
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**”) wishes to respond to the queries raised by the Singapore Exchange Securities Trading Limited in respect of its financial statements for the second quarter and first half year ended 30 June 2023.

QUERY 1

With reference to the impairment loss on trade receivables in the digital infrastructure business amounting to RMB4.42million, please disclose:

- a. the names of the three debtors who are unable to pay and how they are related, the due dates of debts under the contract, the principal activities of these customers, the reasons for their inability to repay and when the Company was informed of each of their inability to repay.
- b. the identity of the person who introduced the Company to these customers and whether any credit checks were undertaken by the Company before goods and services were delivered by the Company to these customers. Please provide details of what actions were undertaken by Management before goods and services were rendered to ensure the collectability of debts.
- c. how has the Company verified the claims by these three debtors that they are unable to pay.
- d. the lawyer engaged by the Company and the date of the issuance of Letter of Demand.
- e. the efforts and actions that the Company has taken to recover the trade receivables from the 3 existing debtors since the issuance of the Letter of Demand, including details of any debt repayment plans that the Company has worked out with these debtors and the timeline for collection of the outstanding trade receivables.
- f. the Board's assessment of the recoverability of the remaining RMB6.58 million of current trade receivables under the n the Digital Infrastructure Business and the basis of its opinion.

RESPONSE:

- a. The Company would like to clarify that the Company is unable to make the disclosure of the specific names of the debtors without obtaining their explicit permission for such disclosure. This is due to confidentiality provisions outlined in the Technology Provider Agreement signed between the Company and the debtors.

Please refer to the following information as required:

Name of Customers	Outstanding balance (US\$)	Due Date	Principle activities of	Reasons
Client 1	110,000	More than credit term 90 days granted to the customer	Microfinance services.	The customers have verbally/email informed us about the cash flow difficulties and requested additional time for payment.
Client 2	440,000		Distributor of software and digital infrastructure services.	
Client 3	82,007		Microfinance services.	
Total outstanding payments	632,007			

- b. The Company were connected with these customers through brokers and business networks. Before providing goods and services, the Company has conducted due diligence. This involved checking public information. At that time, online search on business forums such as Reddit and Discord for negative reviews but didn't find any concerning comments. We value debt collectability and are refining our due diligence and credit evaluation methods.

The digital business segment began in January 2022, and new customer acquisition has been challenging due to our recent entry into this industry. No default payments have occurred from these customers in the previous year.

- c. The Company has diligently verified the claims made by the three debtors regarding their inability to pay. Ongoing communication has been maintained through regular correspondence to gain a comprehensive understanding of their financial circumstances.

In response to the outstanding payments amounting to US\$632,007, the Company took further steps to address the situation. Letters of Demand (LODs) were issued to the three debtors in May 2023, formalizing the request for payment. Despite these efforts, the debtors consistently cited cash flow tightness and challenges within their respective business industries as the reasons for their payment difficulties.

- d. The law firm engaged is Nine Yards Chambers LLC and LOD were issued on 25 May 2023.
- e. The Company has been diligently pursuing the recovery of the outstanding trade receivables from the three existing debtors since the issuance of the LOD. Following the issuance of the LOD, which formally communicated the outstanding payment obligations, the Company intensified its efforts to

recover the trade receivables. These efforts encompassed persistent communication through various channels, including direct correspondence, phone calls, and other appropriate means.

In addition to these actions, the Company has been open to exploring debt repayment plans with the debtors. While specific details of the repayment plans have not yet been finalized and communicated, it is important to emphasize that the Company is actively collaborating with the debtors to establish feasible repayment terms that align with their respective financial circumstances.

- f. The Board of Directors has evaluated the remaining RMB 6.58 million of current trade receivables within the Digital Infrastructure Business. The assessment draws on various factors: The financial health of debtors, including payment history and the industry conditions analysis of economic trends, market conditions, and their impact on the industry outlook. Based on the collective evaluation of these factors, the Board holds the opinion that the remaining RMB 6.58 million of current trade receivables under the Digital Infrastructure Business are recoverable as of 30 June 2023. While acknowledging the challenges posed by certain debtor circumstances, the Board will actively monitor the situation to ensure prompt response and protect the company's financial interests.

QUERY 2

Please quantify how much revenue has been generated from the Company's digital infrastructure business to-date and of this, how much of the total revenue had been collected in cash. Please also disclose the normal credit terms and terms of payment for the customers of the digital infrastructure business and the reason why significant part of these debts are not collectible and the steps the Board is taking to improve collectability.

RESPONSE:

The Company has recorded a total revenue of RMB 30.4 million as of 30th June 2023 with approximately RMB 19.6 million collected in cash to-date. The standard credit terms granted to clients range from 30 days to 90 days.

The challenge in collecting a significant portion of these debts arises from the unforeseen financial difficulties faced by debtors, particularly considering their involvement in the digital business segment and them being small finance companies. These industries have been adversely affected by negative market conditions in the digital technology sector and inflation-driven challenges in the micro-economy.

To address this, the Board is actively pursuing measures outlined in the response to Query 1(f), focusing on enhanced communication, due diligence, and collaboration with the key management team. The Board is committed to resolving outstanding debts with the management team through adaptive strategies and vigilant monitoring.

QUERY 3

The Company reported an increase in non-current trade and other receivables of approximately RMB4m from RMB262.3 million (for the quarter ending 31 Mar 2023) to RMB266.3 million (for the quarter ending 30 Jun 2023). According to Note 15 of the Company's financial statements, the non-current trade and other receivables are attributed to the infrastructure business. Given that the Company did not record any revenue for its infrastructure business in the quarter ending 30 June 2023, please reconcile the increase of RMB4m in non-current trade and other receivables with the unwinding of discount for non-current trade receivables amounting to only RMB2.2m (Note 6) in the same quarter.

RESPONSE:

The Company would like to clarify that the increase of RMB 4 million from RMB 262.3 million (for the quarter ending 31 Mar 2023) to RMB 266.3 million (for the quarter ending 30 Jun 2023) is attributable to additions of non-current other contract assets totalling approximately RMB 1.8 million as well as the unwinding of discount for non-current trade receivables amounting to RMB 2.2 million as noted in Note 6 for 2QFY2023.

QUERY 4

At Note 6 of the Company's financial statements, the Company reported "Interest income – Unwinding of discount for non-current trade receivables" amounting to RMB4.4 million (for the 6 months ended 30 June 2023) and RMB3.67 million (for the 6 months ended 30 June 2022). Please disclose how much of the interest income was collected in cash or whether these are merely book entry income but does not result in an increase in the Company's cash balance. Please also illustrate how these amounts were calculated and the associated revenue that was collected by the Company and how the cash balance in the Company was affected by such payments/accounting entries.

RESPONSE:

The Company would like to re-emphasise that a clear explanation of the concept for the "Interest income – Unwinding of discount for non-current trade receivables" as disclosed on Page 26 of unaudited financial statements.

The unwinding of discount is an accounting procedure based on the time value of money, applied to non-current trade receivables held at amortized cost. This involves discounting future cash receipts to arrive at present value, which is consistent with Singapore Financial Reporting Standards International (SFRS(I)) 9 – Financial Instruments.

The Group's auditors have endorsed this approach in previous financial years. Unwinding discount is an accounting adjustment that takes place regardless of whether revenue was recognized in a given period. This procedure ensures alignment with accounting standards and helps depict a true financial picture. The unwinding adjustment doesn't directly impact the cash balance of the Company. Instead, it involves periodic/yearly adjustments that incrementally increase receivables balances until reaching the original carrying amount upon actual receipts.

The Company wishes to clarify that the Company had already made announcement that expounded upon the rationale of unwinding of discounts on non-current receivable on 30 November 2020, 1 March 2021, 25 May 2021 and 1 June 2021.

As the Company announced on 30 November 2020, in terms of the calculation method employed, the Company utilize the Internal Rate of Return (IRR) as a pivotal component. This IRR is used to facilitate the unwinding of discounts on the net present value of our non-current trade receivables. The selection of this IRR is guided by its range, spanning from 3.05% to 3.6%, which effectively nullifies the net present value (NPV) of a project. The IRR formula in Excel, denoted as "IRR()", results in an internal rate of return expressed as a percentage. This formula operates based on provided parameters, yielding an output that signifies the rate of return.

To enhance clarity, the Company has included the precise calculations in structured tables within the responses to SGX's queries announced on 30 November 2020 and 1 June 2021. This presentation aids in understanding the undertaken calculations and ensures the process is comprehensible.

QUERY 5

The Company recorded an allowance for impairment loss under its investment in subsidiaries amounting to RMB506,000 as at 30 June 2022. Please explain what this amount relates to and how the RMB506,000 impairment was calculated and what the remaining RMB515,000 investment in unquoted equity shares relate to. Please also disclose the identity of the subsidiary and its principal activities as well as how this entity is performing.

RESPONSE:

The RMB506,000 impairment loss pertains to the Company's investment in Raffles Infrastructure Development Pte. Ltd. (RID), a subsidiary incorporated on 1 November 2018. Despite being established, RID remained dormant since inception. After agreed with our group auditor, a decision was made to fully impair the RMB506,000 (SGD100,000) investment, which represents the entire authorized share capital of RID.

RID is primarily engaged in "activities of head and regional head offices, centralised administrative offices, and subsidiary management offices."

The remaining RMB515,000 represents the Company's investment in Raffles (Chengdu) Investment & Development Co., Ltd approximately RMB510,000 and PT. Raffles Digital Infrastructure Indonesia approximately RMB5,000.

QUERY 6

Page 28 of the Company's financial results provides a table showing the percentage completion of 3 road parcels. Please supplement the table with the fourth road parcel, 云顶路, and explain why there is no progress on the four road parcels since the quarter ending 31 March 2023. Please disclose the target and expected timeline for the completion of these four road parcels. Given that the Bo Dao project is the main project of the Company, please disclose the measures and controls in place to ensure the prompt and timely completion of the project, revenue recognition and collection of payment from the Provincial Government.

RESPONSE:

Completion Progress of Road Parcels:

Name of parcels	% of completion
九大路	47%
麒新路	83%
海纳路	67%
云顶路	48%

Progress Update on Road Parcels:

Since the quarter ending 31 March 2023, there was no progress on the four road parcels. The primary reason is the need for regulatory approvals. Operating under a Public-Private Partnership (PPP) arrangement, the approval of all progressively incurred costs is contingent upon validation by the Local Provincial Government. Only upon securing this approval can the Company proceed to recognize costs as contract assets. Moreover, revenue recognition occurs once the Company collects the initial 10% payment on the fully completion of the road parcel, with a credit term of 10 years. Despite these challenges, the Company remains resolute in addressing the factors hindering progress and proceeding with the projects cautiously.

Completion Targets and Timelines:

The targets for completion and the anticipated timelines for the four road parcels are contingent upon specific project considerations. However, the Company aims to finalize these parcels within the forthcoming two to three years, subject to consistent payments from the local Provincial Government, enabling the Company to duly remunerate the main contractor.

Measurement and Controls:

Bo Dao Project holds a pivotal role in the Group’s revenue stream and core business. To ensure its timely completion and accurate revenue recognition, a comprehensive framework of measures and controls is in place. Our management team diligently monitors project progress, maintains open communication with local Provincial Government authorities and the main project contractor. Revenue recognition aligns with SFRS(I) 15 principles and the Public-Private Partnership (PPP) agreement with the local Provincial Government. Noteworthy developments or changes in this project will be promptly and accurately reported to the Board.

The Bo Dao Project is overseen by Mr. Eric Choo, a key executive officer, who manages the project's operations and finances. Assisted by Mr. Jiang Jianpeng, the Financial Controller (China), responsible for project financial reporting, this teamwork ensures accurate data submission to the Group CFO. This collaboration allows the Group CFO to thoroughly assess financial matters, including essential aspects of collectibility and recoverability, on a quarterly and yearly basis. These assessments are consistently shared with the Board, keeping them informed of significant developments.

Collection of Payments:

The Company wishes to clarify that Detailed information about historical and future billings' collection can be found on page 29 of the unaudited financial statements.

QUERY 7

Please disclose an update on the status of the Company's digital infrastructure business including the following:

- a. the Company's progress in the ASEAN Supply Chain Infrastructure pillar;
- b. the Company's progress in developing its own in-house e-commerce platform following its recruitment of key management and staff by Wuhan Raffles.
- c. an update to the number of staff in Wuhan Raffles following the hiring of 9 key personnel and 16 support staff announced by the Company on 24 November 2022.
- d. the cost optimisation and operational efficiency measures implemented.

RESPONSE:

- a. Currently, there has been no significant progress the ASEAN Supply Chain Infrastructure pillar. This is attributed to the delisting notification received from SGX on 1 June 2023. As a result of this notification, investor confidence in this business segment has been significantly impacted. It's important to note that this particular business sector demands substantial upfront funds for the initial working capital requirement.
- b. The Company's progress in developing its in-house e-commerce platform can be found on Page 25 of unaudited financial statements, where revenue variations are explained within the financial performance review. In summary, Wuhan Raffles, after recruiting key management and staff, achieved a revenue recognition of RMB 1.5 million. This recognition resulted from a service agreement between Wuhan Raffles and a third party, signed on 15th March 2023. The focus of this agreement is to provide software platform design, development, and implementation services primarily tailored for the video game industry. With a contract value of approximately RMB 1.6 million and a project duration of four months, Wuhan Raffles will also continue to offer maintenance services for software operations and upgrades as needed, following project completion.
- c. In comparison to the number of staff in Wuhan Raffles following the recruitment of 9 key personnel and 16 support staff, as announced by the Company on 24 November 2022, there are currently approximately 6 key personnel and 18 support staff as of 30 June 2023.
- d. Regarding the implementation of cost optimization and operational efficiency measures, based on the current business operations at Wuhan Raffles, the Company believes that staff costs, office expenses and other business relating expenses are effectively managed within the scope of cost control. This approach is anticipated to yield favorable returns, considering the ongoing e-commerce platform project.

17 August 2023

By Order of the Board
Ryan Chiu Tzong Min
Executive Director