
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 November 2020 in relation to the 1Q FY2021 results.

QUERY 1

The Company explained that the increase in administrative costs from RMB 22k in 1Q2020 to RMB 2.3 million in 1Q2021 was mainly attributable to "unwinding of discount in conjunction with non-trade receivables of RMB2.0 million".

- a. Please disclose the identity and explain what were the circumstances surrounding the "unwinding of discount in conjunction with non-trade receivables of RMB 2.0million in 1Q2021.
- b. What was the discount applied to the non-trade receivables.
- c. What were the underlying transaction(s) for these "non-trade receivables"; and
- d. Please disclose the breakdown of the discount of RMB 2.0 million.

RESPONSE:

The Company wishes to clarify that it is other income which has been increased from RMB22k in 1Q2020 to RMB2.3 million in 1Q2021 and not administrative costs based on 1Q2021 announcements.

- a. 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 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 that discount for each successive financial year until the group eventually arrives the date of receipts.

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

- b. The Group uses Internal Rate of Return (IRR) which is 3.07% to perform unwinding of discount on net present value of non-current trade receivables. This IRR rate of 3.07% makes the net present value (NPV) of a project zero and please refer to the tables in point d.

IRR is derived from IRR formula in Excel sheet which is “IRR ()”. The excel formula will return an internal rate of the return depending on the output from the given parameter. It will return the value in the percentage term.

- c. The non-current trade receivables relate to the existing PPP project with the People’s Republic of China since year 2019.
- d. Please refer to table below

FY2019

Year	Financial year	Cash flows RMB	Interest Income (unwinding of discount) RMB	Year end balance RMB
0	NPV	-141,501,828.00		
1	30-Jun-20	0	4,343,687.62	145,845,515.62
2	30-Jun-21	22,220,987.88	4,477,025.98	128,101,553.71
3	30-Jun-22	23,619,890.24	3,932,338.83	108,414,002.30
4	30-Jun-23	22,457,878.48	3,327,989.23	89,284,113.04
5	30-Jun-24	21,306,780.63	2,740,758.21	70,718,090.62
6	30-Jun-25	20,165,636.28	2,170,836.23	52,723,290.57
7	30-Jun-26	19,033,569.52	1,618,449.09	35,308,170.13
8	30-Jun-27	17,909,781.51	1,083,856.40	18,482,245.02
9	30-Jun-28	16,793,543.74	567,350.26	2,256,051.54
10	30-Jun-29	2,325,305.65	69,254.11	0.00
	Effective interest rate (IRR)		3.07%	

Unwinding of discount on non-current trade receivables for FY2021 4,477,025.98
 Proportional unwinding discount for 3 months from July to Sep 2020 1,119,256.49 (A)

FY2020

Year	Financial year	Cash flows RMB	Interest Income (unwinding of discount) RMB	Year end balance RMB
0	NPV	-142,326,963.00		
1	30-Jun-21	0	4,371,857.58	146,698,820.58
2	30-Jun-22	19,472,731.53	4,506,147.94	131,732,237.00
3	30-Jun-23	24,481,965.88	4,046,419.36	111,296,690.49
4	30-Jun-24	23,231,339.24	3,418,700.65	91,484,051.89
5	30-Jun-25	21,980,712.61	2,810,115.79	72,313,455.08
6	30-Jun-26	20,730,085.97	2,221,252.53	53,804,621.63
7	30-Jun-27	19,479,459.34	1,652,716.66	35,977,878.96
8	30-Jun-28	18,228,832.70	1,105,132.57	18,854,178.83
9	30-Jun-29	16,978,196.07	579,143.85	2,455,126.61
10	30-Jun-30	2,530,540.73	75,414.13	0.00
	Effective interest rate (IRR)		3.07%	

Unwinding of discount on non-current trade receivables for FY2021 4,371,858
 Proportional unwinding discount for 3 months from July to Sep 2020 1,092,964.40 (B)

Total unwinding of discount on non-current trade receivables as at 30 Sep 2020 **2,212,220.89 (A)+(B)**

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

30 November 2020