to each reporting period, whether such a review has taken place | The Company's Corporate Governance Plan includes a Risk Management Review Procedure and Compliance and Control policy.<br><br>The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.<br><br>The Board has delegated to the audit and risk committee the responsibility for implementing the risk management system.<br><br>Details of the number of times the committee conducted a risk management review in relation to each reporting period will be disclosed in its annual reports. |

| **Recommendation 7.3** | |
|---|---|
| The entity should disclose if it has an internal audit function, how the function is structured and what role it performs. If the entity does not have an internal audit function, the entity should disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Does not yet comply.<br><br>The Board has delegated the internal audit function to the audit and risk committee and intends to establish and implement the structure and role of the internal audit function.<br><br>The Company will disclose the details of the internal audit function in its future annual reports. |
| **Recommendation 7.4** | |
| The entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Complies.<br><br>The Company has an Audit and Risk committee appointed to manage economic sustainability and risk. In addition to this the Company also has an Environmental and Social Charter on its website, and manages environmental and social sustainability risks accordingly. |
| **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY** | |
| **Recommendation 8.1** | |
| The board should establish a remuneration committee which has at least three members, a majority of whom are independent directors; and is chaired by an independent director. | Does not yet comply |
| If the entity does not have a remuneration committee, the entity should disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | The Board has adopted a Remuneration Committee Charter.<br><br>However, the Company is not of a size that justifies having a separate Remuneration Committee so matters typically considered by such a committee are dealt with by the full Board.<br><br>The Board intends to engage the services of an independent adviser to review the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive. |
| **Recommendation 8.2** | |
| The entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration. | Complies.<br><br>The Company distinguishes the structure of Non-executive Directors’ remuneration from Executive Directors and senior executives.<br><br>Details of the policies and practices regarding remuneration are set out in the Company’s annual report.<br><br>The remuneration committee charter can be viewed on the Company’s website |

| **Recommendation 8.3** | |
|---|---|
| If the entity has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it. | Complies.<br><br>The Company's Share Trading Policy prohibits executive staff from undertaking hedging or other strategies that could limit the economic risk associated with Company Securities issued under any equity based remuneration scheme.<br><br>The Share Trading Policy can be viewed on the Company's website |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the Year Ended 31 December 2015**

| | Notes | Consolidated 2015 $ | Consolidated 2014 $ | Parent entity 2015 $ | Parent entity 2014 $ |
|---|---|---|---|---|---|
| **Revenue from continuing operations** | 4 | **10** | 11,936 | **10** | 11,936 |
| Other income and expenses | 4 | **(14)** | 736,876 | **(9)** | 736,876 |
| Administration expenses | 5 | **(1,215,276)** | (1,298,150) | **(1,053,572)** | (1,300,615) |
| Finance expenses | 5 | **(32,037)** | (222,686) | **(32,152)** | (222,686) |
| **Profit/(loss) before income tax** | | **(1,247,317)** | (772,024) | **(1,085,723)** | (774,489) |
| Income Tax expense | 6 | **-** | (185,092) | **-** | (185,092) |
| **Net profit/(loss) after tax for the year** | | **(1,247,317)** | (957,116) | **(1,085,723)** | (959,581) |
| **Other Comprehensive Income** | | | | | |
| Change in fair value - Investment | 4 | **-** | (10,152,731) | **-** | (10,152,731) |
| De-merger and distribution in specie | | **1,209,133** | - | **2,058,805** | - |
| Tax expenses | | **-** | - | **-** | - |
| Other comprehensive income after tax | | **1,209,133** | (10,152,731) | **2,058,805** | (10,152,731) |
| Total comprehensive income | | **(38,184)** | (11,109,847) | **973,082** | (11,112,312) |
| Non-Controlling Interest | | **-** | - | **-** | - |
| **Total Comprehensive (loss)/ Income attributable to members of Raffles Capital Limited** | | **(38,184)** | (11,109,847) | **973,082** | (11,112,312) |
| **Earnings/(loss) per Share** | | **Cents** | Cents | | |
| Basic earnings/(loss) per share (cents) | 16 | **(0.18)** | (46.39) | | |
| Diluted earnings/(loss) per share (cents) | 16 | **(0.14)** | (33.72) | | |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2015**

| | Notes | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **$** | $ | **$** | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **263,739** | 468,591 | **263,739** | 468,591 |
| Trade and other receivables | 8 | **352,995** | 9,598 | **352,995** | 9,598 |
| Financial assets | 9 | **10** | 693,134 | **10** | 135 |
| Other current assets | | **314** | 325 | **314** | 325 |
| Total current assets | | **617,058** | 1,171,648 | **617,058** | 478,649 |
| **Non-current assets** | | | | | |
| Trade and other receivables | 8 | **-** | - | **81,324** | 80,265 |
| Financial assets | 9 | **-** | 3,729,600 | **1,000,301** | 4,423,000 |
| Plant & equipment | 10 | **-** | 460 | **-** | 460 |
| Other non-current assets | | **-** | - | **-** | - |
| Total non-current assets | | **-** | 3,730,060 | **1,081,625** | 4,503,725 |
| **Total Assets** | | **617,058** | 4,901,708 | **1,698,683** | 4,982,374 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | **24,065** | 83,372 | **13,858** | 83,372 |
| Total current liabilities | | **24,065** | 83,372 | **13,858** | 83,372 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 11 | **-** | 1,741,054 | **-** | 1,741,154 |
| Deferred tax liabilities | | **-** | - | **-** | - |
| Total Non-current liabilities | | **-** | 1,741,054 | **-** | 1,741,154 |
| **Total Liabilities** | | **24,065** | 1,824,426 | **13,858** | 1,824,526 |
| **Net Assets** | | **592,993** | 3,077,282 | **1,684,825** | 3,157,848 |
| **EQUITY** | | | | | |
| Issued Capital | 12 | **9,451,897** | 11,898,002 | **9,451,897** | 11,898,002 |
| Retained profits / (accumulated losses) | 13 | **(8,858,904)** | (8,820,720) | **(7,767,072)** | (8,740,154) |
| **Total equity attributable to equity holder of parent equity** | | **592,993** | 3,077,282 | **1,684,825** | 3,157,848 |
| **Non-controlling interest** | | **-** | - | **-** | - |
| **Total Equity** | | **592,993** | 3,077,282 | **1,684,825** | 3,157,848 |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the Year Ended 31 December 2015**

| Consolidated | Notes | Issued Capital $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 January 2015** | 12 | **11,898,002** | **(8,820,720)** | **3,077,282** |
| Capital reduction and distribution in specie | | **(5,184,277)** | **-** | **(5,184,277)** |
| Share issued | | **350,000** | **-** | **350,000** |
| Share issued in lieu of services | | **400,000** | **-** | **400,000** |
| Convertible note conversion | | **2,000,000** | **-** | **2,000,000** |
| Share issuing cost | | **(11,828)** | **-** | **(11,828)** |
| Profit/(loss) for the year | | **-** | **(38,184)** | **(38,184)** |
| **Balance at 31 December 2015** | 12 | **9,451,897** | **(8,858,904)** | **592,993** |
| Balance at 1 January 2014 | | 11,698,002 | 2,289,127 | 13,987,129 |
| Profit/(loss) for the year | | - | (11,109,847) | (11,109,847) |
| Share palcement | | 200,000 | - | 200,000 |
| Balance at 31 December 2014 | 12 | 11,898,002 | (8,820,720) | 3,077,282 |

| Parent Entity | Notes | Issued Capital $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 January 2015** | 12 | **11,898,002** | **(8,740,154)** | **3,157,848** |
| Capital reduction and distribution in specie | | **(5,184,277)** | **-** | **(5,184,277)** |
| Share issued | | **350,000** | **-** | **350,000** |
| Share issued in lieu of services | | **400,000** | **-** | **400,000** |
| Convertible note conversion | | **2,000,000** | **-** | **2,000,000** |
| Share issuing cost | | **(11,828)** | **-** | **(11,828)** |
| Profit/(loss) for the year | | **-** | **973,082** | **973,082** |
| **Balance at 31 December 2015** | 12 | **9,451,897** | **(7,767,072)** | **1,684,825** |
| Balance at 1 January 2014 | | 11,698,002 | 2,372,158 | 14,070,160 |
| Share placement | | 200,000 | - | 200,000 |
| Profit/(loss) for the year | | - | (11,112,312) | (11,112,312) |
| Balance at 31 December 2014 | 12 | 11,898,002 | (8,740,154) | 3,157,848 |

The above statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the Year Ended 31 December 2015**

| | Notes | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **$** | $ | **$** | $ |
| **Cash flows from operating activities** | | | | | |
| Receipt from customers | | **-** | - | **-** | - |
| Payments to suppliers and employees | | **(645,636)** | (1,236,127) | **(644,477)** | (1,254,695) |
| Interest received | | **10** | 26 | **10** | 148 |
| Interest paid | | **-** | - | **-** | (3) |
| **Net cash (used in)/provided by operating activities** | 21 | **(645,626)** | (1,236,101) | **(633,467)** | (1,254,550) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of investment | | **-** | 3,752,082 | **-** | 3,752,082 |
| Acquisition of Investment | | **-** | (1,557,101) | **-** | (1,557,101) |
| (Advance to) / repayment from other parties | | **(47,398)** | (1,207,266) | **(47,398)** | (1,207,266) |
| (Advance to) / repayment from controlled parties | | **-** | - | **(1,159)** | 18,449 |
| **Net cash provided by/(used in) investing activities** | | **(47,398)** | 987,715 | **(48,557)** | 1,006,164 |
| **Cash flows from financing activities** | | | | | |
| Shares issued - parent entity | | **-** | 200,000 | **-** | 200,000 |
| Share issue cost - parent entity | | **(11,828)** | - | **(11,828)** | - |
| Convertible note issued | | **500,000** | 500,000 | **500,000** | 500,000 |
| **Net cash provided by/(used in) financing activities** | | **488,172** | 700,000 | **488,172** | 700,000 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(204,852)** | 451,614 | **(204,852)** | 451,614 |
| Cash and cash equivalents at the beginning of the financial period | | **468,591** | 16,977 | **468,591** | 16,977 |
| **Cash and cash equivalents at the end of the financial period** | 7 | **263,739** | 468,591 | **263,739** | 468,591 |

The above statement should be read in conjunction with the accompanying note

# NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended 31 December 2015**

## 1. CORPORATE INFORMATION

The consolidated financial statements and notes of Raffles Capital Limited (the **Company**) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors and covers the Company as an individual entity as well as the Consolidated Entity consisting of the Company and its subsidiaries as required by the *Corporations Act 2001*.

The consolidated financial statements and notes is presented in Australian currency.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncement of the Australian Accountancy Standards Board and the *Corporations Act 2001*.

*Statement of compliance*

Australian Accounting Standards (**'AASBs'**) include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial report of Raffles Capital Limited complies with International Financial Reporting Standards.

*Critical accounting estimates and assumptions*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

- Impairment of assets
- The Company assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

*Critical judgements*

Management has made the following judgements when applying the Group's accounting policies:

- Recognition of deferred tax assets
- In line with the Group's accounting policy (Note 2f) and as disclosed in Note 6, deferred tax assets have not been recognised.

- Measurement of financial assets
- If there is an active market for financial assets they have been fair valued in line with market prices, if not they are carried at cost.

*Going Concern*

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention except for where noted in these accounting policies.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### b. Principles of consolidation

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Raffles Capital Limited ("the parent entity") as at reporting date and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Raffles Capital Limited.

*Investments in Associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

### c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### d. Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Raffles Capital Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

*(iii) Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale where applicable.

### e. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of Goods*

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

*Interest*

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### f. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian Taxation law. Raffles Capital Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries. These amounts are recognised as current inter-company receivables or payables.

### g. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**h. Cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 6 months, net of bank overdrafts.

**i. Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

**j. Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

**k. Financial instruments**

*Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;

(d) and less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*(i) Financial assets at fair value through profit or loss*

*Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.*

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.) If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

*(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of Profit or Loss and Other Comprehensive Income.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**l. Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Consolidated Statement of Financial Position date. The quoted market price used for financial assets held by entities in the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the Consolidated Entity use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the Consolidated Entity for similar financial instruments.

*Fair Value Measurement*

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### m. Property, plant and equipment

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method, over their estimated useful lives, as follows:

- Plant and equipment 5 – 15 years
- Buildings 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Profit or Loss and other Comprehensive Income.

### n. Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually. Changes in fair values are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of other income.

### o. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### p. Contributed equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### q. Share-based payments

Ownership-based remuneration is provided to employees via an employee share option plan. Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each Statement of Financial Position date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

### r. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### s. Discontinued operations

The trading results for business operations disposed during the year are disclosed separately as discontinued operations in the income statement. The amount disclosed includes any related impairment losses recognised and any gains or losses arising on disposal.

### t. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. There are no material adjustments from these standards and interpretations.

## 3. FINANCIAL RISK MANAGEMENT

### a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function is to also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Financial assets** | **$** | $ | **$** | $ |
| **Current** | | | | |
| Cash and cash equivalents | **263,739** | 468,591 | **263,739** | 468,591 |
| Trade and other receivables | **352,995** | 9,598 | **352,995** | 9,598 |
| Financial assets | **10** | 693,134 | **10** | 135 |
| **Non-Current** | | | | |
| Financial Assets | **-** | 3,729,600 | **1,000,301** | 4,423,000 |
| | **616,744** | 4,900,923 | **1,617,045** | 4,901,324 |
| **Financial liabilities** | | | | |
| **Current** | | | | |
| Trade and other payables | **24,065** | 83,372 | **13,858** | 83,372 |
| **Non-Current** | | | | |
| Other payable | **-** | 1,741,054 | **-** | 1,741,154 |
| | **24,065** | 1,824,426 | **13,858** | 1,824,526 |

### b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group excluding the available for sale financial assets.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets, as summarised under note (a) above.

The maximum exposure to credit risk at balance date, all located in Australia, as summarised under note (a) above.

## 3. FINANCIAL RISK MANAGEMENT continued

### c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. Bank loans and payable are details below. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities. The company manages liquidity risk by monitoring forecast cash flow and maturity profiles of financial assets and liabilities to ensure adequate liquid funds are maintained.

**Maturity analysis of financial assets**

| Consolidated 2015 | Carrying Amount $ | Contractual Cash flows $ | < 6 mths $ | 6- 12 mths $ | 1-3 years $ | > 3 years $ |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Cash and cash equivalent | **263,739** | **263,739** | **263,739** | **-** | **-** | **-** |
| Trade and other receivables | **352,995** | **352,995** | **2,995** | **350,000** | **-** | **-** |
| Financial assets | **10** | **-** | **-** | **-** | **-** | **-** |
| **Non-current** | | | | | | |
| Financial assets | **-** | **-** | **-** | **-** | **-** | **-** |
| Total financial assets | **616,744** | **616,734** | **266,734** | **350,000** | **-** | **-** |
| **Consolidated 2014** | | | | | | |
| **Current** | | | | | | |
| Cash and cash equivalent | 468,591 | 468,591 | 468,591 | - | - | - |
| Trade and other receivables | 9,598 | 9,598 | 9,598 | - | - | - |
| Financial assets | 693,134 | - | - | - | - | - |
| **Non-current** | | | | | | |
| Financial assets | 3,729,600 | - | - | - | - | - |
| Total financial assets | 4,900,923 | 478,189 | 478,189 | - | - | - |

| Parent Entity 2015 | Carrying Amount $ | Contractual Cash flows $ | < 6 mths $ | 6- 12 mths $ | 1-3 years $ | > 3 years $ |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Cash and cash equivalent | **263,739** | **263,739** | **263,739** | **-** | **-** | **-** |
| Trade and other receivables | **352,995** | **352,995** | **2,995** | **350,000** | **-** | **-** |
| Financial assets | **10** | **-** | **-** | **-** | **-** | **-** |
| **Non-current** | | | | | | |
| Financial assets | **1,000,301** | **-** | **-** | **-** | **-** | **-** |
| Total financial assets | **1,617,045** | **616,734** | **266,734** | **350,000** | | |
| **Parent Entity 2014** | | | | | | |
| **Current** | | | | | | |
| Cash and cash equivalent | 468,591 | 468,591 | 468,591 | - | - | - |
| Trade and other receivables | 9,598 | 9,598 | 9,598 | - | - | - |
| Financial assets | 135 | - | - | - | - | - |
| **Non-current** | | | | | | |
| Financial assets | 4,423,000 | - | - | - | - | - |
| Total financial assets | 4,901,324 | 478,189 | 478,189 | - | - | - |

**3. FINANCIAL RISK MANAGEMENT continued**

**Maturity analysis of financial liabilities**

| Consolidated 2015 | Carrying Amount $ | Contractual Cash flows $ | < 6 mths $ | 6- 12 mths $ | 1-3 years $ | > 3 years $ |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Trade and other payables | **24,065** | **24,065** | **24,065** | **-** | **-** | **-** |
| **Non-current** | | | | | | |
| Trade and other payables | **-** | **-** | **-** | **-** | **-** | **-** |
| Total financial liabilities | **24,065** | **24,065** | **24,065** | **-** | **-** | **-** |
| **Consolidated 2014** | | | | | | |
| **Current** | | | | | | |
| Trade and other payables | 83,372 | 83,372 | 83,372 | - | - | - |
| **Non-current** | | | | | | |
| Trade and other payables | 1,741,054 | 1,741,054 | - | - | 1,741,054 | - |
| Total financial liabilities | 1,824,426 | 1,824,426 | 83,372 | - | 1,741,054 | - |

| Parent Entity 2015 | Carrying Amount $ | Contractual Cash flows $ | < 6 mths $ | 6- 12 mths $ | 1-3 years $ | > 3 years $ |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Trade and other payables | **13,858** | **13,858** | **13,858** | **-** | **-** | **-** |
| **Non-current** | | | | | | |
| Other liabilities | **-** | **-** | **-** | **-** | **-** | **-** |
| Total financial liabilities | **13,858** | **13,858** | **13,858** | **-** | **-** | **-** |
| **Parent Entity 2014** | | | | | | |
| **Current** | | | | | | |
| Trade and other payables | 83,372 | 83,372 | 83,372 | - | - | - |
| **Non-current** | | | | | | |
| Other liabilities | 1,741,154 | 1,741,054 | - | - | 1,741,054 | - |
| Total financial liabilities | 1,824,526 | 1,824,426 | 83,372 | - | 1,741,054 | - |

### 3. FINANCIAL RISK MANAGEMENT continued

#### d. Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

*(i) Interest rate risk*

The Group does not apply hedge accounting.

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's short term deposits held.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

| | Carry Amount AUD | +1% of AUD Interest Rate | -1% of AUD Interest Rate |
|---|---|---|---|
| **Consolidated 2015** | **$** | **$** | **$** |
| Cash equivalents | **263,739** | **2,637** | **(2,637)** |
| Tax charge of 30% | **-** | **(791)** | **791** |
| After tax increase/(decrease) | **263,739** | **1,846** | **(1,846)** |
| **Consolidated 2014** | | | |
| Cash equivalents | 468,591 | 4,686 | (4,686) |
| Tax charge of 30% | - | (1,406) | 1,406 |
| After tax increase/(decrease) | 468,591 | 3,280 | (3,280) |

## 3. FINANCIAL RISK MANAGEMENT continued

### Market risk continued

*(ii) Currency risk*

The consolidated entity and parent entity were not exposed to foreign currency risk.

*(iii) Other price risk*

The Group takes advice from professional advisers as to when to sell shares quoted at market value.

| | Carrying amount | +10% Profit & Loss | -10% Profit & Loss |
|---|---|---|---|
| **Consolidated 2015** | **$** | **$** | **$** |
| Shares in other entities at fair value | **10** | **1** | **(1)** |
| Tax charge (30%) | | | |
| After tax increase/(decrease) | **10** | **1** | **(1)** |
| **Consolidated 2014** | | | |
| Shares in other entities at fair value | 4,422,734 | 442,273 | (442,273) |
| Tax charge (30%) | - | (132,682) | 132,682 |
| After tax increase/(decrease) | 4,422,734 | 309,591 | 309,591 |
| **Parent Entity 2015** | | | |
| Shares in other entities at fair value | **1,000,311** | **100,031** | **(100,031)** |
| Tax charge (30%) | **-** | **(30,009)** | **30,009** |
| After tax increase/(decrease) | **1,000,311** | **70,022** | **(70,022)** |
| **Parent Entity 2014** | | | |
| Shares in other entities at fair value | 4,423,135 | 442,314 | (442,314) |
| Tax charge (30%) | - | (132,694) | 132,694 |
| After tax increase/(decrease) | 4,423,135 | 309,620 | (309,620) |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| **Concentration of risk 2015** | **$** | **%** | **$** | **%** |
| **Financial assets** | | | | |
| Equity share investment in | | | | |
| Other share investments | **10** | **100%** | **10** | **-** |
| Controlled entities | **-** | **-** | **1,000,301** | **100%** |
| | **10** | **100%** | **1,000,311** | **100%** |

There is no other concentration of risk.

## 3. FINANCIAL RISK MANAGEMENT continued

### e. Capital risk Management

In managing its capital, the Group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'Financial liabilities' and 'trade and other payables' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position (including minority interest) plus net debt.

It is the Group's policy to maintain its gearing ratio at a healthy and manageable level. The Group's gearing ratio at the Statement of Financial Position date is nil (2014: nil)

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

## 4. REVENUE

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| **Revenue from continuing operations** | | | | |
| Fee income | **-** | - | **-** | - |
| Interest Income | **10** | 11,936 | **10** | 11,936 |
| | **10** | 11,936 | **10** | 11,936 |
| **Other income and expenses** | | | | |
| Gain/(loss) on disposal of investment | **-** | 693,702 | **-** | 693,702 |
| Other | **(14)** | 43,174 | **(9)** | 43,174 |
| | **(14)** | 736,876 | **(9)** | 736,876 |
| **Other comprehensive income** | | | | |
| De-merger and distribution in specie | **1,209,133** | - | **2,058,805** | - |
| Change in fair value of investment | | | | |
| - impairment losses | **-** | (10,152,731) | **-** | (10,152,731) |

## 5. EXPENSES

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| Profit/(loss) before income tax is arrived after (charging)/crediting the following specific expenses: | | | | |
| Administration expenses | | | | |
| Consulting fee | **(493,050)** | (191,795) | **(492,550)** | (191,795) |
| Director fee and other costs | **(377,000)** | (180,000) | **(347,000)** | (180,000) |
| Finance expenses | | | | |
| Interest paid | **(30,817)** | (107,726) | **(30,187)** | (107,726) |
| Doubtful debt provision | **-** | (78,000) | **-** | (78,000) |
| Depreciation and amortisation | **(460)** | (334) | **(460)** | (334) |

## 6. INCOME TAX

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| **a. Income tax expense/(benefit)** | | | | |
| Current tax/(benefit) | **-** | - | - | - |
| Overprovision for income tax in prior years | **-** | - | - | - |
| Deferred tax expense | **-** | - | - | - |
| Total Income tax expenses | **-** | - | - | - |
| **b. Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Deferred income tax (revenue) expense included in income tax expense comprises of: | | | | |
| (Increase) in deferred tax assets | - | - | - | - |
| Increase in deferred tax liabilities | - | - | - | - |
| | - | - | - | - |
| (Loss)/Profit from continuing operations before income tax expense | **(38,184)** | (11,109,847) | **973,082** | (11,112,312) |
| Permanent differences | | | | |
| Income tax expense/(benefit) calculated at 30% (2014:30%) | **(11,455)** | (3,332,954) | **(56,112)** | (3,333,694) |
| Temporary differences and tax losses not brought to account | **11,455** | 3,332,954 | **56,112** | 3,333,694 |
| | **-** | - | **-** | - |

**c. Unrecognised deferred tax assets and liabilities**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items : | | | | |
| Prior year unrecognised tax losses now ineligible due to change in tax consolidation group | **-** | - | **-** | - |
| Other deductible temporary differences | **(380)** | 694,693 | **(380)** | 697,160 |
| Deferred tax asset in respect of exploration activities not brought to account | **-** | - | - | - |
| Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset | **-** | - | - | - |
| | **(380)** | 694,693 | **(380)** | 697,160 |
| Potential (benefit)/expense at 30% (2014 : 30%) | **(114)** | 208,408 | **114** | 209,148 |

## 6. INCOME TAX continued

### d. Deferred tax asset

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| Deferred tax asset comprises temporary differences attributable to: | | | | |
| Accrued audit fees | **(114)** | - | **(114)** | - |
| Accrued directors fees | **-** | - | **-** | - |
| Accrued legal fees | **-** | - | **-** | - |
| Accrued accounting fees | **-** | - | **-** | - |
| Accrued superannuation | **-** | - | **-** | - |
| Sundry creditors | **-** | - | **-** | - |
| Unrealised foreign exchange losses | **-** | - | **-** | - |
| Total deferred tax assets | **(114)** | - | **(114)** | - |
| Deferred tax asset not brought to | **114** | - | **114** | - |
| Net deferred tax asset | **-** | - | **-** | - |
| Deferred tax liability comprises temporary differences attributable to: | | | | |
| Accrued interest income | **-** | - | **-** | - |
| Net deferred tax asset/(liability) | **-** | - | **-** | - |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |

### e. Deferred tax liabilities

| | | | | |
|---|---|---|---|---|
| Deferred tax liabilities comprise temporary differences attributable to: | | | | |
| Amounts recognised directly in equity revaluations of land and buildings | - | - | - | - |
| Amounts recognised in profit and loss | - | - | - | - |
| Financial assets | - | - | - | - |

## 7. CASH AND CASH EQUIVALENTS

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |
| Cash at bank and on hand | **263,739** | 468,591 | **263,739** | 468,591 |
| Deposits at bank- held on trust | **-** | - | **-** | - |
| | **263,739** | 468,591 | **263,739** | 468,591 |
| Weighted average interest rate | **0.00%** | 0.00% | **0.00%** | 0.00% |

**Interest risk exposure**

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

## 8. TRADE AND OTHER RECEIVABLES

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Share placement fund held in trust | **350,000** | - | **350,000** | - |
| Receivable – GST | **2,995** | 9,598 | **2,995** | 9,598 |
| Receivable – related entity | **882,924** | 78,000 | **-** | 78,000 |
| Provision for doubtful debt | **(882,924)** | (78,000) | **-** | (78,000) |
| | **352,995** | 9,598 | **352,995** | 9,598 |
| **Non-Current** | | | | |
| Advances to controlled entities | **-** | - | **81,324** | 80,265 |
| | **-** | - | **81,324** | 80,265 |

Further information relating to advances to controlled entities is set out in note 22.

**a. Impaired receivables and receivables past due**

None of the current or non-current receivables are impaired or past due but not impaired.

**b. Other receivables**

*Receivables – GST*

These amounts relating to receivables for GST paid.

*Receivables – Related entity*

The company transferred equity share investment to one related entity amounted $78,000 during the year. The balance remained outstanding and full provision for doubtful debt was made in 2014. The receivable was transferred to RaffleCo Limited under distribution in specie.

*Advances to controlled entities*

The advances are non-interest bearing, no securities and with no fixed term of repayment.

**c. Interest rate risk**

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

**d. Fair value and credit risk**

*Current trade and other receivables*
Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value.
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

*Non-current trade and other receivables*
The fair values and carrying values of non-current receivables are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | $ | $ | $ | $ |
| **Consolidated** | | | | |
| Advances to other entities | **-** | **-** | - | - |
| **Parent Entity** | | | | |
| Advances to controlled entities | **81,324** | **81,324** | 80,265 | 80,265 |

All non-current controlled entities receivables are interest free and are repayable on demand. The fair value is approximately equivalent to the carrying value.

**e. Bad and doubtful debts**

There is no bad and doubtful receivables written down or written off during the year ended 31 December 2015. A provision for doubtful debt of $882,924 was made as at reporting date.

## 9. FINANCIAL ASSETS

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Listed equity share investment | **10** | 693,134 | **10** | 135 |
| | **10** | 693,134 | **10** | 135 |
| **Non-Current** | | | | |
| Equity share investment in : | | | | |
| Hudson Investment Group Limited (ASX: HGL) | **-** | 3,729,600 | **-** | - |
| Investment in controlled entities | **-** | - | **1,000,301** | 4,423,000 |
| | **-** | 3,729,600 | **1,000,301** | 4,423,000 |

Financial assets are recorded by marking to market value.

The fair value is approximately equivalent to market value.

## 10. PLANT AND EQUIPMENT

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |
| Plant and equipment – at cost | **1,669** | 794 | **1,669** | 794 |
| Less: Accumulated depreciation | **(1,669)** | (334) | **(1,669)** | (334) |
| Total plant and equipment – net | **-** | 460 | **-** | 460 |

**Reconciliations**

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

| | | | | |
|---|---|---|---|---|
| **Carrying amount at beginning at year** | **460** | 794 | **460** | 794 |
| Additions | **-** | - | **-** | - |
| Depreciation | **(460)** | (334) | **(460)** | (334) |
| **Carrying amount at end of year** | **-** | 460 | **-** | 460 |

## 11. TRADE AND OTHER PAYABLES

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| **Current** | | | | |
| Trade payables | **3,108** | 71,572 | **3,108** | 71,572 |
| Other payables and accruals | **20,957** | 11,800 | **10,750** | 11,800 |
| | **24,065** | 83,372 | **13,858** | 83,372 |
| **Non-current** | | | | |
| Advance from other entities | **-** | 1,241,054 | **-** | 1,241,054 |
| 2 years 8.8% convertible note (note) | **-** | 500,000 | **-** | 500,000 |
| Advance from controlled entities | **-** | - | **-** | 100 |
| | **-** | 1,741,054 | **-** | 1,741,154 |

Note: 2 years convertible note is convertible to 5 million Raffles Capital Limited shares. The convertible note holder also receives 5 million option.

## 12. CONTRIBUTED EQUITY

| | Consolidated and Parent entity | | Consolidated and Parent entity | |
|---|---|---|---|---|
| | **2015 Shares** | 2014 Shares | **2015 $** | 2014 $ |
| Share capital issued | **26,100,186** | 24,700,359 | **9,451,897** | 11,898,002 |

### a. Movements in ordinary share capital during the year

**Consolidated**

| Date | Details | No. of shares | Issue Price $ |
|---|---|---|---|
| 31 Dec 2014 | Balance | **24,700,359** | **11,898,002** |
| Feb 2015 | Capital reduction and distribution in specie | **(14,350,173)** | **(5,184,277)** |
| May 2015 | Share issued in lieu of services | **4,000,000** | **400,000** |
| Jun 2015 | Convertible note conversion | **10,000,000** | **2,000,000** |
| Dec 2015 | Share placement | **1,750,000** | **350,000** |
| | Sharing issuing cost | **-** | **(11,828)** |
| 31 Dec 2015 | Balance | **26,100,186** | **9,451,897** |

### b. Terms and conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

### c. Options

There are 5,000,000 options granted or issued over unissued shares during the year.

### d. Performance Options

No options were granted and issued during the year.

## 13. RETAINED PROFITS/(ACCUMULATED LOSSES)

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** $ | 2014 $ | **2015** $ | 2014 $ |
| **Movements in retained profits/(accumulated losses)** | | | | |
| Balance at the beginning of the year | **(8,820,720)** | 2,289,127 | **(8,740,154)** | 2,372,158 |
| Net profit/(loss) for the year | **(38,184)** | (11,109,847) | **973,082** | (11,112,312) |
| Balance at the end of the year | **(8,858,904)** | (8,820,720) | **(7,767,072)** | (8,740,154) |

## 14. KEY MANAGEMENT PERSONNEL DISCLOSURE

### a. Directors

The following persons were Directors of the Company during the whole financial year unless otherwise stated:

| | | |
|---|---|---|
| Dr Charlie In | Non-Executive Chairman | |
| Abigail Zhang | Executive Director | appointed 3 Mar 2015 |
| Richard Holstein | Non-Executive Director | |
| Benjamin Amzalak | Non-Executive Director | |
| Tan Sri Ibrahim Menudin | Non-Executive Director | retired 3 Mar 2015 |

### b. Other key management personnel

The following persons were other key management personnel of the Group during the financial year:

| | | |
|---|---|---|
| Henry Kinstlinger | Company Secretary | |
| Julian Rockett | Joint Company Secretary | resigned 15 Mar 2016 |
| Francis Choy | Chief Financial Officer | |

### c. Directors and key management personnel compensation

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has detailed disclosed in the Directors' report. The relevant information can be found in the Remuneration Report on pages 10 to 11.

Details of remuneration

Details of the remuneration of each Director of the Company and its subsidiaries are set out in the following tables. All elements of remuneration are not directly related to performance.

**14. KEY MANAGEMENT PERSONNEL DISCLOSURE continued**

| | Short term benefits | | Post-employment benefits | Long term benefits | | |
|---|---|---|---|---|---|---|
| | **Cash salary and fees** | **Non-monetary benefits** | **Super-annuation** | **Long Service Leave** | **Share based payments** | **Total** |
| **Consolidated** | **$** | **$** | **$** | **$** | **$** | **$** |
| **2015** | | | | | | |
| **Directors** | | | | | | |
| Charlie In | **99,000** | - | - | - | - | **99,000** |
| Abigail Zhang | **153,000** | - | - | - | - | **153,000** |
| Richard Holstein | **40,000** | - | - | - | - | **40,000** |
| Benjamin Amzalak | **40,000** | - | - | - | - | **40,000** |
| Tan Sri Ibrahim Menudin | - | - | - | - | - | - |
| Directors – Total | **332,000** | - | - | - | - | **332,000** |
| **Other KMP** | | | | | | |
| Julian Rockett | **-** | - | - | - | - | **-** |
| Henry Kinstlinger | **21,000** | - | - | - | - | **21,000** |
| Francis Choy | **-** | - | - | - | - | **-** |
| KMP – Total | **21,000** | - | - | - | - | **21,000** |
| **Consolidated** | $ | $ | $ | $ | $ | $ |
| **2014** | | | | | | |
| **Directors** | | | | | | |
| Charlie In | - | - | - | - | - | - |
| Abigail Zhang | - | - | - | - | - | - |
| Richard Holstein | - | - | - | - | - | - |
| Benjamin Amzalak | - | 8,100 | - | - | - | 8,100 |
| Tan Sri Ibrahim Menudin | - | - | - | - | - | - |
| Vincent Tan | 180,000 | 8,100 | - | - | - | 188,100 |
| Richard Yap | - | - | - | - | - | - |
| Directors – Total | 180,000 | 16,200 | - | - | - | 196,200 |
| **Other KMP** | | | | | | |
| Julian Rockett | - | - | - | - | - | - |
| Henry Kinstlinger | - | - | - | - | - | - |
| Luisa Tan | 183,120 | - | - | - | - | 183,120 |
| Francis Choy | - | - | - | - | - | - |
| KMP – Total | 183,120 | - | - | - | - | 183,120 |

The amounts reported represent the total remuneration paid by entities in the Raffles Capital Group of companies in relation to managing the affairs of all the entities within the Raffles Capital Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

## 14. KEY MANAGEMENT PERSONNEL DISCLOSURE continued

### d. Equity instrument disclosures relating to director and key management personnel

*Share holdings*

The numbers of shares in the company held during the financial year by each Director of the Company are set out below. There were no shares granted during the reporting period as remuneration.

| **Directors of Raffles Capital Limited 2015** | **Balance at the start of the year** | **Acquired during the year** | **Other changes during the year** | **Balance at the end of the year** |
|---|---|---|---|---|
| **Ordinary shares – Direct Interest** | | | | |
| Charlie In | - | - | - | - |
| Abigail Zhang | - | - | - | - |
| Richard Holstein | - | - | - | - |
| Benjamin Amzalak | - | - | - | - |
| **Ordinary shares – Indirect Interest** | | | | |
| Charlie In | - | - | - | - |
| Abigail Zhang | - | - | - | - |
| Richard Holstein | - | - | - | - |
| Benjamin Amzalak | - | - | - | - |

| **Directors of Raffles Capital Limited 2014** | **Balance at the start of the year** | **Acquired during the year** | **Other changes during the year** | **Balance at the end of the year** |
|---|---|---|---|---|
| **Ordinary shares – Direct Interest** | | | | |
| Charlie In | - | - | - | - |
| Abigail Zhang | - | - | - | - |
| Richard Holstein | - | - | - | - |
| Benjamin Amzalak | - | - | - | - |
| Tan Sri Ibrahim Menudin | - | - | - | - |
| Vincent Tan | - | - | - | - |
| Richard Yap | - | - | - | - |
| **Ordinary shares – Indirect Interest** | | | | |
| Charlie In | - | - | - | - |
| Abigail Zhang | - | - | - | - |
| Richard Holstein | - | - | - | - |
| Benjamin Amzalak | - | - | - | - |
| Tan Sri Ibrahim Menudin | - | - | - | - |
| Vincent Tan | 11,933,084 | 1,149,998 | - | 13,083,082 |
| Richard Yap | - | - | - | - |

### e. Loans to key management personnel

There is no loan to director and key management personnel as at reporting date.

**Terms and conditions of loans**

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

### f. Other transactions with key management personnel

There have been no other transactions with key management personnel during the reporting period.

## 15. REMUNERATION OF AUDITORS

During the year the following fees were paid and payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| **Audit services:** | | | | |
| Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group | | | | |
| Audit and review services | **24,415** | 21,190 | **24,415** | 21,190 |
| | **24,415** | 21,190 | **24,415** | 21,190 |
| **Taxation and other advisory services:** | | | | |
| Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group. | | | | |
| Taxation | **1,295** | 1,150 | **1,295** | 1,150 |
| Other advisory services | **-** | - | **-** | - |
| | **1,295** | 1,150 | **1,295** | 1,150 |

## 16. EARNINGS/(LOSS) PER SHARE

| | Consolidated | |
|---|---|---|
| | **2015** | 2014 |
| | **Cents** | Cents |
| Basic earnings/(loss) per share | **(0.18)** | (46.39) |
| Diluted earnings/(loss) per share | **(0.14)** | (32.72) |

Reconciliations of earnings used in calculating earnings per share

| | Consolidated | |
|---|---|---|
| | **2015** | 2014 |
| | $ | $ |
| Profit/(loss) from operations | **(38,184)** | (11,109,847) |
| Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share and diluted earnings per share | **(38,184)** | (11,109,847) |

| | Consolidated | |
|---|---|---|
| **Weighted average number of shares used as the denominator** | **2015** | 2014 |
| | **Number** | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **21,533,548** | 23,950,359 |
| **Adjustments for calculation of diluted earnings per share:** | | |
| Options issued | **5,000,000** | 5,000,000 |
| 2 years convertible note | **-** | 5,000,000 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | **26,533,548** | 33,950,359 |

## 17. INVESTMENT IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

| Name of entity | Class of Shares | Equity holding | | Country of incorporation |
|---|---|---|---|---|
| | | **2015** | 2014 | |
| | | **%** | % | |
| RAF1 Pty Ltd | Ordinary | **100** | 100 | Australia |
| RAF2 Pty Ltd | Ordinary | **100** | 100 | Australia |
| RAF3 Pty Ltd | Ordinary | **100** | 100 | Australia |
| Raffles Law Pty Ltd | Ordinary | **100** | 100 | Australia |
| RafflesCo Limited* | Ordinary | **-** | 100 | Australia |
| Sequoia Capital (HK) Limited ** | Ordinary | **100** | - | Hong Kong |

The proportion of ownership interest is equal to the proportion of voting power held.

*Due to de-merger process and distribution in specie

**Acquired wholly owned controlled entity for overseas operation

Each subsidiary is responsible for settling its own liabilities, and utilising its assets.

There are no contractual arrangements requiring the parent or subsidiaries to provide financial support to each other, nor is it intended to do so at this time.

## 18. COMMITMENTS

There are no other material commitments as at the date of this report.

## 19. CONTINGENCIES

**Contingent assets and liabilities**

The parent entity and Group had no material contingent assets and liabilities at the reporting date.

**Guarantees**

No material losses are anticipated in respect of any of the above contingent liabilities.

No deficiency of assets exists in the consolidated entity as a whole.

## 20. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On or around 29 March 2015, the Company agreed to the acquisition of Six Capital (FX Trading) Pte Ltd, Singapore (Six Capital) (Acquisition).

Six Capital is domiciled in Singapore. It was established in 2009 and incorporated in October 2012 to train Forex traders and provide raw trading data.

Over 20,000 students have graduated from one or more of Six Capital's courses. Six Capital is headquartered in Singapore within the Singapore Stock Exchange building. Its main business operations are in Singapore and has advanced plans to expand to Indonesia, India and China.

Six Capital forecast EBITDA for FY2015 is SGD$1 million, growing to SGD$2.7 million for FY2016 and SGD$11.3 million in FY2017.

Six Capital has a unique business model. The vast majority of Forex companies generate revenue by providing pricing, a platform or by taking orders. Six Capital charges training fees and sells data on which statistically significant signals can be created. Signals tell Forex traders when to buy, sell or not to trade. Statistically significant signals do this with accuracies exceeding 50%. Six Capital believes that combined with the right macro trends, the signals produced have accuracies of nearly 70%.

The Acquisition will constitute a change to the nature or scale of Raffles' activities and in accordance with the Listing Rules of the ASX will be considered by shareholders at the Annual General Meeting to be held in May this year. The Notice of Meeting will include information about the likely effect of the transaction on the entity's total assets, total equity interests, annual revenue and annual expenditure and will be dispatched to shareholders following review by the ASX and ASIC. An independent expert report will accompany the Notice of Meeting.

Should shareholders approve the Acquisition, RAF will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and this will be required before the completion of the Acquisition. In the event shareholders approve the Acquisition, the Company will be suspended from trading on the ASX from the date of the Annual General Meeting.

The Company will need to issue a prospectus to raise up to A$1.5 million via a public offer through the issue of up to 7,500,000 fully paid ordinary (FPO) shares, priced at $0.20 per share. The amount raised is to meet the minimum working capital requirements of the Company for re-admission.

The Acquisition will result in the issue of 40,000,000 FPO shares valued at A$0.10 per share and 60,000,000 Performance Shares.

The business being considered is well established and profitable, with good growth prospects.

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- The operations, financial years subsequent to 31 December 2015 of the Group:
- The results of those operations; or
- The state of affairs, in financial years subsequent to 31 December 2015 of the Group.

## 21. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| **Profit/(loss) after income tax expense** | **(38,184)** | (11,109,847) | **973,082** | (11,112,312) |
| Gain/(loss) on disposal of investment | **(555,970)** | (693,702) | **(1,586,051)** | (693,702) |
| Change in fair value of investment | **-** | 12,749,054 | **-** | 12,749,042 |
| Provision for doubtful debt | **-** | 78,000 | **-** | 78,000 |
| **Change in operating assets and liabilities** | | | | |
| (Increase)/decrease in receivables | **5,010** | 144,142 | **49,015** | 128,170 |
| (Increase)/decrease in other receivable | **-** | - | **-** | - |
| Increase /(decrease) in payable | **(56,482)** | 7,483 | **(69,513)** | 7,483 |
| Increase /(decrease) in other payable | **-** | - | **-** | - |
| (Increase)/decrease in deferred tax assets | **-** | 185,092 | **-** | 185,092 |
| Increase /(decrease) in deferred tax liabilities | **-** | (2,596,323) | **-** | (2,596,323) |
| **Net cash used in operating activities** | **(645,626)** | (1,236,101) | **(633,467)** | (1,254,550) |

## 22. SEGMENT NOTE

The consolidated entity operates predominately in one business and one geographical segment being strategic share investment within Australia.

| | Strategic share investment in Australia | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Revenue | | |
| - Interest income | **10** | 11,936 |
| - Net gain/(loss) on disposal | **-** | 693,702 |
| - Others | **(14)** | 43,174 |
| Total Revenue | **(4)** | 748,812 |
| | | |
| Expenses | **(1,246,853)** | (1,520,502) |
| Depreciation & amortisation expenses | **(460)** | (334) |
| **Segment results** | **(1,247,317)** | (772,024) |
| | | |
| **Assets** | | |
| Current assets | **617,058** | 1,171,648 |
| Plant & equipment | **-** | 460 |
| Other non-current assets | **-** | 3,729,600 |
| Total assets | **617,058** | 4,901,708 |
| | | |
| Current liabilities | **24,065** | (83,372) |
| Non-current liabilities | **-** | (1,741,054) |
| **Net assets** | **592,993** | 3,077,282 |

## 23. DISCONTINUED OPERATIONS

Raffles Capital Limited demerged its investment business in April 2015. That business is now owned and operated by a separate and independent holding company, RafflesCo Limited.

Schemes of arrangement for the demerger of RafflesCo Limited, and steps to implement the demerger were approved by Raffles Capital Limited shareholders at the scheme and general meetings held on 27 February 2015. Following the successful outcome of this shareholder vote and the satisfaction of other condition RafflesCo is presented in discontinued operations.

Accounting for demerger transactions is addressed in Interpretation 17: Distributions of Non-cash Assets to Owners. In accordance with this interpretation and AASB 137: Provisions, Contingent Liabilities and Contingent Assets, the demerger distributions have been measured at the fair value of RafflesCo shares. A full list of entities demerged and further information on the accounting for demerger transactions are set out in the Notice of General Meeting and Explanatory Memorandum.

## 23. DISCONTINUED OPERATIONS continued

Financial information for RafflesCo for the period up to the date of demerger and other discontinued operations is summarised below:

### a) Statement of Profit or Loss and Other Comprehensive Income and Cash Flow Information

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| Sales revenue | **-** | - |
| Other income | **-** | - |
| Operating expenses | **(345,798)** | - |
| Total operating profit | **(345,798)** | - |
| | | |
| Profit on demerger | **(1,107,377)** | - |
| Profit before tax | **761,579** | - |
| Tax expense | **-** | - |
| Profit for the year from discontinued operations | **761,579** | - |
| | | |
| Net cash (outflow)/inflow from operating activities | **(30,574)** | - |
| Net cash inflow/(outflow) from investing activities | **-** | (4,422,698) |
| Net cash outflow from financing activities | **30,574** | 4,422,698 |
| Net increase in cash and cash equivalents | **-** | - |

### b) Profit On Demerger

| | **2015** |
|---|---|
| | **$** |
| Fair value of RaffleCo Limited shares | **5,184,277** |
| Less: carrying value of net assets demerged | **(4,076,900)** |
| Profit on demerger | **1,107,377** |

### c) Statement of Financial Positon Information

| | **Demerger** | |
|---|---|---|
| The carrying amounts of assets and liabilities for discontinued operations were: | **2015** <br> **$** | 2014 <br> $ |
| **Assets** | | |
| Cash and cash equivalents | **990** | - |
| Trade and other receivables | **9,626** | - |
| Investments | **4,236,764** | 4,236,764 |
| **Total assets** | **4,247,380** | 4,422,699 |
| | | |
| **Liabilities** | | |
| Trade and other payables | **170,480** | - |
| Total Liabilities | **170,480** | - |
| **Net assets** | **4,076,900** | 4,422,699 |

## 24. RELATED PARTY DISCLOSURES

### a) Parent entities

The parent entity within the Group is Raffles Capital Limited.

### b) Subsidiaries

Interests in subsidiaries are set out in note 17.

### c) Key management personnel

Disclosures relating to key management personnel are set out in note 14.

### d) Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | $ | $ | $ | $ |
| Repayment from controlled entities | **-** | - | **-** | 18,349 |
| Repayment to controlled entities | **-** | - | **-** | - |
| Advance from controlled entities | **-** | - | **-** | - |
| Advance to controlled entities | **-** | - | **1,059** | - |

### e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | 2014 |
| | $ | $ | $ | $ |
| **Non-Current Assets** | | | | |
| Receivables controlled entities | **-** | - | **81,324** | 80,265 |
| | | | | |
| **Non-Current Liabilities** | | | | |
| Payable controlled entities | **-** | 1,241,054 | **-** | 100 |
| Advance from related entities | **-** | - | **-** | 1,241,054 |

### f) Loans to/from related parties

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | **2014** |
| | **$** | $ | **$** | **$** |
| *Advances to controlled entities* | | | | |
| Beginning of the year | **-** | **-** | **80,265** | 98,614 |
| Loan advanced | **-** | **-** | **1,059** | - |
| Loan repayments received | **-** | - | **-** | 18,349 |
| End of year | **-** | - | **81,324** | 80,265 |

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Changes In Equity, accompanying notes, are in accordance with the *Corporation Act 2001* and:
    - comply with Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    - give a true and fair view of the financial position as at 31 December 2015 and of the performance for the year ended on that date of the company and the Consolidated Entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosure included on pages 10 to 11 of the Directors Report (as part of audited Remuneration Report) for the year ended 31 December 2015, comply with Section 300A of the *Corporation Act 2001*.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of the corporation required by Section 295A of the *Corporations Act 2001*.
5. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

**Dr Charlie In**
**Chairman**

**Abigail Zhang**
**Director**

31 March 2016
Sydney

Level 6, 350 Kent Street
Sydney NSW 2000

75 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.
Chartered Accountants
ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

## INDEPENDENT AUDITOR'S REPORT

To the Members of Raffles Capital Limited

**Report on the Year End Financial Report**

We have audited the accompanying financial report of Raffles Capital Limited, which comprises the Statements of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the year end financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the year end financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free form material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Raffles Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

(a) the financial report of Raffles Capital Limited is in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b)the consolidated financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration report**

We have audited the remuneration report included on pages 10-11 of the attached report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditors Opinion**

In our opinion the remuneration report of Raffles Capital Limited for the year ended 31 December 2015 complies with s 300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants

Scott Bennison
Partner

Dated: 31/3/16

# SHAREHOLDER INFORMATION

As at 29 February 2016 *

## A. Substantial Holders

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

| | Shareholder | No. of Shares | % held |
|---|---|---|---|
| 1 | Pacific Portfolio Investments Pty Ltd | 5,966,542 | 22.86 |
| 2 | Max Strategic Ltd | 4,800,000 | 18.39 |
| 3 | New Inspiration Development Ltd | 2,700,000 | 10.34 |
| 4 | Poly-Jinsha Financial Limited | 2,500,000 | 9.58 |
| 5 | Mile Oak Investments Limited | 1,500,000 | 5.75 |
| 6 | Code Nominees Pty Ltd <Mata> | 1,392,520 | 5.34 |

## B. Distribution of Equity Securities

| Range | Total Holders | Units | % of Issued Capital |
|---|---|---|---|
| 1-1000 | 38 | 12,287 | 0.05 |
| 1,001 - 5,000 | 410 | 881,309 | 3.38 |
| 5,001 - 10,000 | 10 | 87,215 | 0.33 |
| 10,001 - 100,000 | 16 | 529,509 | 2.03 |
| 100,001 and above | 20 | 24,589,866 | 94.21 |
| **Total** | **494** | **26,100,186** | **100.00** |

## C. Unmarketable Parcels

| | Minimum Parcel size | Holders | Units |
|---|---|---|---|
| Minimum $500.00 parcel at $0.20 per unit | 2,500 | 409 | 750,631 |

## D. Twenty Largest Shareholders

The names of the twenty largest holders of quotes equity securities aggregated are listed below:

| Rank | Name | Units | % of Issued Capital |
|---|---|---|---|
| 1 | Pacific Portfolio Investments Pty Ltd | 5,966,542 | 22.86 |
| 2 | Max Strategic Ltd | 4,800,000 | 18.39 |
| 3 | New Inspiration Development Ltd | 2,700,000 | 10.34 |
| 4 | Poly-Jinsha Financial Limited | 2,500,000 | 9.58 |
| 5 | Mile Oak Investments Limited | 1,500,000 | 5.75 |
| 6 | Code Nominees Pty Ltd <Mata> | 1,392,520 | 5.34 |
| 7 | Ta Financial Services Pty Ltd | 822,304 | 3.15 |
| 8 | Raffles Nominees Pty Limited | 750,000 | 2.87 |
| 9 | Sankaranarayanan Vishwanath | 750,000 | 2.87 |
| 10 | Hudson Corporate Limited | 724,555 | 2.78 |
| 11 | Sing Capital Pty Ltd | 574,999 | 2.21 |
| 12 | Tan Thiam Hee | 500,000 | 1.92 |
| 13 | Jumplus Holdings Ltd | 500,000 | 1.92 |
| 14 | Mishtalem Pty Ltd | 500,000 | 1.92 |
| 15 | Union Pacific Trading Pty Ltd | 500,000 | 1.92 |
| 16 | Mr Richard Yap | 250,000 | 0.96 |
| 17 | Mr Lip Koon Hwang | 98,750 | 0.38 |
| 18 | Dos Equis Pty Ltd | 72,177 | 0.28 |
| 19 | Bell Superannuation Pty Ltd | 26,050 | 0.10 |
| 20 | Yanping Wu | 25,000 | 0.10 |
| **Totals: Top 20 holders of FULLY PAID SHARES** | | **24,952,897** | **95.60** |
| **Total Remaining Holders Balance** | | **1,147,289** | **4.40** |

*Consolidation of Raffles securities pursuant to the General Meeting dated 27th February 2015 occurred after this date.

**SHAREHOLDER INFORMATION continued**

## E. Voting Rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

## F. Escrowed Securities

There are no escrowed securities as of 29 February 2016.

Raffles Capital Limited

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