
RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Raffles Infrastructure Holdings Limited (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) would like to provide the following information in response to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s HY2020 financial statements filed on 14 February 2020 .

QUERY 1

Please explain why interest income amounted to only RMB 4k during the financial period ended 31 Dec 2019 (“2Q2020”) when cash and bank balance amounted to RMB 100.2 million.

RESPONSE:

The Company has placed RMB95 million into a fixed deposit account which will mature on 25 March 2020. The Company adopted the prudence concept to capture the interest income after receiving the bank confirmation slip. The Company will recognise the interest of RMB964,000 in March 2020. Going forward, the Company will accrue the interest income on a monthly basis.

QUERY 2

In its “Review of Financial Performance”, the Company stated that “no revenue was recognized in HY2020 as the Group has not received the client’s acceptance for the completed road parcels”. Please disclose the following:

- a. When was the completion of the road parcels;

RESPONSE:

There was a total of 26 road parcels, of which 5 were completed and handed over to client in FY19 and another 5 were handed over and accepted by the client in January 2020. Given the situation with COVID-19, the construction has been at a standstill till further notice.

- b. How much was the completion;

RESPONSE:

The Company has recognised a revenue of RMB189.1 million in FY2019 and RMB181.7 million in January 2020 for the completed 10 parcels of roads.

- c. Was this completion on target and does the Group’s clients have any problems on work performed;

RESPONSE:

All the road parcels were completed within the client stipulated time frame. The client has accepted these road parcels without any complaints.

- d. When is the amount expected to be paid.

RESPONSE:

The credit term given to the client is based on a progressive payment schedule for every parcel of road accepted. This is payable by the client over a period of 10 years, with an annual payment fixed at 10% of the principal sum of the road parcel, plus an interest of 8.8% per annum of the remaining receivable for the parcel. To-date, the Company has received a total payment of RMB57.9 million including a payment of RMB30.0 million in January 2020.

QUERY 3

In addition, the Company disclosed that “as at 31 December 2019, the contract assets was approximately RMB 140.2million”. Please elaborate on what is the nature of the amounts classified as “contract assets”. To provide an aging schedule in bands of 3 months for the RMB 140.2 million.

RESPONSE:

Contract assets consists of parcels of roads that are still under construction and ones that have been completed but yet to be accepted by the client. Upon every acceptance of a road parcel by the client, the Group will recognise the revenue for the relevant parcel and transfer the amount from contract assets to trade receivables.

Aging of contract assets

More than 90 days > RMB99.4 million

More than 60 days > Nil

More than 30 days > RMB40.8 million

QUERY 4

With respect to the “Administrative Expenses” of RMB5.6million in HY2020:

- a. Please provide a breakdown of the “legal and professional fees” of RMB 2.4million and what these fees relate to;

RESPONSE:

Breakdown of legal and professional fees:

	RMB
Audit fee	0.2 million
Special audit fee	0.8 million
Legal fee	0.6 million
Public relation fee	0.2 million
SGX listing fee	0.1 million
Others (including company secretarial fee, share registry, CDP listing, printers etc)	0.5 million
	<u>2.4 million</u>

- b. Please explain the reasons why “Payroll & Employees’ benefits” increased by RMB 2 million. Please provide data to explain this increase.

RESPONSE:

The payroll & employees’ benefits for HY2020 of RMB2.0 million consist of Directors remuneration of RMB0.7 million and Staff salaries and benefits of RMB1.3 million. The company resumed trading on 28 September 2018 and most of the staff only joined the company in 2019. As at 31 December 2019, the Group employed a total of 8 employees including one executive director.

QUERY 5

At paragraph 10, the Company disclosed that “the client has accepted 5 completed road parcels of revenue of approximately RMB 181.7million. With the recent outbreak of the coronavirus in China, it will affect the construction progress of our project.” Please disclose how significantly the construction progress of the project will be affected by the COVID-19. To illustrate with indicative timeline and impact on initial project completion milestones.

RESPONSE:

Out of the 26 road parcels, the Company has completed and the client has accepted 10 road parcels. The Company has 1 road parcel that is under construction and remaining 15 road parcels to be constructed. Currently, our construction team is unable to resume work without the local Government’s approval. With the construction now at a standstill and the flow of workers returning from outlying provinces at a slow rate, we are

unable to ascertain the impact on the timeline and project completion at the moment. However, the Company does not foresee any major issue with the client as they are the Province Government; 四川省宜宾市兴文县财政局.

QUERY 6

It was also disclosed in paragraph 10, that the Company is “working closely with its partners on pursuing the potential project that has been shortlisted as the upcoming one”. Please elaborate on the “potential project” and size of the project; where is the project and when will the outcome be known.

RESPONSE:

The Company has been engaging the Bangladesh Army Welfare Trust (“**Bangladesh AWT**”) to tender for a contract for a township development project (the “**Baunia Project**”) that the Bangladesh AWT is leading.

The Baunia Project sits on approximately 50 acres of land in the city of Dhaka, Bangladesh. With a construction area of about 10.8 million square feet in land area. The project value is estimated to be about USD 0.8 Billion. The objective of the Baunia Project is to develop accommodation for the middle to low-income group with civil and community facilities. The current indicative timeline from Bangladesh AWT is that the project will be awarded during First Half of 2020.

QUERY 7

With respect to paragraph 14(1), the Company disclosed that Management will be working together with the Company’s auditors to resolve outstanding audit issues. What is the status of their discussion with the auditors and what is the timeline by which the issues can be resolved.

RESPONSE:

The discussion is still on-going. The auditors will re-assess the impact of the prior year opening balances during their course of audit for FY2020.

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

25 February 2020