

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 10 February 2021 in relation to the second quarter half year results for the period ended 31 December 2020.

QUERY 1

We note that the percentage changes for the line items Revenue, Cost of sales, Gross profit, Other income, Income Tax, Exchange differences on translating foreign operations, net of tax, and Non-controlling interests in the consolidated statement of comprehensive income for the Group are misleading. Please disclose the accurate percentage changes on the above items.

RESPONSE: Please refer to this Consolidated Statement of Comprehensive Income for the Group displaying the changes in percentage.

	Second Quarter			Half Year		
	FY2021	FY2020	change	FY2021	FY2020	change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	4,603	-	*n.m.	20,186	-	*n.m.
Cost of sales	(1,479)	-	*n.m.	(13,165)	-	*n.m.
Gross profit	3,124	-	*n.m.	7,021	-	*n.m.
Other income	2,335	4	*n.m.	4,676	26	*n.m.
Administrative costs	(1,962)	(2,307)	-15%	(4,040)	(5,608)	-28%
Profit/(Loss) before taxation	3,497	(2,303)	252%	7,657	(5,582)	237%
Income tax	(497)	-	*n.m.	(1,471)	-	*n.m.
Profit/(Loss) after taxation	3,000	(2,303)	230%	6,186	(5,582)	211%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations, net of tax	114	-	*n.m.	108	-	*n.m.
Total comprehensive income/(loss) for the period	3,114	(2,303)	235%	6,294	(5,582)	213%
Net profit/(loss) attributable to:						
Equity holders of the company	1,585	(2,302)	169%	4,305	(5,581)	177%
Non controlling Interest	1,415	(1)	*n.m.	1,881	(1)	*n.m.
	3,000	(2,303)	230%	6,186	(5,582)	211%
Total comprehensive profit/(loss) attributable to:						
Equity holders of the parent company	1,699	(2,302)	174%	4,416	(5,581)	179%
Non controlling Interest	1,415	(1)	*n.m.	1,878	(1)	*n.m.
	3,114	(2,303)	235%	6,294	(5,582)	213%

*n.m - not meaningful

QUERY 2

Please provide the breakdown and elaborate on details of trade and other receivables amounting to RMB58.74 million and explain why this is higher than the 2Q2021 revenue of RMB4.6 million. Given that these trade and other receivables are classified as current assets, please disclose when these amounts will be paid.

RESPONSE: Please refer to the table below for the breakdown of trade and other receivables amounting to RMB58.7 million which includes revenue that was booked in previous quarters.

	RMB (million)	Settlement
Trade receivables – PPP project	52.7	The Group has received RMB40 million from the client in Feb 2021 and the remaining outstanding amount will be settled in April 2021.
Trade receivables – Business advisory service	3.4	Due in Q3 & Q4 FY 2021
Prepayments	0.9	Prepayment of sub-contractor fees shall be offset against sub-contractor fees payable when due.
Amount due from Related Party	1.3	These are related party transactions for current period.
Other receivables	0.4	VAT receivables shall be offset against VAT payables when due.
Total	58.7	

QUERY 3

As at 31 December 2020, the Group has a negative working capital, with current liabilities exceeding current assets by RMB52.11 million. Rule 1303(3) of the Listing Manual specifies that trading of the listed securities of an issuer may be suspended where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so. Please disclose the Board's assessment, including its bases of assessment, on the Company's ability to (i) operate as a going concern; (ii) meet its debt covenants; and (iii) meet its short-term obligations as and when they fall due.

RESPONSE: The Board is of view that the Company is able to (i) operate as a going concern, (ii) meet its debt covenants (iii) meet its short-term obligations as and when fall due based on the assessment that the bulk of the current liabilities is the amount due to its main contractor; 宜宾路桥, whom is also one of the shareholders of the Company's subsidiary. As disclosed in earlier announcements, the payment terms agreed with 宜宾路桥 is payment due only upon receipt of payment from the client. The Company has also worked out the progressive payment schedules with the other minor creditors, which are in line with the expected new revenue income receipt schedule expected in the coming months. In view of long-term financial sustainability, the Group is also able to meet its total liabilities as and when they fall due from receipts of total non-current trade and other receivables of RMB 292.1 million.

QUERY 4

Please elaborate on the proposed actions that management will undertake with the auditors to resolve the audit issue relating to the opening balance for FY2020. Please also provide the Board's view, including the bases of its view, of whether such actions are appropriate and adequate in addressing this audit issue.

RESPONSE: The management has been working with the auditors to address this issue. As it is an accounting issue relating to the legacy business, the auditors will be addressing it in accordance to the accounting rule moving forward.

QUERY 5

Please elaborate on the remedy actions that the Group will take to eliminate the audit issue related to the non-consolidation of certain entities due to loss of control. Please also provide the Board's view, including the bases of its view, of whether such actions are appropriate and adequate in addressing this audit issue.

RESPONSE: The Board remains its view on this matter, that it is most appropriate to de-consolidate the unverified financial data of the entity that was no longer within the Company's control. This was further supported by the Special Audit Report finalized in August 2019, where the auditors were repeatedly refused access to the alleged supporting documents during its fieldwork. The management has been working with the auditors and legal consultants to address this issue. As it is an accounting issue relating to the legacy business, the auditors will be addressing it in accordance to the accounting rule moving forward.

QUERY 6

Please disclose more information regarding the nature and scope of the business advisory service performed by Raffles Infrastructure Capital Limited ("RIC") for the infrastructure project during 2Q2021 (which generated revenue of RMB4.6 million), including but not limited to whom and for what project was the advisory provided to, the nature of the advisory provided, when was the advisory provided, and whether the client is related to the Company and/or its associates.

RESPONSE: RIC has been formally engaged by a highway project owner from Hong Kong as its business advisor in relation to a highway infrastructure project. RIC's 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. This engagement is chargeable on a retainer basis. The client is not related to the Company and its associates.

QUERY 7

In relation to the Company's explanations provided for its current assets, please disclose further information relating to the Company's receivables from business advisory fee of approximately RMB3.4 million, including but not limited to whom and for what project was the advisory provided to, the nature of the advisory provided, when was the advisory provided, why the payment has not been made by the customer, the payment terms and whether the client is related to the Company and/or its associates.

RESPONSE: With reference to the response to Query 6, the Company's receivable of approximately RMB 3.4 million is solely from the engagement advisory business stated. The client was billed for services provided in Q2 FY2021 and the billed amount is due only in Q3 & Q4 FY2021.

QUERY 8

In relation to the Company's explanations provided for its current assets, we note that there was an increase in other contract asset by RMB14.6 million due to additional road construction costs of approximately RMB 20.1 million incurred for the 11st and 12st parcel of road. The Company has stated that "[t]his construction cost for parcels of roads is incurred but not yet to be accepted by the client". Please disclose further information on the progress of this project and whether there are any delays in the project. Please also provide the payment and the completion schedules for this project.

RESPONSE: Please refer to the table schedules below for payment received and future billing/payment received:

	Current Assets FY2021 RMB mil	Non-current assets FY2021 RMB mil	Total RMB mil
Trade receivables	52.7	322.6	375.3
Adjustments for time value of money	-	(42.9)	(42.9)
Other receivables	-	12.4	12.4
Other current assets	20.1	-	20.1

Payment received:

	Aug 18	Dec 18	Jan 19	July 19	Aug 19	Sep 19	Dec 19	Jan 20	Apr 20	Aug 20	Sep 20	Dec 20	total
Billing date	10.4	7.6		0.9	30.6		14.5			32.8		20.5	117.3
Payment date			18.0			10.0		30.0	6.0		0.5		64.5

Future billing/payment dates:

	Jan 21	Aug 21	Dec 21	Jan 22	Aug 22	Dec 22	Jan 23	Aug 23
Billing date		29.0	18.1		31.2	19.4		30.0
Payment date	52.7			47.1			50.6	
	Dec 23	Jan 24	Aug 24	Dec 24	Jan 25	Aug 25	Dec 25	Jan 26
Billing date	18.0		28.0	17.5		26.5	16.5	
Payment date		48.0			45.5			43.0
	Aug 26	Dec 26	Jan 27	Aug 27	Dec 27	Jan 28	Aug 28	Dec 28
Billing date	24.1	15.1		16.4	10.2		11.8	7.4
Payment date			39.2			26.6		
	Jan 29	Aug 29	Dec 29	Jan 30	Total			
Billing date		2.0	1.3		322.5			
Payment date	19.2			3.3	375.3			

Current status of the subject construction project:

	RMB mil
Total contract value (approximately)	550.0
Total completed road parcels	439.8
Road parcels under Construction (approximately)	95.1
Remaining road parcels	15.1

The project is valued at approximately RMB550 million and involves the construction of 220 kilometers of rural roads. As of 31 December 2020, the Company has completed 10 road parcels of RMB439.8 million and is currently constructing additional 2 road (11th & 12th) parcel of approximately RMB 20.1. The project has been delaying due to the Covid-19 pandemic. However, the Company has targeted to complete the project by the end of year 2021.

QUERY 9

Please provide details of the Army Welfare Trust (“AWT”) of the People's Republic of Bangladesh and the Trust's objective and its role and purpose in the Trust Green City Township Development project (the “Project”).

RESPONSE: Please refer to the announcement released on 08 May 2020 titled ‘Entry into Memorandum of Understanding’ where the details, roles and purpose were disclosed.

QUERY 10

Please disclose further details in relation to the Project, including:

- a) why the Project is referred to as ‘Green City Township’;
- b) the Company's scope of work in the Project;
- c) the size of the contract in relation to the Company's work for the Project;
- d) the payment terms for the Project;
- e) what is the pre-commencement work to be undertaken and what more needs to be in place before the Commencement Date can be fixed;
- f) the expected timeline and key milestones, including the expected date of handover of Project Land by AWT and expected Commencement Date.

RESPONSE: Please refer to the announcement released on 08 May 2020 titled ‘Entry into Memorandum of Understanding’ and 30 November 2020 titled ‘Signing of Final Agreement – Trust Green City’, where all the details were disclosed.

QUERY 11

In the Company's 30 November 2020 announcement, it disclosed that "In accordance with the terms of the Final Agreement, the Company is required to make payment to AWT amounting to a total of US\$13 million (“Signing Money”) which will be paid by the Company after it has received all required approvals of the BIDA and all relevant authorities." Please provide details on:

- a) why the Company is required to pay this amount to its customer;
- b) whether the amount has been paid by the Company; and
- c) whether the amount is refundable.

RESPONSE:

- a) AWT is not a customer, they are the Company's partner in the development of this project. The amount is a deposit to our partner for the joint development of this project.
- b) The amount has not been paid by the Company at this stage.
- c) The amount is not refundable, it will form part of the cost of development.

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

19 February 2021