
RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Raffles Infrastructure Holdings Limited (the “**Company**”) and together with its subsidiaries, (the “**Group**”) would like to provide the following information in response to the queries from the Singapore Exchange Securities Trading Limited in respect of the announcement filed on 14 May 2021 in relation to the Response to Queries on the third quarter and nine months results for the period ended 31 March 2021.

QUERY 1

We note that the Company did not record a revenue for 3QFY2021. The Company stated that during 3QFY2021, the construction work for the road parcel was disrupted because of Covid-19 pandemic. Please provide updates on the Covid-19 developments, explain what the disruptions to the construction work were and specify when the construction was disrupted given that the Company was able to still operate in 1H FY2021. Please also explain what the new measures were implemented and when these were implemented that resulted in the stoppage of construction work.

RESPONSE:

The Company wishes to clarify that there was no stoppage of construction work due from Covid-19 situation. The project halted for 15 days in February 2021 solely for the purpose of breaking for the Lunar New Year holidays. However, the disruption stated in our announcement was related to the Covid-19 situation because of the overall reduction of manpower for the project after the 15 days Lunar New Year holidays whereby several construction workers could not return to work in time within the holiday period as longer duration was required to travel to and from their respective hometowns. The Company is keeping track on the progress to ensure the project meeting its milestones scheduled as timely as possible.

QUERY 2

The Company had previously disclosed that the work for the road project has been substantially completed and it is just that the payment is deferred to be collected over 10 years. Please explain why such deferred payment or revenue recognition for work already completed is not recognized by the Company in 3QFY2021. Has there been any amended agreement? If so, why were the new terms not disclosed?

RESPONSE:

The Company wishes to clarify that it has been consistently applied the same accounting policies for the revenue recognition which had also been audited since the date of signing PPP agreement. The Company will fully and only recognize the revenue for the completed road parcels upon the acceptance by the Client.

To clarify, there is no change in any terms and conditions of the agreement.

QUERY 3

We note that the Company recorded a revenue of RMB 19.07 million for 9MFY2021. Please tabulate the original revenue milestones / timeline expected from the project and the actual revenue milestones recognized. Please also explain how the balance revenue milestones will be pushed back due to disruption arising from the Covid-19 pandemic.

RESPONSE:

The Company recognized its revenue for PPP project upon the following procedures:

- 1) The client reviewed and approved all the costs incurred and the corresponding returns for each completed parcel of road submitted by the Company.

2) The client distributed 10% of total project costs to the Company upon acceptance of procedures 1) above.

The client at least will take three months to review and approve the Company's submission in terms of the time spent for inspection, audit and testing works for each completed road parcel. The Company monitors closely the collection status for each completed road parcel and there is no default payment so far.

QUERY 4

The Company stated that administrative expenses increased due to write-off of revenue of RMB 1.1 million and recognition of costs of RMB 1.1 million following a mutual agreement to terminate the business advisory service contract in January 2021 as a result of uncertainty on Covid-19 pandemic. Please disclose:

- a. With whom did the Company enter into a contract with to provide business advisory services;
- b. The circumstances leading to the termination of the advisory service contract in January 2021 by mutual agreement.
- c. Basis for the write-off of revenue of RMB 1.1 million;
- d. Nature and breakdown of the corresponding costs of RMB 1.0 million. Please explain material items; and
- e. The Board's view on whether the mutual agreement to terminate the contract is in the best interest of the Company.

RESPONSE:

- a. It is Business Service Advisory Agreement ("Agreement") which was signed between Raffles infrastructure Capital Limited ("RIC") and a third party ("Client"). RIC has signed a non-disclosure agreement with the said client, hence unable to disclose the name of the organization.
- b. RIC's intended main scope of work involves but not limited to implementing and executing a business restructuring plan, setting up of business trust and forming a key management team as well as conducting feasibility and research studies. The termination of the engagement was mutually determined after the first feasibility report was presented.
- c. The write-off of revenue was based upon the agreement on the termination of service contract.
- d. The corresponding costs of RMB1.0 million includes travelling & accommodation expenses of RMB0.3 million, business development costs of RMB0.4 million, office rental expenses of RMB0.1 million and professional fees of RMB0.2 million.
- e. The Board, after reviewing the feasibility report presented, concurs that the termination of the contract is in the best interest of the Company. This should aid RIC in preserving its resources for other opportunities.

QUERY 5

Please provide the breakdown and explain material changes in each major item for other income amounting to RMB 2.33 million for 3Q2021 and RMB 7 million for 9MFY2021 respectively.

RESPONSE:

Other income of RMB2.33 million for 3Q2021 and RMB7 million for 9MFY2021 both are relating to the unwinding of discount in conjunction with non-current trade receivables, which were carried at amortised cost, in view of time value of money. The Group has consistently applied discounting non-current trade receivables (future cash receipts) to arrive at a present value since prior financial years. Then it becomes necessary to unwind those discounts for each successive financial year until the Group receives the payment in full.

The above unwinding discount methodology is consistent with our Group auditor's approach which has been applied for the audited financial statements for FY2020.

QUERY 6

Please disclose:

- The breakdown of the Group's non-current and current trade and other receivables amounting to RMB 310.2 million;
- The nature of the non-current receivables;
- For other receivables, the underlying transactions, terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- The ageing profile of the Group's trade and other receivables in bands of 3 months;
- Whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;
- Whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;
- Whether these customers are still in operation; and
- The Board's assessment on the recoverability of the Group's trade and other receivables, and the bases for such an assessment.

RESPONSE:

Please refer to the following responses to all above queries in relation to the Group's non-current and current trade and other receivables amounting to RMB 310.2 million:

	Non-current trade and other receivables (RMB'000)	Current trade and trade receivables (RMB'000)	Nature of the transactions	Settlement after 31 March 2021
Trade receivables	281,885	12,039	It refers to trade receivables from PPP project in China. The progressive payment on each completed road parcel will be receivable over a period of 10 years upon the acceptance of the Client. The non-current trade receivables represented the payments to be received more than one year.	There was a total payment of RMB11.6 million from the Client in April 2021 in relation to the pre-operational costs incurred for all completed road parcels.
Other receivables	14,211	-	It refers to other receivables from PPP project in China. The other receivables mainly including pre-operational costs, such as architect design fee, project inspection, testing & audit fee etc.	The aging schedule of total non-current trade and other receivables of RMB296.1 million is summarized as follow: More than 1 year: RMB47.1 million More than 2 to 5 years: RMB185.7 million More than 5 years: RMB63.3 million
Amount due from related parties	-	1,341	- RMB 1.0 million - advanced to Raffles Financial Private Limited who has entered a JV partnership with the Company to become one of the shareholders in the new subsidiary; Raffles Infrastructure Capital Limited on 2 November 2020. The receivable amount is expected to be paid not later than 30 June 2021. - RMB 0.3 million - due from Cupertino Power Ltd ("CPL") who is one of the JV partners of Trust Green City project in Bangladesh. CPL has entered into a JV partnership with one of the subsidiaries of the Group to form a new subsidiary; Raffles Infrastructure Development Bangladesh Limited ("RIDB") on 1 December 2020. The receivable amount is related to the share capital injection into RIDB and is expected to be paid not later than 30 June 2021.	The receivables from related party transactions of amount RMB 1.3 million are all in the normal course of business transactions and its receivables on demand.
VAT receivables	-	681	VAT receivables shall be offset against VAT payables when due.	VAT receivables shall be offset against VAT payables when due.
Others	-	90	Miscellaneous other receivables	Miscellaneous receivables will be settled when it is due.
Total	296,096	14,151		

QUERY 7

The Company stated that the increase in non-current trade and other receivables is partly due to the unwinding of discount in conjunction with non-trade receivables of RMB6.6 million for 9MFY2021. Please elaborate how an unwinding of discount of non-trade receivables resulted in a higher value of trade and other receivables.

RESPONSE:

The increment in non-current trade and non-trade receivables from the unwinding of discount of RMB6.6 million is due to the reversal of a deduction on the receivable balance in the previous financial years in terms of the difference between carrying amount of trade and other receivables and its net present value arising from discounted future cash flow. Hence, the Company needs to reverse the deduction/unwind the discounts for each successive financial by increasing its receivables balances periodically/yearly to ultimately reach an exact original carrying amount during actual receipts.

We would emphasize the unwinding of discount is a term that is generally used in accounting and finance and not relating to any commercial terms.

QUERY 8

The Company stated that other contract assets increased to RMB 29.2 million as at 31 March 2021 mainly due to additional road construction costs of approximately RMB 23.6 million incurred for the 11th and 12th parcel of road, but not yet accepted by the client. Please disclose when was the RMB 29.2 million worth of construction work completed and why is the work still not yet accepted by the client to-date.

RESPONSE:

These additional two parcels of road commenced their construction works in July 2020 and have not yet completed. As of 31 March 2021, the two parcels are approximately 13% and 20% completed. The Company has targeted to complete these two parcels by the end of year 2021.

QUERY 9

Please disclose a breakdown of trade and other payables amounting to RMB 197.8 million. For other payables, please disclose the ageing and nature of these other payables and whether the counterparties are related parties.

RESPONSE:

	Trade and other payables (RMB'000,000)	Nature of the transactions
Trade payables	27.8	It refers to payable to our contractor – 宜宾建功路桥有限公司 (“Yibin”) who is also the shareholder of Bodao for PPP project in China. The Group has not secured any financial borrowings until today and this project has been financed by Yibin. Therefore, there is no fix repayment terms. The payment arrangement with Yibin is upon receipt of payment from the client. The aging schedule is summarized as follow: More than 90 days: RMB26.0 million More than 60 days: RMB 1.8 million More than 30 days: Nil
Amount due to shareholders	163.9	It also refers to the payable to Yibin who is the contractor of PPP project since Yibin is funding the project. The payment arrangement with Yibin is upon receipt of payment from the client.
Accruals	4.7	Accruals are mainly including professional & consultation fees, employee’s remunerations & claims and compliance costs incurred. The Company will target to settle the outstanding balance progressively after 31 March 2021.
Amount due to directors	1.0	The amount owing to directors’ fee will be settled progressively after 31 March 2021.
Other payables	0.4	Other payables mainly including payables to miscellaneous expenses incurred such as various office expenses.
Total	197.8	

QUERY 10

In relation to the Joint Venture (“JV”) for business advisory services, please disclose

- a. Background information of the JV partner, Raffles Financial Private Limited;
- b. Who are the directors and shareholders of the JV partner;
- c. What is the status of the business operations and how much revenue and profits have been generated by the JV;
- d. How much did the Company inject into the JV and the amount of loans extended by the Company and the JV partner.

RESPONSE:

- a. As disclosed on our announcement on 2 November 2020, Raffles Financial Private Limited (“RF”) is a financial service company in Singapore that provides fund investment and corporate finance advisory services.
- b. Its shareholder, Raffles Financial Group Limited, is a public listed company on Canadian Securities Exchange and its Board of Directors includes is formed by 3 individuals.
- c. The JV is still active and at the stage of developing its advisory business in China. RIC has recognised its revenue of RMB3.5 million and net loss of RMB772 for 9MFY2021.
- d. The Company subscribed to 100 shares at a consideration of HK100. Neither the Company nor the JV partner has extended any loan to the JV.

QUERY 11

In relation to the allotment of additional 500 shares of RIC, please disclose:

- a. Who is the third party that the additional shares are allotted to and whether the third party is related to the Group;
- b. For how much were the shares allotted for;
- c. The rationale for the allotment of the additional 500 shares;
- d. Who made the decision to issue the shares; and
- e. Explanation of how this is in line with the Company's objective of seeking opportunities and growth in its business operations with a diversity on revenue streams, given the dilution of the Company's shareholding in RIC.

RESPONSE:

- a. Additional shares were allotted to an entity named In Investments Limited It’s a unrelated party – In Investments Limited, an unrelated party.
- b. Additional 500 ordinary shares were allotted for HKD500.
- c. This is to reduce the exposure of investment risk in the JV in view of its current business performance and global Covid-19 pandemic.
- d. In Investments Limited approached the Board of RIC for the interest of investing in the JV. The new business arrangement had been discussed and agreed by all parties.
- e. The Board is still of view that a well-managed diversity in the commercial business can blend more talents and experiences of different resources into a cohesive, powerful, and collaborative workforce that strengthens the Company and positions it favorably for growth and business success. The dilution of the Company's shareholding in RIC is caused by the decision of allowing our new investor to invest in the JV that enable the Group to take advantage of opportunities that frequently arise in this fast-paced and dynamic especially in this uncertain period. At RIC, the team can thus leverage on emerging investment opportunities in ASEAN and complement our current Public-Private Partnership model in creating value towards a sustainable infrastructure development.

By Order of the Board
Eric Choo Han Kiat
Executive Director and Chief Executive Officer
25 May 2021