

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 (the “**SGX-ST**”) in respect of the Company’s 3Q FY2020 financial statements filed on 14 May 2020.

QUERY 1

The Company disclosed that "Other income" comprises FD placed with reputable banks. To disclose the names of these banks and disclose the amount placed with the bank as FD and the terms of the FD.

RESPONSE:

Company has placed RMB100 million with China Construction Bank FD account for three months which will mature on 25 June 2020. The interest rate is 1.35% per annum.

QUERY 2

As at 31 March 2020, non-current Trade and other receivables amounted to RMB 274.1 mil, whilst current trade and other receivables amounted to RMB 56.3mil

- a. To provide a schedule showing the FY in which the amount of RMB 274.1 mil will be paid and how interest on this schedule will be imposed and when will such interest be paid to the Company;
- b. To provide a breakdown of the trade and other receivables amounting to RMB274.1 mil and RMB 56.28 mil respectively. Of the total revenue recognised in Q32020 amounting to RMB188 mil, to disclose how much of this amount has been received.

RESPONSE:

a.

	RMB million									
	Payment Schedule (Year)									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Project cost	29.1	29.1	29.1	29.1	29.1	27.8	16.4	13.5	-	203.4
Project return (8.8%)	14.3	18.1	15.7	13.4	11.1	8.8	6.5	3.4	1.2	92.4
	43.4	47.2	44.9	42.5	40.2	36.6	22.9	16.9	1.2	295.8
Less:										
Discount rate for time value of money	(1.1)	(2.5)	(3.6)	(4.7)	(5.5)	(6.3)	(4.5)	(3.7)	(0.3)	(32.2)
										263.6
Project upfront management fee	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	10.5
										274.1

b.

Trade and other receivables

	Non-currents assets	Current assets
	RMB million	RMB million
Trade receivables	263.57	55.64
Other receivables		
- Project upfront management fee	10.54	-
- Deposit	-	0.30
- Value-added tax receivables	-	0.32
- Accrued interest income	-	0.02
	274.11	56.28

As at 31 March 2020, Company has received RMB19.2 million out of the revenue of RMB188 million recognised in Q3 2020.

QUERY 3

On Pg 9, the Company disclosed that "In January 2020, the Company has recognised a revenue of RMB 200.5 million upon client's acceptance of the 5 completed road parcels. As the payment will be collected over 10 years, a discount rate has been used for the effect of time value of money and had reduced the revenue by RMB12.4 million against the non-current trade receivables. As such the net revenue recognised during the review period is approximately RMB188.1 million."

- a. In addition to the Revenue of RMB 200.5 mil recognised in Q32020, - please disclose what is the cumulative revenue recognised to-date up to Q32020 in relation to this project. How much of this has been paid and how much of the billed revenue has not yet been paid;
- b. Please illustrate how the RMB 200.5 mil will be recorded in the financial statements when the net revenue recognised is RMB188.1 mil

RESPONSE:

a.

RMB million

	FY2019	3Q 2020	Total
Revenue for the completed road parcels recognised	208.9	200.5	409.4
Total payments received up to 31 March 2020	(38.8)	(19.2)	(58.0)
Balance yet to be paid	170.1	181.3	351.4

- b. Please refer to Response 2a. The discount amount recognised for the effect of time value of money is calculated based on the outstanding amount for non-current trade receivables in the financial year. In FY2021, the trade receivable amount due in year 2022 amounting to RMB43.4 million will be transfer to current trade receivables, we will re-computed the time value of money for the non-current trade receivables. The difference between the revised discounted amount and the current recognised discounted amount of RMB32.2 million will be recognised as Revenue in that financial year.

QUERY 4

Administrative expenses increased to RMB 7.5 million. This was mainly due to Legal and Professional fees of RMB 2.8 million and Payroll & Employees' benefits of RMB 3.0 million. Please elaborate on the material

expenses and the reasons for the significant Legal and Professional fees. In addition, please elaborate on the staff strength relating to this payroll expense under Administrative expenses.

RESPONSE:

Breakdown on legal and professional fees:

	RMB million
Audit fee	0.3
Special audit fee	0.8
Legal fee	0.3
Public relation fee	0.1
Consultancy fees relating to projects	0.5
SGX listing fee	0.2
Others (including company secretarial fee, share registry, CDP listing, printers etc)	0.6
	2.8

The payroll & employees' benefits of RMB3.0 million consist of Directors remuneration of RMB1.1 million and Staff salaries and benefits of RMB1.9 million. As at 31 March 2020, the Group employed a total of 8 employees including one executive director.

QUERY 5

It was disclosed on Pg 9 that "In January 2020, the Company has recognised a revenue of RMB 200.5 mil upon client's acceptance of the 5 completed road parcels." However, on Pg 10, it was disclosed that non-current "trade and other receivables increased by RMB 121.6 mil...mainly due to the 5 completed road parcels recognised as revenue in January 2020". Please explain the shortfall of RMB 78.9mil.

RESPONSE:

The variance of RMB 78.9 mil comprises the adjustments listed as follow:

Non-current assets	RMB million
Trade and other receivables as at 1 Jul 2019	152.5
Revenue recognised in 3Q 2020 (Refer to 2a)	200.5
Less: Payment received (Refer to 2a)	(19.2)
Less: Amount classified as current trade receivables	(51.3)
Less: Discount rate for time value of money	(12.4)
Add: Project upfront management fee	4.0
Total adjustments	(78.9)
Net Increase in Trade and other receivables	121.6
Trade and other receivables as at 31 March 2020	274.1

QUERY 6

The Company disclosed on Pg 11, that the increase in trade and other payables of RMB 19.3 mil in Q32020 was "mainly due to increase in ... amount due to a shareholder by a subsidiary 宜宾建功路桥有限公司 ("宜宾路桥") of RMB11.8 million".

- a. Why was there an increase in the amount due to “宜宾路桥” of RMB 11.8 million? What was the basis and nature of the transaction for this debt owed to “宜宾路桥” as at 31 March 2020?
- b. It was further disclosed that "As at 31 March 2020, the amount due to 宜宾路桥 is approximately RMB163.9 million." Please provide details of the amount of RMB 163.9 mil owing to “宜宾路桥”. Please elaborate on why this liability is so significant and what is the nature of this transaction. What are the payment terms, interest and why was this amount incurred. How will the Company fund the repayment of this significant liability and when will it be repaid?
- c. We note that "The payment arrangement with 宜宾路桥 is upon receipt of payment from customer." Please provide the progressive payment schedule including payment milestones, amounts outstanding and amounts paid by customers.

RESPONSE:

- a. The increase in amount due to 宜宾路桥 of RMB 11.8 million was relating to loans for the 5 completed road parcels recognised in January 2020. As disclosed in the Company’s Circular dated 28 August 2018, this project was intended to be financed by bank borrowings. However, the Company has no bank borrowings to date, and instead, this project has been financed by 宜宾路桥 in a form of loans to the Company. 宜宾路桥 is a shareholder of Bo Dao Construction Co. Ltd (“Bo Dao”) and also the main contractor for the project.
- b. As at 31 March 2020, the amount due to 宜宾路桥 of approximately RMB163.9 million, was related to the construction costs financed by 宜宾路桥 for the 10 completed road parcels. The amount due to 宜宾路桥 is interest free and the payment shall be arranged upon receipt of payment from customer. The Company is also considering other sources of financing such as borrowings from financial institutions.
- c. The payment schedule is based on receipt of payment from customer.

	Payment Schedule (Year)										RMB million
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Received from customer	55.6	43.4	47.2	44.9	42.5	40.2	36.6	22.9	16.9	1.2	351.4
Payment to 宜宾路桥	55.6	43.4	47.2	17.7	-	-	-	-	-	-	163.9

QUERY 7

- a. Please provide an update on the company's list of projects including those that are dormant and those that are revenue generating, including the projects (1) Bangladesh Trust Green City Development Project (2) Infrastructure and Smart City Projects with Magic Micro, (3) Bo Dao Road Construction Project and (4) Deng Feng City Project announced on 8 May 2020, 3 October 2019, 28 August 2018 and 22 October 2018.
- b. Please provide a status update on all the Company's MOUs entered into to date.

RESPONSE:

- (1) Bangladesh Trust Green City Project – MOU signed on 8 May 2020
Currently, we have completed the initial concept drawings for the project, and now in the process of initiating further studies and testing so as to complete the final agreement with our Bangladesh counterparts. There is no revenue to date from this project.

- (2) Infrastructure and Smart City Projects with Magic Micro – MOU signed on 3 October 2019
 Currently, we have not clearly identified any specific project for the collaboration, and we are constantly looking out for possible opportunities for collaborations.
- (3) Bo Dao Road Construction Project - MOU was signed on 28 August 2018
 The Company went ahead with the investment agreement on the project in December 2018. The project has been generating revenue since then. (per announced in our financial results)
- (4) Deng Feng City Project – MOU signed on 22 October 2018.
 Since signing the MOU, the Company has proceeded with initial studies for the project, but due to external factors, the project is not progressing at this point of time. The Company will follow up with its Chinese counterparts this quarter and will consider halting the project if it does not proceed further. The Company will provide more updates for this project in the future once it has more clarity. This project is not revenue generating.

QUERY 8

In respect of the placement proceeds of S\$7 mil that has been utilized for "Project Investment", provide a breakdown of the projects to which these amounts of S\$7 million were utilised and when were these amounts paid.

RESPONSE:

The S\$7 mil (or RMB35 mil) was solely invested into the Bo Dao Road Construction Project. The payments of S\$6 mil (or RMB30 mil) and S\$1 million (or RMB5 mil) were made in December 2018 and January 2019 respectively. For more information on this investment, please refer to Company's Circular dated 28 August 2018 and Company's announcement titled "Update on the Status of the Investment" dated 2 January 2019.

QUERY 9

To provide a breakdown of the professional and legal fees payment of S\$1.5 million

RESPONSE:

Professional and legal fees payment

	S\$ million
Audit fee	0.1
Special audit fee	0.4
Legal fee	0.5
Public relation and consultancy fee	0.1
SGX fee	0.2
Others (including company secretarial fee, share registry, CDP listing, printers etc)	0.2
	1.5

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

03 June 2020