

## RESPONSE TO QUERIES FROM SGX-ST

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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 queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect to the fifth quarter financial statements for the period ended 31 March 2019 dated 14 May 2019.

### QUERY 1

We refer to Raffles Infrastructure Holdings Limited’s (the “**Company’s**”) unaudited financial statements filed on 14 May 2019. In 5Q2019, the **Company’s** expenditure on cost of sales significantly increased from merely RMB 2.2million in 5Q2018 to RMB 105.1million in 5Q2019. Please provide a breakdown of the major expenses and explain the material variances.

**RESPONSE:** The increase in cost of sales was in line with the increase in revenue. In 5Q2019, 3 road parcels have been handed to and accepted by the Client. The cost of sales of RMB2.2 million incurred in the quarter ended 31 March 2018 was mainly related to the fabric operations which the **Company** deconsolidated in 3Q2019 after the **Board** was unable to obtain any clear update on that segment of operations.

### QUERY 2

As at 31 March 2019, the **Company** recorded “construction in progress” current assets of RMB 120.5million. Please provide details of the projects in progress and whether they are on schedule. Please also disclose the **Company’s** order book.

**RESPONSE:** The project belongs to the province government, 四川省兴文县财政局, to construct 220 kilometres of rural roads for Xingwen county government comprising approximately 26 road parcels. As at 15M2019, the **Company** has handed over road parcels of RMB189.76 million in value to the Client. This project is valued at RMB550 million in total and is scheduled to complete by end of the year. The **Company’s** order book as at 31 March 2019 was the aforementioned project valued at RMB550 million.

### QUERY 3

The **Company** recorded revenue of RMB 155.94 million in 5Q2019. However, its trade receivables amount was significantly above its 5Q2019 revenue. To disclose why the **Company** is unable to collect its receivables from customers notwithstanding certificates of acceptance of work done and thereby revenue recognized.

**RESPONSE:** The credit term given to the Client is based on a progressive payment schedule for every parcel of road accepted (Parcel) by the Client. This is payable by the Client over a period of 10 years, with an annual payment amount fixed at 10% of the principal sum of the Parcel, plus an interest of

8.8% per annum of the remaining receivable for the Parcel. The Company does not foresee any collection issue given that the Client is the Provincial Government where the funds allocated for this project has already been budgeted for and approved.

**QUERY 4**

In 5Q2019, trade payables totaled RMB 162.8million. To disclose the reasons for the significant trade payables of RMB 162.8million on the back of revenue of only RMB 155.9million for 15M2019 and cash on hand of RMB 105.8million. To provide a breakdown and disclose aging schedule of these trade payables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months).

**RESPONSE:** As at 15M2019, the revenue of RMB 189.8 million consists of the value of the 5 parcels of roads that had been accepted by the Client, whereas the trade payables of RMB 162.8 million includes the cost of work from other parcels that have yet to be handed over. And this is on top of the cost of sales and other operating expenses. The ageing schedule is summarized as follow:

More than 90days > RMB 37.7 million  
More than 60days > RMB 105.1 million  
More than 30days > RMB 20 million

**QUERY 5**

The Company recorded an impairment of RMB 19.1million in 5Q2019 which was disclosed in the Consolidated Statement of Cash Flows. Please provide details of the underlying items that were impaired and the reason(s) for the impairment. What is the reason why this impairment was not disclosed as required in para 1(a)(ii) of Appendix 7.2?

**RESPONSE:** The impairment of RMB 19.1 million was a result of the deconsolidation of Simwa Knitting & Dyeing Ltd. The Board is unable to get any update on the fabrics operations during the special audit in October 2018. With no visibility on the state of the fabrics operations and no accounting records given, the Board deemed it necessary to deconsolidate the results. This amount has been recorded as Other expenses in the Group consolidated statement of comprehensive income and has been disclosed in the financial statements since 3Q2019.

**QUERY 6**

The Group had registered RMB 155.9million in revenue for its infrastructure segment in 5Q2019. Please provide details of the project(s); the size and value of the project(s), and the percentage of completion to-date for each of these project(s). To also disclose the total number of parcels received by the Group's clients as at 31 March 2019.

**RESPONSE:** Please refer to Query 2. The project was targeted to be completed no later than end 2019. As at 31 March 2019, the Client has accepted and received 5 road parcels.

**QUERY 7**

Please provide details on the status of work done on various projects and in the Company's order

book. Please disclose and elaborate on factors that will affect the Company's operations in the next reporting period and the next 12 months.

**RESPONSE:** The project is valued at RMB550 million to construct 220 kilometres of rural roads for Xingwen county government comprising approximately 26 road parcels. As at 31 March 2019, the Company has completed and handed over 5 road parcels of RMB189.76 million in value, the remaining road parcels are under construction in progress where some have been completed and pending Client's acceptance.

In relation to the geographic locations of the projects the Company has and going to invest in, there is always a certain amount of risks to be factored into.

*Please refer to the circular dated 28 August 2018 risk factors for details.*

#### **QUERY 8**

Please provide a breakdown of the Company's working capital proceeds at paragraphs 8 and 16 of the Company's announcement. At paragraph 16 in particular, the Company disclosed that part of the IPO Proceeds was used to construct new facilities and acquire new machinery. Please provide details of these new facilities and machineries and where these are situated.

**RESPONSE for para 8:** The reduction in cashflow from operations was mainly attributed to the credit term given to the Client and the payment term given to the Company by its supplier. Therefore, the amount is partially offset with the trade payables.

The use of placement proceeds utilised for working capital purposes of S\$1.7 million were:

- i) Payroll and Staff related (incl. Director Fees) of S\$0.5 million;
- ii) Operating expenses (incl. rental, stationery, entertainment, listing fees) of S\$0.34 million; and
- iii) Professional fees (incl. legal, audit, corporate secretary services) of S\$0.85 million.

**RESPONSE for para 16:** As disclosed previously, the Company is unable to confirm the utilisation of its IPO proceeds as it is awaiting the special audit report to provide clarity over the past years' state of affairs of the Company including movement of funds and subsequent follow up investigations if needed.

#### **QUERY 9**

In addition, we note that the IPO proceeds was also used to expand research and development facilities ("R&D"). Please also provide details of these R&D undertaken and the facilities expansion progress.

**RESPONSE:** As disclosed previously, the Company is unable to confirm the utilisation of its IPO proceeds as it is awaiting the special audit report to provide clarity over the past years' state of affairs of the Company including movement of funds and subsequent follow up investigations if needed.

**By Order of the Board**

**Choo Han Kiat, Eric**

**Executive Director and Chief Executive Officer**

23 May 2019