
RESPONSE TO QUERIES FROM SGX-ST

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 of the Company’s Notice of Annual General Meeting (“AGM”) dated 14 March 2019 and Annual Report 2017.

NOTICE OF AGM

Query 1 of the SGX-ST:

We refer to Raffles Infrastructure Holdings Limited’s / the Company’s Notice of AGM dated 14 March 2019 (“**Notice**”), for an AGM to be held on 29 March 2019. Paragraph 17 (Resolution 18) in the Notice states that the Company proposes “to ratify and confirm all actions taken by the Directors and officers of the Company up to the date of this annual general meeting for purpose of complying with the laws of Bermuda”. Please disclose and explain:

- a. what are “all [the] actions taken by the Directors and officers of the Company” that the Company proposes to ratify and confirm at the AGM;
- b. the exact dates and/or time period during which the Company is seeking to ratify the aforementioned actions at the AGM; and
- c. what are the specific “laws of Bermuda” that the Company has to comply with in connection with the aforementioned ratification.

Company Response:

- a. The actions taken by Directors refer to the application for the Sanction Order dated 14 January 2019 (“**Sanction Order**”), and the inclusion in the Notice of all matters required under the Sanction Order to be ratified and confirmed for FY2015 and FY2016.
- b. The actions are tabled for ratification and confirmation during the AGM.
- c. Section 71 of the Companies Act 1981 of Bermuda (“**Bermuda Companies Act**”) states that an annual general meeting should be held once a year, and section 72(2) states that if an annual general meeting is not held within three months of the date it should have been held, the company may apply to the Registrar of the Bermuda Registry of Companies (“**Bermuda Registrar**”) to sanction the holding of a general meeting to put the affairs of the company in order. Upon receipt of such an application the Registrar may in his discretion make an order allowing the application under such conditions as he thinks fit to impose including ordering the date by which the affairs of the company shall be put in order. The Company, therefore, having held its annual general meeting for FY2015 and FY2016 out of time, instructed its Company Secretary (Bermuda) to apply for such a sanction order, which was received on 14 January 2019.

Query 2 of the SGX-ST:

We further note that pursuant to paragraph 7 (Resolution 6) and Explanatory Note (4A), the Company proposes to seek shareholders' "**advance approval**" of "**the payment of Directors' fees of S\$320,000 for the financial period from 1 January 2018 to 30 June 2019**". Please disclose and explain:

- a. whether the advance payment of Directors' fees is a common practice following the change in the Company's financial year end from 31 December to 30 June;
- b. the reasons for the advance payment of directors' fees of S\$320,000;
- c. why the Nomination Committee ('NC') and Remuneration Committee ('RC') respectively have recommended the advance payments when they have not had the opportunity to assess each individual director's performance, contributions and/or respective responsibilities up to 30 June 2019; to elaborate on the RC's views how the proposed Directors' fees of S\$320,000 is fair and reasonable; and to elaborate on the basis for the NC and RC's conclusion.

Company Response:

- a. The Company wishes to draw to the attention that all directors have discharged their duties for the period from January 2018 to December 2018 and from January 2019 till the day of this announcement. As the Company has changed its financial year end from 31st December 2018 to 30th Jun 2019, the Board deems it realistic and reasonable to make this advance provision. The period for the payment of this Directors' fees is from 1 January 2018 to 30 June 2019, a total of 18 months. The payment of directors' fees is however subject to the approval of the shareholders during the AGM.
- b. See point a above.
- c. The Board had in fact performed assessment and appraisal of one another prior to the change of financial year. Given the new business and assistance with regards to the Special audit, with more time being devoted, the fees proposed were fair and reasonable. Furthermore, director fees proposed is still subject to shareholders approval during AGM

ANNUAL REPORT 2017 ("AR2017")

Query 3 of the SGX-ST:

The AR2017 did not include a statement commenting on the adequacy and effectiveness of the Company's internal controls on page 18. Pursuant to Listing Rule 1207(10), aside from the disclaimer by the Board that they have no clarity over the state of events and circumstances of the compensation claims sought and paid to the 3 customers which occurred in September 2016, please disclose the Board's comments on the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems for FY 2017. Please include a statement on whether the Audit Committee ('AC') concurs with the Board's comment. To also disclose any material weaknesses identified by the Board or AC and the steps taken to address them.

Company Response:

The Board prior to the lifting from suspension have identified potential areas of concerns and weaknesses. AC concur with the Board that the Company did not have an effective internal control to mitigate possible risk and weakness. In fact, the Board will be appointing an audit firm to commence assessment on the Company's internal control procedures in April 2019.

Query 4 of the SGX-ST:

The Company omitted to state whether the use of the proceeds was in accordance with the stated use of proceeds previously on page 22 of the AR2017. Pursuant to Listing Rule 1207(2), please include the statement to confirm whether the proceeds had been utilized in accordance with their stated use. Where there is material deviation from the stated use of proceeds, please provide the reasons for such deviations. To also disclose a breakdown of the specific details on how proceeds for working capital purposes was applied.

Company Response:

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 5 of the SGX-ST:

We note the proposed re-appointment of Mr Wu Xinhua in paragraph 11 of the Notice of AGM (Resolution 13). We draw attention to page 18 of AR2017 which states that the Board has been unable to receive assurance from the CEO (Wu Xinhua stepped down as CEO on 23 October 2017) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operation and finances; and the Company's risk management and Internal Control systems are effective. In view of the conduct and failure to provide the assurance to the Board, to justify the NC's and the Board's decision to re-nominate Mr Wu Xinhua for re-appointment to the Board.

Company Response:

The Board decided that it is essential that Mr Wu Xinhua remains on the board as his cooperation is required on matters relating to the on-going special audit since he is the only remaining director from the previous Board and the SGX complaints made against Mr Wu were filed during his tenure as the Executive Chairman and Chief Executive Officer of the Company. Mr Wu was re-designated as a Non-Executive Non-Independent Director on 23 October 2017 and no longer holds any executive power in the Company.

Query 6 of the SGX-ST:

On page 54, the Company disclosed that "[all] subsidiaries are audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements". On page 19, the

Company disclosed that it “is in compliance with Rule 712 and Rule 715...whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.” To disclose the identity of the auditors who were appointed under Rule 715(2) for the Company’s significant foreign incorporated subsidiaries as the auditors. To disclose the audit opinion issued by the relevant auditors with respect to the Company’s significant subsidiary Simwa Holdings and Shishi Simwa Knitting & Dyeing Co., Ltd.

Company Response:

SGX Rule 712 states that:

1. An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. A mineral, oil and gas company must appoint an auditing firm where the auditing firm and audit partner-in-charge have the relevant industry experience.
2. The auditing firm appointed by the issuer must be:—
 - a. Registered with the Accounting and Corporate Regulatory Authority (“ACRA”);
 - b. Registered with and/or regulated by an independent audit oversight body acceptable to the Exchange. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of accounting firms or are able to exercise oversight of inspections undertaken by professional bodies; or
 - c. Any other auditing firm acceptable by the Exchange.
3. A change in auditing firm must be specifically approved by shareholders in a general meeting.

SGX Rule 715 states that:

1. Subject to Rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.
2. An issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies

RT was appointed as the auditor of the Company, and all the significant foreign subsidiaries are supposed to be audited by RT for the purpose of expressing an opinion on the consolidated financial statements, in accordance with SSA 600. Consequently, the Company would be able to fulfil the Rule 712 and Rule 715 if RT were able to perform the audit directly in these significant foreign subsidiaries. However, in the process of performing the Group Audit, RT was unable to access to the accounting records of the subsidiaries.

Consequently, one of the basis of disclaimer opinion is stated as follows in the auditors’ report:
“In carrying out our audit of the subsidiaries of the Company, we are also unable to obtain sufficient appropriate audit evidence to determine the:

- (i) *Carrying values of the assets and liabilities associated with the subsidiaries of the Company; and*
- (ii) *Veracity of the respective components in the financial results of the subsidiaries of the Company for the current financial year ended 31 December 2017 because the*

accounting and other records supporting the transactions during the financial year and the resultant balances were not available. We were unable to perform other alternative audit procedures to satisfy ourselves with respect to these said transactions and balances. As a result of the above, we were unable to determine the adjustments, if any, to be made to these financial statements.

We were unable to perform other alternative audit procedures to satisfy ourselves with respect to these said transactions and balances. As a result of the above, we were unable to determine the adjustments, if any, to be made to these financial statements.”

Similarly, RT was not able to obtain the following information of the Company’s significant foreign incorporated subsidiaries:

- (a) the identity of the auditors; and
- (b) the type of the audit opinion issued by the relevant auditors.

Query 7 of the SGX-ST:

In pages 84 and 85 of the AR2017, the Board declared **“No” in response to whether Mr Wu Xinhua had *inter alia*, been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) and been involved in any corporation which has been investigated for breach of any law or regulatory requirement” at paragraphs e and j, respectively.** We draw your attention to the news release by SGX dated 30 Mar 2017 titled : SGX files complaint with China authorities against Wu Xinhua, Executive Chairman and CEO of China Fibretech. In view of the misleading declarations, please:

- a. Re-file the Appendix 7.4.1, having regard to the material misstatements made.
- b. Provide details and elaborate on these investigations/ disciplinary proceedings involving Mr Wu Xinhua in paragraphs e, j and k of the Appendix 7.4.1 to be re-filed.
- c. Provide the Board’s and NC’s respective views and reasons on why they have considered Mr Wu Xinhua suitable for re-appointment as Director, as stated at pg 82 of the AR2017.

Company Response:

- a. The attached Appendix 7.4.1 supersedes the disclosure as stated on Page 82 of the AR 2017.
- b. Refer to response (a) of query 7.
- c. Refer to response of query 5.

By Order of the Board
Choo Han Kiat, Eric
Executive Director and Chief Executive Officer
25 March 2019