
RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Raffles Infrastructure Holdings Limited (the “**Company**”) and together with its subsidiaries, (collectively known as the “**Group**”) wishes to respond to the queries raised by the Singapore Exchange Securities Trading Limited in respect of its financial statements for the three months period ended 30 September 2022.

QUERY 1

We note that the SaaS Business Unit of the Digital Infrastructure Business has recorded revenues for the setting of a customized e-platform in 1QFY2023. Please provide background and details of the specific work rendered for this project, including:

- a. a description and utility of the e-platform;
- b. the client, the jurisdiction and size of the client, and location where the sales occurred;
- c. the scope of work performed/to be performed and tenure of the contract;
- d. the technology and services provided in-house by the Company and the work to be contributed by its partner(s)/service;
- e. providers that the Company collaborated with/engaged, including the role and contribution of each partner/service provider;
- f. when was each contract signed and when it commenced; and
- g. whether the fees and services revenue of RMB5.3 million have been fully paid by the client to-date.

RESPONSE:

- a. The SaaS customized e-platform provides ready-made solutions in accordance with the customers’ needs to manage their backend and technical aspects such as inventory and supply chain management, cloud database management, financial risk management, human resource management, and customer relationship management. For more information on the Company’s SaaS offerings, please refer to the Company’s website at the URL <https://rafflesinfrastructure.com/raffles-digital-infrastructure/software-as-a-service-2/>.
- b. The Company’s customers are mainly micro, small and medium enterprises (“MSMEs”) from the Philippines and Hong Kong, and the sales occurred in Singapore.

- c. The scope of work includes setting up a customized e-platform for the customer's management database and data analysis system and monthly maintenance service including technical support, maintaining user data base on a continuous basis, database security, and back-up system. The customized e-platform is to be completed within three weeks from the date of signing of the contract, and the tenure of the monthly maintenance service is for one year. For more information on the Company's SaaS offerings, please refer to the Company's website at the URL <https://rafflesinfrastructure.com/raffles-digital-infrastructure/software-as-a-service-2/>.
- d. As the Company is still developing its technological know-how and capabilities, the Company will form strategic partnership(s) with firm(s) with the requisite technology so that the Company can leverage on their existing products to customise and provide SaaS to its clients. For the Group's existing contracts mentioned in (b) above, the Company has engaged Chengdu Bowen Jinfu Technology Co. Ltd., who is a third-party technology provider, to customise and provide the SaaS to its clients.
- e. Please refer to the response to (d) above.
- f. There are currently three contracts, and of the three contracts, two were signed in January 2022 and one was signed in July 2022. The Company commenced work upon signing of the contracts in the respective months.
- g. To clarify, the Group recorded revenue of approximately RMB6.4 million from the SaaS business unit in 1QFY2023, and to-date, the Company has received approximately RMB5.6 million.

QUERY 2

The Company reported earnings from its infrastructure segment of RMB 28,107,000. Taking into account that contract assets declined by RMB 22 million from RMB 47 mil to RMB 25.5 million, please reconcile the revenue of RMB 28.1 million to the reduction of RMB 22 million in contract assets, the increase of RMB 27 million in non-current assets and the increase in current trade and other receivables of RMB 167,000.

RESPONSE:

Please refer to the table below for the reconciliation of revenue of RMB28.1 million:

	RMB (mil)
Contract assets for 久陈路 as at 30 June 2022	3.7
Contract assets for 下同路 as at 30 June 2022	17.8
Total contract assets transferred to revenue	21.5
Add investment return of 8.8% p.a. for 10 years	10.3
Total revenue recognized	31.8
Less time value of money	(3.7)
Total revenue recognized after adjustment	28.1

Please refer to the table below for the increase of RMB27 million in non-current assets:

	RMB (mil)
Revenue recognized for 久陈路 & 下同路	28.1
Additions in non-current other contract assets	0.4
Add: unwinding discounted cash flow	2.2
Less time value of money	(3.7)
Movements in non-current assets	27.0

The Company wishes to clarify that the increase in current trade and other receivables of RMB167,000 includes items such as deposit, value-added tax receivables and others as disclosed in Note 15 of the unaudited financials for 1QFY2023, which have no effect on the revenue.

QUERY 3

Please also explain why 96% of the construction revenue is classified as non-current, when the client is required to pay for the construction work over 10 equal installments and thus 10% within a year of acceptance.

RESPONSE:

Revenue is recognized upon the receipt of the initial 10% down payment from the Client, and the remaining 90% is classified as non-current trade receivables as the receivables from the government authority is over a 10-years payment term in accordance with the Public-Private-Partnership Agreement signed with the Provincial Government in China.

QUERY 4

Of the RMB 6,382,000 revenue from Digital Infrastructure Business, please disclose how much of the revenue has been collected and the credit terms for these contracts.

RESPONSE:

Of the RMB6,382,000 revenue from the Digital Infrastructure Business, the Company has collected RMB5,552,000. The credit terms for the Group's existing contracts are generally 30 to 90 days.

QUERY 5

Please provide detailed workings to reconcile the decrease of RMB2.2 mil in current trade receivables with the total receipts of RMB7.5 mil for Bo Dao Project in July 2022 as the Company represented. The detailed workings should include a separate breakdown for the 2 completed road parcels in July 2022, and the previous completed road parcels.

RESPONSE:

The decrease in current trade receivables of RMB2.2 million was mainly due to a repayment of RMB3.7 million by the Client for the Bo Dao Project, which was partially offset by an increase of RMB1.6 million for the Digital Infrastructure Business.

Please refer to the following reconciliation on the current trade receivables to the total receipts:

	Infrastructure Business RMB (mil)	Digital Infrastructure Business RMB (mil)
Balance as at 30 September 2022	56.2	5.3
Balance as at 30 June 2022	59.9	3.7
(Decrease)/increase	(3.7)	1.6

	Infrastructure Business RMB (mil)	Digital Infrastructure Business RMB (mil)
Revenue recognized for 久陈路 & 下同路	3.8	-
Revenue recognized for Digital Infrastructure business	-	6.7
Payment receipts in July 2022	(7.5)	(5.1)
Total	(3.7)	1.6

QUERY 6

The Company stated that “[it] provides internet advertisement services to the customers who only pay for the media costs to display their products or services on some media platform such as Facebook, Google AdWords, TikTok, Apple search ads, which is offered under the PaaS business unit.”

- Please elaborate on the role of the Company and how revenue will be earned by the Company when customers advertise on these aforementioned media platforms.
- Please explain why customers have to pay the Company when they advertise on these platforms.
- Please also explain how the customers pay these platforms and when the customers pay the Company.
- Please explain how the Company tracks its revenue from these customers who advertise on these platforms which are independent from the Company.

RESPONSE:

- a. As stated in Note 2.2 of the unaudited financials for 1QFY2023, the Company is acting as the agent between the customers and the media platforms. The Company will charge the customer a fee for, inter alia, designing (if required) and placing the advertisement of the customer's products/services on the various media platforms. The Company will charge the fee based on, inter alia, the customers' requirements and after taking into account the costs involved including the rebates given by the different media platform under the referral business model.
- b. Please refer to response to Query 6a above.
- c. Upon delivery of the advertising services by the Company, the customers will make payment after 15 days upon acceptance of the services provided. As mentioned above, the Company will take into account the costs involved including the fees payable/rebates to/from the various media platforms.
- d. The Company is able to track its revenue by utilising its backend system to monitor the data flow from the various media platforms (i.e. cost of advertisements) for the respective customer. Monthly statement of accounts will then be issued for the customer's acceptance.

QUERY 7

We note that staff cost for "Key Management" and "Others" increased 67% to RMB 648,000 and 345% to RMB 787,000. Please provide a breakdown and the business segments which these costs relate to. Please also explain the significant increase in costs and headcount and the business segments to which they relate to.

RESPONSE:

Please refer to the following breakdown of staff costs for the Key Management and Others:

	Infrastructure Business RMB	Digital Infrastructure Business RMB	Unsegment RMB *	Total RMB
Key Management	43,000	509,000	96,000	648,000
Others	35,000	752,000	-	787,000

* Unsegment refers to the Key Management for both the Infrastructure Business and Digital Infrastructure Business

As mentioned on page 25 of the unaudited financials for 1QFY2023, the increase was mainly due to an increase in the Group's headcount recruited under its subsidiary, Wuhan Raffles Technology Co Ltd, which is in line with the Group's strategy in developing its Digital Infrastructure Business.

QUERY 8

Please provide details of the deferred income tax expense of RMB 1,661,000, how the amount was calculated and when these taxes will be payable.

RESPONSE:

The deferred income tax expense of RMB1,661,000 is in relation to the deferred corporate tax payable for the Bo Dao Project in accordance with the local tax practice in China. The amount is calculated based on a 25% corporate tax rate on the net profit before tax for the Bo Dao Project, and the tax is payable upon completion of the Bo Dao Project. Please refer to Note 22 of the unaudited financials for 1QFY2023 for more information on the deferred tax liabilities.

QUERY 9

Please provide a breakdown of the movements in trade payables to related parties and third parties and explain the increase in trade payables to related party from RMB 57.1 million to RMB60.2 million and to third parties from RMB2.3 million to RMB3.8 million. Please also disclose the identity of the related and third parties.

RESPONSE:

Please refer to the table below for a breakdown of the trade payables:

	Related party RMB (mil)	Third party RMB (mil)
Balance as at 30 June 2022	57.1	2.3
Additions	8.1	3.8
Payments	(5.0)	(2.3)
Balance as at 30 September 2022	60.2	3.8

The increase in trade payables of RMB3.1 million to a related party was mainly due to additions of RMB8.1 million and repayment of RMB5.0 million to 宜宾路桥, a minority shareholder and main contractor for the Bo Dao Project.

The increase in trade payables of RMB1.5 million to a third party was mainly due to additions of RMB3.8 million and repayment of RMB2.3 million to Chengdu Bowen Jinfu Technology Co. Ltd, a third-party technology provider for its Digital Infrastructure Business.

QUERY 10

Please disclose when the deferred tax liabilities of RMB 26.7 million will be payable and what was the income tax paid by the Group on the Bo Dao project to-date since it acquired the project.

RESPONSE:

Please refer to the response to Query 8 above. The Group is not required to pay any income tax on the Bo Dao Project to-date and the deferred tax liabilities is payable only upon completion of the project. Please refer to Note 22 of the unaudited financials for 1QFY2023 for more information on the deferred tax liabilities

QUERY 11

Please provide details of the roles and responsibilities of the 25 new headcounts recruited for Wuhan Raffles Technology Co. Ltd (“Wuhan Raffles”), the type of skills these new hires contribute and the location where they will be located, as well as the revenue generated by Wuhan Raffles. the technology and services provided in-house by the Company and the partner(s)/service providers that the Company collaborated with/engaged, including the role and contribution of each partner/service provider;

RESPONSE

Please refer to the table below for details of the 9 key personnel in Wuhan Raffles as at 30 September 2022. The remaining 16 staff are in the supportive and administrative roles. All employees are located in Wuhan Raffles. As of 30 September 2022, there is no revenue generated from Wuhan Raffles as the business unit is still in the research and development phase.

	Name	General Job Description	Experience
1	Ms Hui L	1. Write and develop code for key components as well as technical troubleshooting. 2. Construct front-end framework and architecture. 3. Liaise with project managers and technical teams to develop innovative and useable web pages and applications.	Has prior experience working as front-end developer (2016-2018), front-end web developer (2018-2019) and mobile front-end developer (2019-2022).
2	Mr Hu JS	1. Conduct requirements review and write test cases. 2. Perform functional diagnostics and testing in accordance with test cases. 3. Collated and documented test summary in accordance with test results.	Has prior experience working as diagnostic engineer (2016-2018), and as a diagnostic engineer – director (2018-2022)

	Name	General Job Description	Experience
3.	Mr Liang J	1. Manage and optimize various advertising channels. 2. Operate and run various social media accounts for publicity. 3. Define marketing department's strategy and department plan.	Has prior experience working as operations team leader since 2019.
4.	Ms Kathy MH	1. Lead customer support operations; handling disputes and other related issues. 2. Spearhead Company's marketing and advertising activities. 3. Manage and operate company's website and e-commerce presence.	Has prior experience working as English customer specialist (2015-2018), order fulfilment center supervisor (2018-2021), and e-commerce operations specialist (2021-2022).
5.	Mr Peng QF	1. Responsible for planning, budgeting, construction, configuration, debugging and optimization of various company application services. 2. Oversee maintenance of server to ensure stable operation of service 24/7.	Has prior experience working as operations manager (2013-2016), and software engineer (2016-2022).
6.	Mr Yu SW	1. Develop and execute the Company's business strategies in order to attain the goals of the board and shareholders. 2. Delegate responsibilities and supervise work, providing guidance and motivation. 3. Establish marketing and promotion program for platforms.	Has prior experience working as business strategy executive (2016-2017), head of operations (2017-2021), and operations director (inclusive finance business) (2021 to present).
7.	Mr Li L	1. Develop and operate various products such as websites, software and applications. 2. Constantly iterate and optimize the various products. 3. Liaise with various stakeholders and personnel in order to ensure desired outcomes.	Has prior experience working as a product manager since 2018.
8.	Ms Xi Y	1. Spearheaded annual company human resource planning and programs based on company's business goals. This includes the annual recruitment plan, training plan, salary and company welfare programs. 2. Oversee various recruitment related activities such as creation of recruitment strategy, conduct interviews, etc.	Has prior experience working as human resource director (2014-2016), and head of human resource (2016-2022).
9.	Mr Yuan YX	1. Process and design technical and business requirements. 2. Design and develop various products such as applications and software. 3. Oversee entire development life cycle of applications; designing, building, testing, launching and maintenance.	Has prior experience working as high level JAVA developer (2015-2019), senior JAVA developer (2019-2021), and head JAVA developer (2021-2022).

QUERY 12

With regard to 海纳路 and 云顶路, it is stated that the project costs incurred are still pending for the Client's acceptance, and the Company will account for construction costs as contract assets upon the acceptance and approval from the Client, please disclose the project costs that have been incurred on these two road parcels as at 30 Sep 2022 and how they are accounted for in the Company's 1H2023 financial statements.

RESPONSE

The estimated project costs incurred by 宜宾路桥 (i.e. the main contractor) for the two road parcels amounted to approximately RMB47.2 million as at 30 September 2022. This has not been accounted for in the Company's 1QFY2023 financial statements as the costs incurred for these two roads are still pending for the Client's acceptance. Upon the acceptance from the Client, the Company will account for it as contract assets.

QUERY 13

As required under listing rule 1207(20), please disclose a breakdown of the use of IPO proceeds.

RESPONSE

Please refer to the following breakdown of the use of IPO proceeds:

	Amount allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
to construct new facilities and acquire new machinery	14,000	13,231	769
to expand Research & Development facilities	1,000	1,000	-
Working capital purposes	2,182	2,182	-
	17,182	16,413*	769*

* The Company wishes to clarify that based on the findings of the special audit announced on 13 August 2019, the current management of the Company is unable to provide a meaningful update on the use of IPO proceeds as the state of affairs of the Company (from legacy issues), including the movement of funds, remains unclear since the Company's IPO until June 2018.

By Order of the Board
Ryan Chiu Tzong Min
Executive Director
24 November 2022