

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**”) in respect of the Response to SGX Queries filed on 03 June 2020 in relation to Company’s 3QFY2020 results.

QUERY 1

In response to SGX Query 1 on "Other income" comprising the fixed deposit placed with reputable banks, the Company disclosed that RMB 100 million was placed with China Construction Bank FD account for three months which will mature on 25 June 2020. The interest rate is 1.35% per annum." The Company disclosed in its financial statements for 9 months ended 31 March 2020 that its interest income recorded under "Other income" is RMB 1.036 million. Please explain why this RMB 1.036 million was not reported as an adjustment in the Company's cashflow statement operating cashflow, noting that interest will only be received when the FD matures in June 2020.

RESPONSE:

With reference to our response to SGX Query 1 dated 25 February 2020, the Company has received a total interest income of RMB994,000 for the period 3QFY2020. In respect of the RMB100 million fixed deposit placed on 25 March 2020, the Company has recognised and accrued interest income of RMB22,000. The accrued interest income receivable is classified under other receivables. Below is the revised Consolidated Statement of Cash Flow for the Group on the net cash used in operating activities for the 9 months ended 31 March 2020.

	<u>RMB'000</u>
Operating cash flows before changes in working capital	45,493
<u>Changes in working capital:</u>	
Contract receivables	82,798
Trade and other receivables	(152,244)
Trade and other payables	5,859
Cash used in operating activities	<u>(18,094)</u>
Interest received	994
Net cash used in operating activities	<u>(17,100)</u>

QUERY 2

In response to SGX Query 2 on the payment schedule for the outstanding trade and other receivables of RMB 271.4 million, the Company had disclosed a materially different set of figures from the announcement on 2 March 2020. On 2 March 2020, the Company had disclosed a payment schedule from 2021 to 2029 of which RMB 232.7 mil was payable over these 9 years. Please explain why the figures are materially different in this payment schedule from 2022 to 2030. Please also explain the Company’s disclosure that “RMB 203.2mil of project costs is payable over these 8 years”. Please tabulate and reconcile the outstanding trade and other receivables of RMB 271.4 million in the 2 tables. To also provide an explanation for all the variations and to tabulate the project costs incurred in the past and over these respective years.

RESPONSE:

The tables in the response to SGX Query 2c dated 2 March 2020 (“**2Mar Tables**”) illustrate the outstanding project costs to be collected from Year 2020 to 2029 while the table in response to SGX Query 2 dated 3 June 2020 (“**3Jun Table**”) shows the outstanding project costs for the non-current portion only i.e. from Year 2022 to 2030. Table A below illustrates the same total outstanding project costs of RMB 234.6 million between the 2Mar Table and 3Jun Table.

The payment schedule for Year 2021 to 2029 disclosed in the 3Jun Table were adjusted based on the latest payment advice provided by the client in April 2020. The project costs are payable by the client over a period of 10 years with an annual payment fixed at 10% of the project costs of each road parcel.

Table A

SGX Response	Project costs										RMB million
	Payment Schedule (Year)										Total
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
2 March 2020	1.8	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4	13.6	234.6
3 June 2020	1.8	29.4	29.1	29.1	29.1	29.1	29.1	27.8	16.4	13.7	234.6

The non-current trade and other receivables of RMB274.1 million includes the project costs, project returns(8.8%) and project upfront management fee that will be reimbursed from the client upon completion of the project for the Year 2022 to 2030. The project returns are payable by the client over a period of 10 years at 8.8% per annum of the remaining project costs receivable for the road parcel. The time value of money is an adjustment to determine the fair value of the non-current trade receivables based on the payment schedules for each respective year.

Table B

	RMB million											Total for 10 road parcels	
	Current		Non-Current										
Received/paid	2020	2021	Payment Schedule (Year)									2030	
	2022	2023	2024	2025	2026	2027	2028	2029	2030				
Project costs	39.6	1.8	29.4	29.1	29.1	29.1	29.1	27.8	16.4	13.7	-	274.2	
Project return (8.8%)	18.4	-	24.4	14.3	18.1	15.7	13.4	11.1	8.8	6.5	3.4	135.2	
Received/Receivable by customer	58.0	1.8	53.8	43.4	47.2	44.8	42.5	40.2	36.6	22.9	17.1	409.4	
Less: Effects of time value of money	-	-	-	(1.1)	(2.5)	(3.6)	(4.7)	(5.5)	(6.3)	(4.5)	(3.7)	(0.3)	
Trade receivables		55.6		263.6									
Project upfront management fee	-	-	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	10.5	
Trade and other		55.6		274.1									
Paid/Payable to Yibin	58.0	1.8	53.8	43.4	47.2	17.7	-	-	-	-	-	221.9	

Breakdown of Non-current trade and other receivables of RMB274.1 million

Non-current trade and other receivables	RMB million
Project costs (Year 2022 to 2029) refer to table B	203.4
Project return (8.8% for Year 2022 to Year 2029)	92.4
Less: Effects on the time value of money	(32.2)
Project upfront management fee	10.5
	<u>274.1</u>

Table C

				RMB Million	
	FY 2019	3Q 2020	Total	Received	Outstanding
Project costs	139.1	135.1	274.2	39.6	234.60
Project return (8.8%)	69.8	65.4	135.2	18.4	116.80
	208.9	200.5	409.4	58.0	351.40
Less : Effects of time value of money	(19.8)	(12.4)	(32.2)		(32.2)
Revenue	189.1	188.1	377.2		
Less: Project costs	(139.1)	(135.1)	(274.2)		
Gross Profit	50.0	53.0	103.0		
				Trade Receivables	319.20

The total project costs incurred for the 10 completed road parcels were RMB274.2 million, which Company has recognised as costs of sales in the income statement in FY2019 and 3QFY2020 of RMB139.1 million and RMB135.1 million respectively.

QUERY 3

In SGX Query 3a, the Company had disclosed that it had applied a discount to calculating its value of non-current trade receivables for the effect of time value of money which had reduced the revenue by RMB 12.4 million such that Revenue will amount to only RMB 188.1 million. Please quantify the discount rate used and whether this is similar to the 8.8% interest rate which the Company previously disclosed is due to the Company. Please tabulate and explain when such interest on the aggregate revenue of RMB 550 million will be paid to the Company and how such interest income on the 8.8% will be reported in the income statement.

RESPONSE:

Company has applied discount rates to adjust for the effects of the time value of money to determine the fair value of the non-current trade receivables as at financial period, below are the discount rates used

Discount rate used

1 year	2.650%
2 years	2.767%
3 years	2.840%
4-5 years	2.970%
7 years	3.185%
8-10 years	3.155%

Using the above rates on the non-current trade receivables as at 31 March 2020, the accounting adjustments for the effects of the time value of money was RMB32.2 million. Please refer to Table B above. The discount rates applied on the non-current trade receivables are accounting treatments while the actual project returns of 8.8% per annum is a fixed return formula specified in the PPP contract.

With reference to our response to SGX Query 2(ii) on 11 March 2020, the 8.8% per annum is not an interest income but project returns for the road parcels. Company has recognised the project returns of RMB135.2 million as revenue in the income statement for the 10 completed road parcels in FY2019 and Q3 2020 of RMB69.8 million and RMB65.4 million respectively. Please refer to Table C above.

QUERY 4

In the Company's response to SGX Query 3b, the Company disclosed that the trade receivable amount due in year 2022 will amount to RMB 43.4 million. In its announcement on 11 March 2020 in response to SGX query, this was stated to be RMB 27.4 million. Please reconcile the 2 responses and disclose which is the correct amount that will be received by the Company in 2022.

RESPONSE:

In our response to SGX Query 2 on 11 March 2020, the amount due in year 2022 of RMB 27.4 million was only the project costs. Please refer to Table A above. In our response to SGX Query 3b on 3 June 2020, the amount due in year 2022 of RMB43.3 million includes both the project costs and the project returns. Please refer to Table B above.

QUERY 5

In the Company's response to SGX Query 3b, the Company further disclosed that the "difference between the revised discounted amount and current recognised discounted amount of RMB 32.2 million will be recognised as Revenue in year 2022." Please explain why is there a discrepancy in the revised and current recognised discount amount. Please define what the term "revised discounted amount" used is referring to. Does this differ from the interest that is payable to the Company for a long payment term?

RESPONSE:

The carry amount of non-current trade receivables as at the end of each financial period will be adjusted for the effects of the time value of money. This is not a discrepancy but an accounting treatment to determine the fair value of the non-current trade receivables at the end of financial period. The term "revised discounted amount" refer to the fair value of the non-current trade receivables as at the end of the financial period. The discount rates used are for accounting purposes and the return of 8.8% per annum is a fixed return formula specified in the PPP contract. This project return is not an interest. Please refer to the response to SGX Q2 dated 11 March 2020 and Query 3 above.

QUERY 6

We refer to the breakdown of legal and professional fees amounting to RMB 2.8 million set out in response to query 4. Please provide terms and details of services provided, identity and scope of the consultant "relating to projects" that was paid the fees RMB 0.5 million in 3Q2020.

RESPONSE:

Breakdown of the fee for consultant relating to projects.

Consultant	Services	RMB million
JiBan JianShe Group	To provide the road parcels evaluation and status of the BoDao project in July 2019. This service includes the conditions, quality, construction costs incurred, thickness and length of the road parcels. The service was completed in August 2019.	0.2
Surbana Jurong	Consultancy fee for the development of the township Conceptual Design for the Bangladesh Trust Green City project. (The project details was announced on 8 th May 2020)	0.3
		0.5

QUERY 7

In SGX Query 5, the Company was asked to explain the shortfall of RMB 78.9million in trade and other receivables and Revenue recognised from the 5 completed road parcels in January 2020. In response to SGX Query 5, the Company disclosed a table of adjustments made to the Revenue recognised in January 2020. It does not reconcile with the 3QFY2020 results. Please tabulate and elaborate on the difference in the 2 responses.

RESPONSE:

Non-current assets	RMB million
Trade and other receivables as at 1 Jul 2019	152.5
Add: Revenue recognised in 3Q 2020 (Table C)	200.5
Less: Payment received	(19.2)
Less: Amount reclassified as current trade receivables	(51.3)
Less: Effects on the time value of money (Table C)	(12.4)
Add: Project upfront management fee	4.0
	(78.9)
Trade and other receivables as at 31 March 2020	274.1

The non-current trade and other receivables increased by RMB121.6 million from RMB152.5 million in FY2019 to RMB274.1 million in Q3 2020. This increase was due to the revenue recognition of RMB200.5 million for the 5 completed road parcels in January 2020 and project upfront management fee of RMB4.0 million; partially offset by payment received from the client of RMB19.2 million; reclassification to current trade receivables of RMB51.3 million and the accounting adjustments for the effect of time value of money to determine the fair value of the non-current trade receivables as at 31 March 2020 of RMB12.4 million.

QUERY 8

On 11 March 2020, in response to SGX’s queries on the Company’s 2QFY2020 results, the Company disclosed that “The project is valued at approximately RMB550 million and involves the construction of 220 kilometers of rural roads. For the 10 completed road parcels, the total construction costs are approximately RMB274.2 million and expected amount of construction costs to be incurred until completion are approximately RMB275.8 million. The Company has financed such construction costs through internal generated funds and loan from Bo Dao’s shareholder YiBin H&B. (“YiBin”). YiBin is a shareholder of Bo Dao and also the main contractor for the project. Company is currently considering other source of financing such as borrowings from financial institution”.

a. If revenue is RMB 550 mil and costs of construction is also RMB 550 million, please disclose what is the profit the Company records from the Bo Dao project.

b. With regard to the statement that “The Company has financed such construction costs through internal generated funds and loan from Bo Dao’s shareholder YiBin H&B. (“YiBin”)”, please disclose the respective amounts and proportion of construction costs financed through internal generated funds and loans from YiBin till to date.

RESPONSE:

a. Please refer to the response to SGX Q2 on 11 March 2020 and Query 3 above. The Company will receive a return of 8.8% per annum calculated based on the remaining receivable of the project costs of each road parcel on the anniversary date of acceptance, payable over 10 years. At the end of the 10 years upon collection from the client, the profit for the BoDao project will be:

Table D

At the end of 10th year

RMB Million

	Completed 10 roads		Remaining 16 roads	Total
	FY 2019	9 month FY2020		
Revenue (refer to Table C)				
Project costs	139.1	135.1	275.8	550.0
Project return (8.8%)	69.8	65.4	133.5	268.7
Revenue	208.9	200.5	409.3	818.7
Less : Project costs	(139.1)	(135.1)	(275.8)	(550.0)
Gross Profit	69.8	65.4	133.50	268.70

b. Bodao's sources of funds for project costs as at 31 March 2020

Table E

	<u>RMB million</u>	<u>Recorded in Balance sheet</u>
Project costs for 10 completed	274.2	
Project upfront management fee	10.5	Non-current Trade and other receivables
Contract assets (Construction in process)	5.5	Contract assets
	<u>290.2</u>	
Bodao sources of funds:		
Investments from Bodao Shareholders	45.0	Bodao Paid up capital
Paid by customer	58.0	
Accounts payables	23.6	Trade and other payables
Amount due to YiBin	163.9	Trade and other payables
	<u>290.5</u>	

QUERY 9

We note that construction work is required to be wholly (100%) completed by June 2020 for the total 26 parcels. On the other hand, the payment obligation of the client under the contract would amount to only 15% of the contract value under the payment schedule by end 2020. The remaining 85% of the contract value will be paid over the next 9 instalments until calendar year 2029, which is 9 years after all the work has been completed under the contract. Please tabulate and reconcile the 15% and 85% of constructions costs payable to the statement in Q8 that "For the 10 completed road parcels, the total construction costs are approximately RMB274.2 million and expected amount of construction costs to be incurred until completion are approximately RMB275.8 million."

RESPONSE:

The payment terms agreed with YiBin is upon receipt of payment from the client. For the completed 10 road parcels, please refer to Table B for the payment schedule of the amount owing to YiBin for the construction costs and Table E on the sources of funds for the construction costs.

As disclosed in Point 10 commentary of 3QFY2020 financial results, the construction schedule for the remaining 16 parcels has been affected by the Covid-19 situation, resulting in delays in deliverance of road parcels and the acceptance process by client. Company will continue to source other financing such as borrowings from financial institution. In the meantime, YiBin will continue to finance the construction costs. Please refer to our response on Query 11(c) below for more details.

QUERY 10

In the Company's response to SGX Query 6a, on why was there an increase in the amount owed to 宜宾路桥 ("YiBin") of RMB 11.8 million, why this liability is so significant and what is the nature of this transaction, the Company disclosed that the RMB 11.8 million relates to loans for the 5 completed road parcels recognized in January 2020. Please provide a breakdown of the specific use of proceeds of this RMB 11.8 million.

RESPONSE:

Please refer to Table E. The amount owing to YiBin was related to the construction costs for the road parcels.

QUERY 11

The Company also disclosed in its responses to SGX Query 6a and 6b, that the Bo Dao project "has been financed by YiBin in a form of loans to the Company. YiBin is also the main contractor for the Project... As at 31 March 2020, RMB 163.9 million was payable to YiBin for construction costs financed by YiBin for the 10 completed road parcels...[this] amount is interest free..."

a. Please clarify if the RMB 163.9 million includes the loan of RMB 11.8 million.

b. Please also clarify if YiBin is providing loans to the Company to pay YiBin for construction costs. If this is so, is YiBin both the main contractor and the financier for the entire Bodao Project? Please elaborate on the material expenses and the reasons for the significant Legal and Professional fees. In addition, please elaborate on the staff strength relating to this payroll expense under Administrative expenses.

c. In the circular to shareholders dated 28 August 2018, at para 5.1.1, the Company disclosed that the Project is valued at RMB 550 million, of which RMB 440 million will be financed by a local bank. At para 3.11, it was disclosed that "the Company will utilize 73.6% [S\$ 22 million; approximately RMB 111.9 million] of the net placement proceeds [of S\$29.9million; approximately RMB 152.1million] from the Proposed Placement to invest in an infrastructure Project together with Dingneng group [YiBin is 96.5% owned by Dingneng Group and 3.5% owned by the YiBin City government]. In addition, at para 4.8 "Financing", the Company disclosed that "the Board is of the opinion that the proceeds raised are sufficient to finance the Proposed New Business and there is no imminent need or present intention to raise additional funds for the Proposed New Business". In the circumstances, please explain why the Company is borrowing from YiBin to finance the construction costs and why was this not stated in the circular dated 28 August 2018.

d. On 3 June 2020, the Company disclosed that the Company has no bank borrowings to date and instead, this project has been financed by YiBin. Please clarify what is the paid up capital of YiBin and whether YiBin financed the RMB 440 million of the Bo Dao Project meant to be financed by a local bank, the terms of the loan, interest rate and loan repayment date. To explain why the Company was unable to obtain the bank borrowings, as represented in the circular.

e. What is the Company's specific role in the Bodao project as the 90.91% shareholder of Bo Dao Road Construction Co. Ltd? How does the Company benefit from the Bodao project?

RESPONSE:

a. Yes, the RMB 163.9 million includes the loan of RMB 11.8 million. The amount owing to YiBin of RMB 163.9 million was loaned to the Company to pay for the construction costs. Please refer to Table E.

b. YiBin is the main contractor for this project and is providing financing support in the capacity as Bo Dao's shareholder until a project loan from the bank by the Company is secured and disbursed.

For elaboration on Legal & Professional fees and Staff Strength, please refer to our response to SGX Query 4 on 3 June 2020.

- c. As disclosed in the Company's circular dated 28 August 2018, YiBin has a registered and paid-up capital of RMB 500 million and the Company intended to utilise 73.6% of the placement proceeds to invest in equity of BoDao and the rest of funds needed for the project through bank loans for BoDao. The Company did have a letter of intent from Agricultural Bank of China to finance the project through bank loan before proceeding with the investment. However, the bank loan did not materialize due to policy changes, and based on agreement, the company has the right of not further injecting capital into the project, and thus Yibin is financing the project as it progresses. The Company is still working with Yibin to ensure the construction work progresses and to procure financing solutions for the project.
- d. Please refer to Query 11(c) above.
- e. Please refer to the Company's circular dated 28 August 2018 and our response to SGX Query 2(i) on 11 March 2020 relating to the rationale for the investment in the project. The Company's role in the Bodao project as the 90.91% shareholder of Bo Dao Road Construction Co. Ltd is to provide management and financing support for the PPP project. It is an opportunity for a Foreign company to cooperate with State Owned Enterprises to work on such projects.

QUERY 12

Based on the payment schedule provided by the Company in response to SGX Query 6c, the RMB 163.9 million comprises of payment to YiBin from 2021 to 2024 for 10 completed parcels of land. However, in the Company's response to SGX queries on 25 February 2020, the Company disclosed that that it had recognised a revenue of RMB189.1 million in FY2019 and RMB181.7 million in January 2020 for the completed 10 parcels of roads. On 11 March 2020, the Company further disclosed that "For the 10 completed road parcels, the total construction costs are approximately RMB274.2 million and that "For the 10 completed road parcels, the total return based on 8.8% per annum amounted to RMB135.2 million. Up to January 2020, Company has received S\$18.4 million." Please explain and reconcile the following figures:

- (a) Revenue of RMB189.1 million recognized in FY2019 and RMB181.7 million recognized in January 2020 for the completed 10 parcels of road, announced on 25 February 2020;
- (b) Why Total construction costs of approximately RMB274.2 million for the 10 parcels of land, announced on 11 March 2020 is higher than the Revenue of RMB181.7 million for the same 10 parcels of road;
- (c) Monies of S\$18.4 million [approx. RMB 93.6 million] received by the Company for the 10 parcels of land from Revenue recognised in January 2020 of RMB181.7 million;
- (d) Loan of RMB 163.9 million payable to Yi Bin for construction costs financed by YiBin for the 10 completed parcels, as announced on 3 June 2020; and the balance RMB 110.3 million of construction costs for the 10 parcels of land

Please explain how the figures interact and are recorded on the balance sheet. What is the profit, if any, recognized by the Company?

RESPONSE:

- (a) Please refer to Table C for the revenue recognised in FY2019 and 3QFY2020.
- (b) Please refer to Table C for the project costs (construction costs) recognised in FY2019 and 3QFY2020.
- (c) Please refer to Table C for the total payment from the client. The amount paid by the client for the project returns was RMB18.4 million not S\$18.4 million.
- (d) Please refer to Table E on the source of funds for the 10 completed road parcels.

Please refer to Table C and Table E on the figures recorded on balance sheet and the gross profit recognised for the 10 completed road parcels.

QUERY 13

We note that RMB 11.8 million was due to YiBin for loans for the 5 completed road parcels recognized in January 2020. Please clarify if this was the full amount of the loan obtained from YiBin to pay for the construction costs of the 5 road parcels.

RESPONSE:

Please refer to Table E, the amount due to YiBin was loans for the construction costs of the road parcels.

QUERY 14

Please provide a table illustrating the following:

- (a) Of the 10 road parcels that had been completed in, what is the (1) project value, (2) revenue, (3) costs of construction financed by internally generated funds and costs of construction financed by Yi Bin; (4) Trade and Other receivables; (4) profit, if any, recognized by the Company, and (5) any amount payable or paid to YiBin;
- (b) The Company has 1 road parcel that is under construction and remaining 15 road parcels to be constructed. Please disclose if the construction schedule status of the 16 road parcels which was to be completed by June 2020 is on track;
- (c) Please provide the payment schedule for the remaining 16 road parcels;
- (d) Of the remaining 16 road parcels, what is the (1) project value, (2) revenue, (3) costs of construction financed by internally generated funds and costs of construction financed by Yi Bin; (4) Trade and Other receivables; (4) profit, if any, recognized by the Company, and (5) any amount payable or paid to YiBin.

RESPONSE:

- (a) Please refer to Table C and Table E.
- (b) Please refer to our response to SGX Query 5 on 25 February 2020, SGX Query 2b on 11 March 2020. Due to the outbreak of Covid-19, the Company is unable to ascertain the timeline and projected completion date at this moment. Currently, only 1 road parcel is under construction.
- (c) Please refer to our response on Query 14(b) above.
- (d) For the remaining 16 road parcels, the project value, revenue, trade receivables and profits without taking into

the effect of the time value of money, are represented as follow:

	<u>RMB million</u>
Project costs	275.8
Project returns (8.8%)	133.5
Gross Profit	<u>409.3</u>
Trade receivables	409.3

Please refer to our response on Query 11(c) above on the source of funds of the remaining road parcels.

QUERY 15

In response to SGX Query 7 on the status of all the Company's projects, the Company disclosed 3 MOUs which did not result in an agreement for the following projects: Bangladesh Trust Green City Project – MOU signed on 8 May 2020; Infrastructure and Smart City Projects with Magic Micro – MOU signed on 3 October 2019 and Deng Feng City Project – MOU signed on 22 October 2018. Please provide the long stop date(s) for these respective MOUs and state whether the MOUs have lapsed.

RESPONSE:

For the Bangladesh Trust Green City Project, the MOU signed on 07 May 2020, has a validity of 6 months and is renewable at the end of the validity period.

For the Infrastructure and Smart City Projects with Magic Micro, there is no long stop date, as it is a long term collaboration. Both parties are working to explore opportunities and the Company will provide updates if there is any.

For the Deng Feng City Project, there is no long stop date stipulated. However, as disclosed in the response to SGX Query 7(4) on 3 June 2020, the Company will follow up with its Chinese counterparts this quarter and will consider halting the project if it does not proceed further. The Company will provide more updates for this project in the future once it has more clarity.

QUERY 16

In response to SGX Query 8, the Company disclosed S\$7 million of placement proceeds (or RMB 35 mil) was solely invested in the Bo Dao Project. As the Company does not undertake the physical construction, please provide a breakdown of the costs that were incurred in respect of the S\$7 million paid by the Company to Bo Dao Road Construction project.

RESPONSE:

Please refer to our response on Query 11(c) above.

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

12 June 2020