

## 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 full year result announcement for period ended 30 June 2020 (“**FY 2020**”) filed on 28 August 2020.

### **QUERY 1**

“Other Expenses” as at 30 June 2019 ( “FY2019” ) amounted to RMB 19.1mil. In comparison, on 30 June 2020, the amount of “Other Expenses” was NIL. Please provide a breakdown of these "Other expenses" of RMB 19.1 mil in FY2019 and disclose the reason(s) for the "nil" other expenses recorded in FY2020.

### **RESPONSE:**

The “Other expenses” of RMB19.1 million in FY2019 was related to recognition of net assets lost as a result of loss of control of previously owned Fabric Subsidiaries.

Breakdown of Other expenses- loss on disposal of subsidiaries:

	<b>FY2019</b>
	<b>RMB mil</b>
<b>Non-current assets</b>	
Property, plant and equipment	24.6
Land use rights	2.2
<b>Current assets</b>	
Inventories	0.6
Trade and other receivables	11.1
Cash and bank balances	0.1
<b>Current liabilities</b>	
Trade and other payables	(4.6)
Bank borrowings	(12.9)
Net assets de-recognised	21.1
Adjustments	(2.0)
	<u>19.1</u>

In FY2020 there was no recognition of previously owned Fabric Subsidiaries as Company has deconsolidated the Fabric subsidiaries in FY2019.

### **QUERY 2**

In paragraph 1(a)(ii), it was disclosed that in FY2019, the Group recorded a “gain on bargain purchase” of RMB 18.7mil and “loss on disposal of subsidiaries” of RMB 19.2mil. Please disclose the details of the underlying transactions for the "loss on disposal of subsidiaries" of RMB 19.2mil in FY2019. Was shareholders' approval obtained for the disposal which resulted in the significant loss?

**RESPONSE:**

As at 30 June 2019, the Company determined that it had lost control of the following subsidiaries (the PRC subsidiaries):

- (i) Simwa Holdings Ltd
- (ii) Shishi Simwa Knitting & Dyeing Co., Ltd
- (iii) Xiamen Sunny Dyeing and Printing Co., Ltd

Rationale

The Board had concluded that the Company had no option but to de-consolidate the PRC subsidiaries from its financial reporting as at 30 June 2019.

The effect of de-consolidation was that in future, the financial results of the subsidiaries were no longer reported in the Company's Annual Report (i.e. the report will be at a Company, not Group level) and the investment in the subsidiaries was written down in the Company's accounts as a disposal without consideration. In the event that the Company was able to re-establish control over the PRC subsidiaries and/or their assets, the Company will then re-consolidate and/or recognize this value.

De-consolidation will allow the Company to prepare and issue financial reports that, to the extent possible given the circumstances, most closely and accurately reflect the true financial position of the Company.

As shareholders will be aware, the Company had been unable to complete its financial reporting on a Group basis (including the PRC subsidiaries information). The Board did not, until now, believe that de-consolidation was warranted as they were waiting for further information and confirmations on the PRC subsidiaries. The Board believed that the decision to de-consolidate as at 30 June 2019 was justified.

The de-consolidation was based on a combination of factors:

1. The Board had incomplete records for the Company itself and no access to the books and records of the PRC subsidiaries or reliable information on which to reconstruct the financial performance of the PRC subsidiaries.
2. The Board had restructured the operation of the Group and these subsidiaries were deemed as non-contributing to the financial performance of the Group.
3. The discovery and confirmation of the existence of significant litigation involving the PRC subsidiaries in China which was not disclosed by PRC Management, points to the subsidiaries having gone out of control even before 31 December 2017.
4. The Board had concluded that they had lost power over the subsidiaries especially over the operational right and the power to influence the variable returns of these entities.

Given the circumstances and based on the available information, the Board believed that the Company and its shareholders had been the victim of financial misreporting and non-disclosure by the PRC subsidiaries under the control and management of previous management, in relation to financing debt, material litigation and cash balances.

The Board believed that de-consolidating the accounts as at 30 June 2019 will be the fairest and most accurate way of reporting the Company's financial position going forward and will allow the Company to pursue a

restructuring and reorganization of its listing to safeguard its remaining value.

Please refer to response to query 1 for the breakdown of the disposal of RMB19.1 million.

No shareholders' approval was obtained for the disposal of these previously owned subsidiaries as the loss on disposal of RMB19.1 million was the result of de-consolidation of these subsidiaries. No consideration and cash was involved for the disposal of the above subsidiaries.

### QUERY 3

In the Group's "Non-current assets" for FY2020, "Trade and other receivables" was RMB 284.5mil. In the Group's "Current assets" for FY2020, "Trade and other receivables" was RMB 51.6mil. To disclose how much revenue has been booked from this contract to-date. Disclose how much has been billed to the customer to date and of this amount billed, how much has been paid to date. Has the customer been paying on schedule? To provide payments milestone (by months) and the payments received. To also disclose the future billing/payments dates (by month)

### RESPONSE:

	Current	Non-current	Total	Revenue recognised			Total Billed	Total paid
	Assets	assets		FY2019	FY2020	Total		
	FY2020	FY2020		FY2020	FY2019	FY2020		
	RMB mil	RMB mil	RMB mil	RMB mil	RMB mil	RMB mil	RMB mil	
Trade receivables	51.0	307.4	358.4	208.9	213.5	422.4	64.0	64.0
Adjustment for time value of money	-	(33.7)	(33.7)	(19.8)	(13.9)	(33.7)	-	-
Others receivables	0.6	10.8	11.4	-	-	-	-	-
	51.6	284.5	336.1	189.1	199.6	388.7	64.0	64.0

Payment received:

	Aug 18	Dec 18	Jan 19	Jul 19	Aug 19	Sep 19	Dec 19	Jan 20	Apr 20	Total
Billing date	10.4	7.6	-	0.9	30.6	-	14.5	-	-	64.0
Payment date	-	-	18.0	-	-	10.0	-	30.0	6.0	64.0

The customer, 四川省宜宾市兴文县财务局 has been paying on schedule.

Future billing/payments dates

	Aug 20	Dec 20	Jan 21	Aug 21	Dec 21	Jan 22	Aug 22	Dec 22	Jan 23	Aug 23	Dec 23
Billing date	32.9	18.1	-	29.6	15.5	-	31.4	17.2	-	29.8	16.3
Payment date	-	-	51.0	-	-	45.1	-	-	48.6	-	-

	Jan 24	Aug 24	Dec 24	Jan 25	Aug 25	Dec 25	Jan 26	Aug 26	Dec 26	Jan 27	Aug 27	Dec 27
Billing date	-	28.3	15.4	-	26.8	14.5	-	24.0	13.6	-	14.9	10.3
Payment date	46.1	-	-	43.7	-	-	41.3	-	-	37.6	-	-

	Jan 28	Aug 28	Dec 28	Jan 29	Aug 29	Dec 29	Jan 30	Total
Billing date	-	11.2	6.6	-	0.8	1.2	-	358.4
Payment date	25.2	-	-	17.80	-	-	2.0	358.4

**QUERY 4**

On 30 June 2020, the Group made a “provision for taxation” of RMB 13.9mil. In comparison, on 30 June 2019, no provision for taxation was made (i.e. NIL). 3. To disclose the reason(s) for the "provision for taxation" in FY2020 of RMB 13.9mil when there was none in the corresponding period in FY2019. Has the Company fully collected all underlying revenue that resulted in this tax provision? Please indicate how much of the revenue that resulted in this tax amount of RMB13.9 mil has been received to-date. To also disclose the reason why the deferred tax liability remains unchanged at RMB 11.658 mil since FY2019.

**RESPONSE:**

In FY2020, the Group made a ‘provision for taxation’ of RMB 13.9 mil based on the effective tax rate of 25% on our Group’s China operation profit. Company has not collected the full underlying revenue, to-date Company has received RMB19.1 million. The China operation income tax is based on project completed basis and the project will be completed over 10 years, the Group will reclass the provision for taxation to deferred tax liability. Below is the revised provision for taxation and deferred tax liability.

	FY2020 RMB'000	FY2019 RMB'000
Provision for taxation	-	-
Deferred tax liability	25,582	11,650

**QUERY 5**

In paragraph 8, the Company disclosed that “The total revenue [in FY2020] including additional variation accepted by the client for the 5 completed road parcels was RMB213.6 million. After adjusting for the accounting treatment of effect of time value of money, the net revenue recognised for FY2020 was approximately RMB199.6 million.” To disclose when will this amount be payable? Based on this additional amount billed, please tabulate the payment milestones for the contract that have been billed to-date and the remaining contract to be fulfilled and the timeline for completion.

**RESPONSE:**

Please refer to response to Query 1 for the payment schedule for the completed road parcels.

	RMB mil
Total contract value (approximately)	550.0
Total completed road parcels	422.4
Road parcels under construction (approximately)	87.2
Remaining road parcels	40.4

The project is valued at approximately RMB550 mil and involves the construction of 220 kilometers of rural roads. To-date the Company has completed 10 road parcels of RMB422.4 mil and is currently constructing 3 road parcels of approximately RMB87.2 million. Of these 3 road parcels, 1 will be completed by December 2020 and the other 2 by June 2021. Due to the disruption of the COVID-19, the Company is unable to ascertain the timeline and projected completion date at this moment.

**QUERY 6**

It was also disclosed in paragraph 8 that “ The client has accepted an additional variation revenue of RMB11.5 million in the Q4 2020 for the road parcels completed in January 2020.” Is this in addition

to the RMB213.6 million variation or does this imply that total variation amounts to RMB225.1 million?

**RESPONSE:**

The additional variation revenue of RMB11.5 million recognised in Q4 2020 was included in the total revenue of RMB213.6 million. After accepting the completed road parcels, the customer will appoint its own professional team to access the quality and the length of road parcels. This will result in a variation of the value of the completed road parcels accepted earlier.

**QUERY 7**

In paragraph 20, the Company disclosed a breakdown of the “use of IPO proceeds” and “use of Placement proceeds”. Please confirm if this was in accordance with the intended use of proceeds disclosed previously, making reference to the dates of the specific SGXNET announcements.

**RESPONSE:**

The Company wishes to confirm that the utilisation of its IPO proceeds cannot be determined from the outcome of the special audit that was completed and disclosed on 13 August 2019. The Company has also disclosed its loss of control over its former subsidiary and had deconsolidated its accounts from the Group. Please refer to our response to Query 2 for more details.

For Placement proceeds, they have utilized in accordance with the intention as disclosed in the Company’s Circular, Section 3.11 dated 28 August 2018.

**QUERY 8**

8a. Please provide an update on the status of all of the Company's projects, including those that are dormant and those that are revenue generating, including but not limited to the MOUs announced on SGXNet as follows:

- (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, respectively.

8b. Please provide a status update on all the Company's MOUs entered into to-date.

**RESPONSE:**

At present, the projects that the Company are/were working on and the respective statuses

- (1) Bangladesh Trust Green City Project – MOU signed on 8 May 2020

The field work for several reports that are required for final agreements are still on-going. The Company expects the efficiency to be reasonably lower than usual. There is no revenue-generating item from this project as of now.

- (2) Infrastructure and Smart City Projects with Magic Micro – MOU signed on 3 October 2019

With the global travel restrictions, the Company is prepared for a longer exploration process with its global partners. There is no revenue-generating item from this project as of now.

(3) Bo Dao Road Construction Project - MOU was signed on 28 August 2018

This project has been generating revenue for the Group since FY 2019. Performance and financial result of this project have been disclosed quarterly.

(4) Deng Feng City Project – MOU signed on 22 October 2018.

After further evaluation, the Company has considered this potential project to be dormant for now.

**By Order of the Board**

**Eric Choo Han Kiat**

**Executive Director and Chief Executive Officer**

07 September 2020