
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 third quarter and nine months period ended 31 March 2022.

QUERY 1

We note that the revenue of RMB 4.043 million for the 3 months ended 31 March 2022 (“3Q2022”) was derived from “digital infrastructure business”. Please provide background and details of the specific work rendered for this "digital infrastructure" project, including:

- (a) the location where the sales occurred;
- (b) how revenue is recognized;
- (c) the scope and tenure of the contract;
- (d) the total value of the contract;
- (e) when was this contract signed and when it commenced; and
- (f) how much of the RMB 4.043 million revenue has been collected in cash by the Company to-date.

RESPONSE:

- (a) As stated in Note 4 of the financial statements, the revenue of RMB 4.043 million was attributed to the new digital infrastructure business in Singapore i.e. the sales occurred in Singapore.
- (b) Revenue is recognized in accordance with *SFRS(I) 15 Revenue from Contracts with Customers*. As stated in Note 2.2(i)(b) of the financial statements, revenue is recognised upon the client’s satisfactory and acceptance on the service provided. Upon completion of the work performed, the Company will submit an acceptance form and issue an invoice to the client, and revenue is recognized upon the client’s acknowledgement by returning the signed acceptance form.
- (c) As stated in Note 2.2(i)(b) of the financial statements, the Company provides two types of services for the digital infrastructure business:
 - Setting up a customized e-platform for the customer’s management database and data analysis system; and
 - Monthly maintenance service for the scope of work provided 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.
- (d) The total value of the contracts is approximately USD 3.0 million.
- (e) The contracts were signed in the month of January 2022 and the Company commenced work in the same month.
- (f) The Company has received RMB 4.043 million in cash to-date.

QUERY 2

We note that the other income of RMB 3.205 million for 3Q2022 was mainly derived from “unwinding of discount for non-current trade receivables”.

- (a) Please explain and reconcile why the Company was able to recognise such "other income" of RMB 3.205 million from the "unwinding of discount of non-current trade receivables" in the infrastructure segment while no revenue from the infrastructure segment was recognised during the same quarter;
- (b) Please disclose what was the event resulting in the recognition of the "unwinding of discount", how much payment was received from the customer and whether the payment was received by Bo Dao Road Construction Co. Ltd (“Bo Dao”) or the Company as cash in the bank account of the group; and
- (c) Please provide a breakdown of RMB 7.939 million and RMB 7.001 million being the “other income” for the 9 months ended 31 March 2022 (“9M2022”) and 9 months ended 31 March 2021 (“9M2021”) respectively. Please explain the basis how these were calculated, the underlying items and the periods / amounts of the revenue recognized in relation to such "other income" amounts.

RESPONSE:

- (a) As explained in the review of financial performance of “other income” on page 25 of the financial statements, the unwinding of discount in conjunction with non-current trade receivables was carried at amortised cost, in view of the time value of money. The Group has applied discounting on non-current trade receivables (future cash receipts) to arrive at a present value since prior financial years. Therefore it becomes necessary to unwind that discount for each successive financial year including each financial reporting period regardless whether revenue was recognised during the relevant financial period.

The unwinding adjustments is simply an accounting treatment in accordance with the Singapore Financial Reporting Standards International (“SFRS(I)”) 9 – Financial Instrument. The abovementioned unwinding discount methodology is consistent with our Group’s auditors’ approach which has been applied for the audited financial statements of the Group in prior financial years.

- (b) Please refer to the response to Query 2(a) above.
- (c) Please refer to Note 6 of the financial statements for a breakdown of the RMB 7.939 million and RMB 7.001 million for 9M2022 and 9M2021 respectively.

QUERY 3

Please provide a breakdown and comparison of the administrative costs amounting to RMB 1.773 million in 3Q2022, RMB 4.220 million in 3Q2021, RMB 4.655 million in 9M2022 and RMB 6.912 million in 9M2021. Please also disclose:

- (a) the nature of the expenditures and the reasons for the material changes;
- (b) a breakdown of the staff headcount, as well as remuneration incurred for staff and for key management; and
- (c) details of the internal cost restructuring undertaken the changes that took place during this restructuring and whether the changes in costs are permanent or short term.

RESPONSE:

Please refer to the detailed breakdown and comparison of the administrative costs in the table below:

	3QFY2022	3QFY2021	Variance	9MFY2022	9MFY 2021	Variance
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Legal & professional fee	664	438	52%	1,541	1,524	1%
Director's fee	263	264	0%	808	796	2%
Staff costs	338	636	-47%	1,056	2,501	-58%
Other operating expenses	443	2,871	-85%	1,155	2,057	-44%
Depreciation	65	11	491%	96	34	182%
	1,773	4,220	-58%	4,655	6,912	-33%

- (a) The increase in legal & professional fee of approximately RMB 0.2 million or 52% from RMB 0.4 million in 3QFY2021 to RMB 0.7 million in 3QFY2022 was mainly due to an increase in company secretarial fees and audit fees.

The decrease in staff costs of approximately RMB 0.3 million or 47% from RMB 0.6 million in 3QFY2021 to RMB 0.3 million in 3QFY2021 as well as decrease in staff costs of approximately RMB 1.4 million or 58% from RMB 2.5 million in 9MFY2021 to RMB 1.1 million in 9MFY2022 were mainly due to a decrease in staff headcount (excluding key management) from 4 to 2.

The decrease in other operating expenses of approximately RMB 2.4 million or 85% from RMB 2.9 million in 3QFY2021 to RMB 0.4 million in 3QFY2022 was mainly due to the absence of administrative costs of approximately RMB 2.4 million incurred in Raffles Infrastructure Capital Limited ("RIC") in relation to the disposal of RIC in 3QFY2021. Of the RMB2.4 million, there was a revenue written off of RMB 1.1 million recognized during 3QFY2021 as a result of the termination of the business advisory service contract. Please refer to our responses to Query 6 below for the details of the revenue written off and its corresponding costs incurred in RIC. The decrease in other operating expenses of approximately RMB 0.9 million from RMB 2.1 million in 9MFY2021 to RMB 1.2 million in 9MFY2022 was mainly due to administrative costs of approximately RMB 1.3 million incurred in Raffles Infrastructure Capital in 9MFY2021.

The increase in depreciation for 3QFY2022 and 9MFY2022 was mainly due to additional right-of-use assets recognized in 3QFY2022 and 9MFY2022 respectively.

- (b) Please refer to the detailed breakdown of staff headcount, as well as remuneration incurred for staff and for key management:

Headcount	3QFY2022	3QFY2021	9MFY2022	9MFY2021
- Finance, Admin & HR	1	1	1	1
- Operations	1	3	1	3
Total no. of Staff	2	4	2	4

Remuneration	3QFY2022 RMB'000	3QFY2021 RMB'000	9MFY2022 RMB'000	9MFY2021 RMB'000
Key management	265	179	914	1,112
Staff	73	457	142	1,389
Total staff costs	338	636	1,056	2,501

- (c) To clarify, the “...decrease in the key management’s remuneration of approximately 30% due to internal cost restructuring” includes directors’ fees and staff costs. Directors’ fees are reviewed annually and staff costs will be reviewed periodically or as and when the need arises.

QUERY 4

As at 31 March 2022, the Group recorded a negative working capital of RMB 33.654 million, of which RMB 180.792 million relates to current trade and other payables which are due within one year.

- (a) Please elaborate on how the Company is able to meet its short term obligations as and when they fall due;
- (b) Please assess the Company’s ability to operate as a going concern and provide basis for the Board’s view; and
- (c) Provide a confirmation from the Board that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

RESPONSE:

- (a) The Company is of the view that the non-current trade and other receivables amounting to RMB 282.5 million as at 31 March 2022 should also be taken into consideration in assessing the Group’s working capital, due to the payment arrangement with our main contractor (宜宾路桥) and the customer. Additionally, the Group recorded positive operating cashflow of RMB 36.3 million for 9MFY2022, and has cash and cash equivalents of RMB 88.2 million as at 31 March 2022. Taking into account the above, the Group is able to meet its short term obligations as and when they fall due.
- (b) Overall, the Group’s revenue, gross profit and net profit for 3QFY2022 and 9MFY2022 have increased significantly as compared to the previous corresponding financial period. This was partly attributable to our Group’s new digital infrastructure business, which generated revenue of approximately RMB 4.0 million in 3QFY2022. The Group’s financial position remains healthy with total net assets of RMB 214.0 million as at 30 June 2021 and RMB 224.4 million as at 31 March 2022, and a net asset value of RMB3.30 per share (FY2021: RMB3.15). Accordingly, the Board is of the view that the Company is able to operate as a going concern after taking into account the responses in (a) above and (b) herein.

- (c) The Board confirmed that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

QUERIES 5

Please elaborate on how the RMB 39.110 million paid for the "amount due to non-controlling interest of a subsidiary – Bo Dao" was financed, how repayment amount was determined, whether the repayment was made through the bank account of Bo Dao and the date of the repayment.

RESPONSE:

As stated in Note 21 of the financial statements, the payment term agreed was payment to the supplier upon collection from the trade receivables i.e. when the subsidiary of the Company, Bo Dao receives payment from the customer, Bo Dao will in turn repay the main contractor.

QUERIES 6

In relation to Note 4, please provide an update on the "Business Advisory Services" segment which is no longer reported for FY2022. Please also:

- (a) provide a breakdown of the expenses amounting to RMB 2.429 million.
(b) elaborate on how these costs were re-allocated, in particular the costs associated with rental, remuneration and staff costs; and
(c) disclose the number of employees in this segment.

RESPONSE:

To clarify, the Business Advisory Services segment is in relation to Raffles Infrastructure Capital Limited ("RIC") which was fully disposed on 1 June 2021. Accordingly, the "Business Advisory Services" segment will be discontinued and the Company will be focusing on its two main business segments, namely "Infrastructure Business" pertaining to the Bo Dao project and its new "Digital Infrastructure Business" going forward.

(a) & (b): As per our responses to SGX's queries announced on 25 May 2021, there was a revenue written off of RMB 1.1 million from the business advisory services due to the termination of the service contract as well as its corresponding costs of RMB 1.0 million which includes travelling & accommodation expenses of RMB 0.3 million, business development costs of RMB 0.4 million, office rental expenses of RMB 0.1 million and professional fees of RMB 0.2 million. The remaining RMB 0.3 million includes staff claims and miscellaneous expenses.

- (c) There are currently no employees in the Business Advisory Services segment as the Company will be focusing on its two main business segments, namely "Infrastructure Business" pertaining to the Bo Dao project and its new "Digital Infrastructure Business" going forward.

QUERY 7

In relation to the “digital infrastructure business” revenue of RMB 4.043 million under Note 5, please disclose the specific contracts that constituted the revenue amount, when were the contracts signed, what is the size of the contracts and the period under which the services/products were provided. Has this amount been fully collected by the Company to-date?

RESPONSE:

Please refer to our responses to Query 1.

QUERY 8

In relation to Note 6, we note that “there is a total payable of approximately RMB 0.8 million to third parties’ professional fees incurred before FY2017, which has been written off during 3QFY2022 and this has been reviewed and confirmed by our group auditor”.

Please disclose who the third parties are, the type of professional fees incurred and the basis why the auditors confirmed that such payables ought to be written off in 3Q22 when it was disclosed that the 3Q2022 results had not been reviewed by the auditors.

RESPONSE:

The professional fees include SGX & CDP fees, Conyers Dill & Pearman for Bermuda Company secretary fees, Boardroom for share registrar fee and RT LLP for external audit fee.

To clarify, the 3Q2022 results had not been reviewed by the auditors but the Company had discussed with the auditors on certain items and adjustments including the abovementioned “payables”.

QUERY 9

In relation to Note 11, we note that the “assets recognized from costs incurred to fulfil a contract” were RMB 47.013 million and RMB 29.160 million as at 31 March 2022 and 30 June 2021 respectively. Please provide a breakdown for these figures by type of assets, disclose the nature of each asset and provide ageing in bands of 3 months with specific period of the upper band disclosed.

We also note that “Asset recognised from costs incurred to fulfil a contract refer to costs that i) relate directly to a contract or an anticipated contract which the Group can specifically identify, ii) that these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and, iii) that these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately”.

- (a) Please disclose the details of the contract referred to, elaborate what the costs are and provide a breakdown of these costs by contract; and
- (b) Please disclose the basis why the board is of the view that such costs can be recovered and should not be expensed.

RESPONSE:

Please refer to the detailed breakdown of other current asset in the table below:

	Name of road parcels	31 March 2022 RMB (mil)	30 June 2022 RMB (mi)
1	九大路	12.9	12.9
2	九毓路	-	7.2
3	麒新路	12.6	9.1
4	下同路	17.8	-
5	久陈路	3.7	-
	Total	47.0	29.2

As per our responses to SGX's queries announced on 18 February 2022, the Company wishes to clarify that other current asset refers to the construction costs incurred for the above projects which have been prepared and submitted for the Client's review and approval. The Company will recognise the revenue and immediately transfer construction costs from other current asset to trade receivables upon the acceptance of the road parcel by the Client. Therefore, there is no aging report to be generated since the construction costs have not yet been transferred to trade receivables.

- (a) Please refer to the detailed breakdown of the costs in the table below:

Name of road parcel	Labour costs RMB'000	Raw materials RMB'000	Production expenditures RMB'000	Total RMB'000
九大路	3,896	5,844	3,246	12,986
九毓路	2,143	3,214	1,786	7,143
久陈路	2,709	4,064	2,258	9,031
As at 30 Jun 21	8,748	13,122	7,290	29,160

九大路	3,896	5,844	3,246	12,986
下同路	5,327	7,990	4,439	17,756
麒新路	3,769	5,653	3,141	12,563
久陈路	1,113	1,669	927	3,709
As at 31 March 21	14,104	21,156	11,753	47,013

- (b) the Board is of view that the costs can be recovered after taking into account the following:
- under our sub-agreement signed between the Company and the main contractor, the total contract value (i.e. contract costs) of PPP project is RMB 550 million and the main contractor will bear all extra actual costs if the total project costs exceeds RMB 550 million; and
 - the committed project value of RMB 550 million remains intact, and the project milestones for each road parcel have been closely monitored, assessed and met in an orderly manner. Furthermore, there is no dispute with the Client as of the date of this announcement.

QUERY 10

In relation to Note 12, we note that “During the current reporting period, the Group signed a lease contract for an office building for 2 years, which is accounted for as a new lease, classified under ‘Property, plant and equipment’”.

- (a) Please provide details of this lease, including its size, location, use for the space, value of the lease contract and the basis how the value was determined;
- (b) Please disclose whether the lease was entered into with a related party; and
- (c) Please justify why the Company requires this extra space when it already has an office space from which it was operating, and explain how the previous office space is being utilized with this new lease.

RESPONSE:

- (a) The office is located at 8 Eu Tong Sen Street, #13-84, The Central, Singapore 059818 with an area of 964 sqf. The rental is SGD5,000 per month on a 2-year lease. The Company intends to use the office space for its new digital infrastructure business. The Company had engaged a property agent to look for an office space in December 2021 and the lease was signed in January 2022.
- (b) The lease was entered into with an independent third party.
- (c) To clarify, the Company does not have a physical office in Singapore before January 2022 except for the office in one of the subsidiaries in China. As mentioned above, this new office will be used for the Group’s new digital infrastructure business based in Singapore.

QUERY 11

In relation to Note 15, we note that current trade receivables decreased by RMB 37.0 million from RMB 47.823 million to RMB 10.811 million while non-current trade receivables increased by RMB 27.7 million from RMB 242.820 million to RMB 270.507 million. Please disclose the following:

- (a) how non-current trade receivables increased by RMB 27.7 million when the total revenue was only RMB 4 million in 3Q2022 and NIL revenue was recorded from the Infrastructure segment, where income is charged on a deferred basis;
- (b) the reasons for the decline of RMB 37.0 million in current trade receivables from third parties; and
- (c) in relation to the decline in current trade receivables from third parties, please quantify how much of the reduction of RMB 37.0 million was received by Bo Dao in cash.

RESPONSE

- (a) The increased in non-trade receivables by RMB 27.7 million was mainly due to revenue of RMB 25.7 million from the infrastructure business, which has been taken into account the effect of the time value of money amounting to RMB 2.6 million during 2QFY2022. Please refer to the interim condensed financial statement for 2QFY2022 as announced on 14 February 2022.
- (b) As disclosed on page 27 of the interim condensed financial statement for 3QFY2022, the decreased in trade receivables of RMB 37.0 million was mainly due to the collection from the infrastructure project amounting to RMB 25.8 million and RMB 43.1 million for 3QFY2022 and 9MFY2022 respectively.
- (c) Bo Dao had fully received RMB 37.0 million from the client and subsequently all are repaid to the main contractor during 3QFY2022.

QUERY 12

In relation to Note 24, please explain why short term employee benefits increased by 20% or RMB 85,000 from RMB 443,000 to RMB 528,000 for 3Q2022 when there was NIL revenue for the Bo Dao project.

RESPONSE

The increased in short term employment benefits is mainly due to an increase in the headcount of key management including the board of directors from 9 in 3QFY2021 to 12 in 3QFY2022.

QUERY 13

We note on page 24 that “During 3QFY2022, the Company reported total revenue of RMB 4.0 million (USD 0.6 million equivalent)”. Please disclose how much of this RMB 4.0 million has been paid by the customer to-date.

RESPONSE

Please refer to our response to Query 1(f) above.

QUERY 14

We note on page 28 that “Trade and other payables decreased slightly by approximately RMB 2.8 million or 1.5% from approximately RMB 183.6 million as at 30 June 2021 to approximately RMB 180.8million as at 31 March 2022. This is “mainly due to decreased in amount due to non-controlling interest of a subsidiary - Bo Dao from RMB 149.1 million as at 30 June 2022 to RMB 110.0 million as at 31 March 2022”.

The decrease in amount due to Bo Dao is RMB 39.1 million, which is significantly higher than the decrease in trade and other payables of RMB 2.8 million. Please provide a reconciliation of the movement in trade and other payables. The reconciliation should include any new payables incurred and payments made during the current reporting period. In relation to the new payables incurred (if any), please also disclose a breakdown of such payables, including their nature, the parties involved and whether they are related to the Company.

RESPONSE

The difference of RMB36.3 million (RMB39.1 million – RMB2.8 million) is mainly derived from the increased in trade payables to our main contractor of RMB 36.0 million from RMB 28.0 million as at 30 June 2021 to RMB 64.0 million. The increase in trade payables is consistent with an increase in other contract assets as a result of additional construction costs incurred.

QUERY 15

We note on page 29 that “Raffles Digital entered into a Memorandum of Understanding for Technology Provider (the “MOU”) and Partnership Agreement (the “Partnership Agreement”) (collectively, the “MOU and Partnership Agreement”) with KPM Securities Company Limited”.

Please disclose whether there have been any contracts awarded under this MOU. If so, please provide details and quantify where possible.

RESPONSE

The Company is still in discussion with KPM Securities Company Limited on the details of the Partnership and there have not been any contracts awarded thus far. The Company will update shareholders as and when there is any material development(s).

QUERY 16

We note on page 30 that “Raffles Digital has, on 25 February 2022, entered into a Memorandum of Understanding for Technology Provider (the “MOU”) and Partnership Agreement (the “Partnership Agreement”) (collectively, the “MOU and Partnership Agreement”) with VC Wealth Company Limited (“VC Wealth”).

Please disclose whether there have been any contracts awarded under this MOU. If so, please provide details and quantify where possible.

RESPONSE

The Company is still in discussion with VC Wealth Company Limited on the details of the Partnership and there have not been any contracts awarded thus far. The Company will update shareholders as and when there is any material development(s).

QUERY 17

We note on page 30 that “the Company announced the collaboration between Raffles Digital and Digital Treasures Centre Pte. Ltd”.

Please disclose whether there have been any contracts awarded under such collaboration. If so, please provide details and quantify where possible.

RESPONSE

The Company is still in discussion with Digital Treasures Pte Ltd on the details of the Collaboration and there have not been any contracts awarded thus far. The Company will update shareholders as and when there is any material development(s).

QUERY 18

We note on page 30 that “the Company announced that Raffles Digital entered into a strategic partnership with PT E2Pay Global Utama (“E2Pay”).

Please disclose whether there have been any contracts awarded under such strategic partnerships. If so, please provide details and quantify where possible.

RESPONSE

The Company is still in discussion with PT E2Pay Global Utama on details of the collaboration including the technological API integration of their payment systems. The Company will update shareholders as and when there is any material development(s).

QUERY 19

We note on page 30 that “AWT has terminated the Final Agreement with certain allegations of breaches under the Final Agreement against the Company”. Please disclose:

- (a) whether AWT is seeking damages against the Company arising from the alleged breaches under the Final Agreement;
- (b) whether the Co will be seeking damages from AWT for the breaches under the Final Agreement;
- (a) please quantify such damages and elaborate why the Company is of the view that there is no material impact on the Group's financial results and whether the allegations relate to breach of contract and or to cost of expenses incurred; and
- (c) whether the Company has appointed a legal advisor and if so, who is the appointed legal advisor.

RESPONSE

- a) The Company’s appointed legal advisor is still in the process of clarifying and confirming with AWT on the termination of the Project. The Company will update shareholders as and when there is any material development(s) on this matter.
- b) The Company do not expect any significant damages from AWT since the project has not yet been commenced since the date of the Final Agreements. As per our responses to SGX announced on 8 March 2022, the Company injected a working capital of US\$50,000 into one of subsidiaries-Raffles Infrastructure Development Bangladesh Ltd on 22 November 2021 for pre-operational cost as the initial investment for Trust Green City Township Development project. As of today, the Company had only paid for the initial architect design fee of USD 54,456. The Company will update shareholders and when there is any material development(s) on this matter.
- c) Pending clarification and confirmation from AWT, the Company is unable to quantify such damages and the impact on its financials. The Company will update shareholders as and when there is any material development(s) on this matter.
- d) The Company has appointed Barrister A.S.A Bari, Managing Partner of A.S & Associates in Bangladesh as its legal advisor in relation to AWT. Website: [A.S & Associates – Every Legal Help \(as-associates.net\)](http://as-associates.net)



QUERY 20

We note on page 32 that the company had utilized S\$2.182 million of the IPO proceeds for working capital purposes. Please disclose what the working capital comprises and provide a breakdown of the utilisation.

RESPONSE:

As per our responses to SGX's queries announced on 7 September 2020 and 2 November 2020, the Company wishes to reiterate that the utilisation of the IPO proceeds cannot be determined from the outcome of the special audit that was completed and disclosed on 13 August 2019. As a result, the Company has not been able to provide further meaningful update on the usage of IPO proceeds.

By Order of the Board
Ryan Chiu Tzong Min
Executive Director
31 May 2022