
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 response to SGX-ST’s further queries on full year result announcement for period ended 30 June 2020 (“**FY 2020**”) filed on 14 September 2020.

QUERY 1

In SGX Query 1, the Company was asked to confirm that the Fabric Subsidiaries (“**PRC Subsidiaries**”) have not been disposed and are still owned by the Company. The Company replied that it “confirms that the fabric subsidiary has not been disposed, although the financial accounts have been de-consolidated from the Group due to loss of control over the said fabric subsidiary, and is still owned under the Company.”

- a. As the Company remains the controlling shareholder of the PRC subsidiaries and has sufficient cash to take actions to regain control, please disclose what legal steps the Company has taken to re-establish control of the said subsidiaries and the Company’s assets in the PRC. To elaborate with specific steps taken by the Company to regain control and whether these efforts are still continuing.
- b. Please disclose and explain why is the Board not of the view that there should be negotiations with the legal representative of the PRC subsidiaries, for the Company to be paid a consideration for the PRC subsidiaries, if the said legal representative wishes to retain control and ownership of the said subsidiaries.

RESPONSE:

- a. In 2019, we instructed our Singapore lawyers to contact the corporate secretary of Simwa Holdings Ltd (BVI) which is the holding company of the said PRC subsidiaries to try to regain control of this entity. The BVI agent informed us that as we were not the original instructing party, they could not assist us. They would only take instructions from the original instructing party or client on record. We have also provided the special audit report to our China lawyers to liaise with the Chinese authorities to try to regain control of the subsidiaries. The work is still in progress.
- b. The Board has been trying to get in touch with the legal representative subsequent to trading resumption following completion of special audit but We have been denied access to the company’s accounts and also not able to communicate to the current legal representative of the said entities which is why we have deconsolidated the accounts.

QUERY 2

In response to SGX’s Query 2, on what are the actions being taken by the board to safeguard the interest of the Company and its assets so that the Company will be able to re-establish control over the PRC subsidiaries and/or their assets, the Company disclosed that “...the subsidiaries will be deconsolidated from the company’s book because the company is not able to access the subsidiaries account and from the special audit results, the subsidiaries are of no value to the Group.”

- a. Please explain the basis of the Board's statement that the "subsidiaries are of no value to the Group". Without the financial information, how did the Board come to this assessment?
- b. Are the PRC subsidiaries still operating in the PRC? If that is so, does the Board not intend to regain control of the PRC subsidiaries? If not, please provide details if the subsidiaries have been wound up or liquidated.

RESPONSE:

- a. Based on the findings from the Special Audit Report, the said subsidiaries cash and bank balances were hugely overstated over the prior years, as such the board believe the PRC Subsidiaries are in net liabilities position.
- b. Based on our China lawyers update and searches on the official website, the said subsidiaries are still operating. The actions we are taking pertaining to the subsidiaries are stated in our response to Query (1).

QUERY 3

In SGX Query 3a), the Company was asked to disclose whether Sichuan Coal was indeed facing bankruptcy proceedings by its creditors. The Company replied that "Since having been informed by the SGX Regco, the Company has spoken with its fellow-shareholder and main contractor of Bo Dao Construction Project, Yibin H&B ("Yibin"). Yibin confirmed that while it knows Sichuan Coal is facing a court-led bankruptcy re-organisation, there has been no material adverse impact on it directly arising from Sichuan's reported reorganisation. Yibin has also indicated that other than the fact that it is aware there is a court-led reorganization concerning Sichuan Coal, it does not have much information on these proceedings." Please disclose the details of Sichuan Coal's "reported reorganisation" which led Yibin to confirm that there has been "no material adverse impact on it directly from Sichuan Coal's bankruptcy proceedings"

RESPONSE:

As the Company has endeavoured to explain, the proceedings surrounding Sichuan Coal is uncertain and not definite enough. When the company spoke to Yibin about whether it was aware of Sichuan Coal's bankruptcy, Yibin replied that it was aware that Sichuan was undergoing some reorganization, and other than the fact that it was aware there is an reorganization concerning Sichuan Coal, it does not have much information. When asked if they have been affected in any way by the circumstances befalling Sichuan, Yibin replied it has not been affected and there has been no material adverse impact on it directly arising from Sichuan's circumstances. The news about Sichuan as the Company has endeavoured to explain is not definite. The Company's China lawyers could not find out more details other than the fact that Sichuan was being reorganized.

QUERY 4

In response to SGX Query 3a), the Company also replied, "To clarify Yibin is a 7% shareholder of the Company's subsidiary Bo Dao Construction Co. Ltd ("Bo Dao"), and is the subsidiary of Ding Neng Group. Ding Neng is the subsidiary of Sichuan Coal. Yibin has over the course of the project loaned some money to the project but is not the Company's financier for the project".

- a. In this respect, please disclose how much money has been owed and how much has been repaid by Bo Dao to Yibin since 1 August 2018, the date of the Company's acquisition of Bo Dao.
- b. Based on the table disclosed in response to SGX Query 5, the total completed road parcels amounted to RMB 422.2million. Please disclose who is the Company's financier for the cost of construction amounting to RMB 422.4 million of the Bo Dao Project by Bo Dao.

- c. In the Company's response to SGX's queries dated 12 June 2020, the Company had stated that "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." and "In the meantime, YiBin will continue to finance the construction costs." Please reconcile the Company's disclosures on 12 June 2020 with the latest disclosure on 14 September 2020 that Yibin is "not the Company's financier for the project".
- d. Please advise on Yibin's source of funds for the construction costs of the Bo Dao project and disclose whether any of these funds were loans or funded by Sichuan Coal.

RESPONSE:

- a. For the project's construction costs, Bodao owes YiBin RMB254.4 mil. Out of this sum, Bo Dao has repaid RMB64 million since 1 August 2018. As at 30 June 2020, Bodao owed Yibin RMB190.4 million.
- b. The total completed road parcels amounted to RMB422.2 million includes the 8.8% return for the project. Please refer to SGX Query 3 table dated 7 Sep 2020 on the total revenue for the completed 10 road parcels. The revised table for SGX query 5 should be:

	RMB mil
Total contract value (approximately)	550.0
Cost of construction for the 10 completed road parcels	283.0
Road parcels under construction (approximately)	87.2
Remaining road parcels	179.8

The cost of construction for the 10 completed road parcels amounted to RMB283.0 are mainly from Yibin

- c. To clarify, bank loans, primarily, from Chinese banks have always been the targeted and long-term source of finance for the project. While Yibin has put up the costs of constructions for the project, it is not meant to be the financier as such. However, it has been extending accommodations to Baodao in the amounts as stated above and in the Company's financial reports.
- d. According to Yibin they do not rely on funding from Sichuan Coal, they manage their own finances on the Bodao construction project.

QUERY 5

In its further responses to SGX Query 3a) on whether Sichuan Coal was indeed facing bankruptcy proceedings by its creditors, the Company stated that "The Company understands from its own search from publicly available sources that in another new story reported by Bloomberg Law on 15 June 2020, it was said that a court in Chengdu had deemed that Sichuan Coal had been unable to repay debt that matured and lacks repayment ability... but it has restructuring value and feasibility." Based on the latest court filings, when will the Company be able to have an update on the status of Sichuan Coal's bankruptcy proceedings? The said article dated 15 June 2020 refers to a Court filing on 12 June 2020, some 3 months ago.

RESPONSE:

As the Company has endeavoured to explain, there has been no definite news about Sichuan other than from publicly available sources, as the Company's China lawyers have also been unable to find out any details about Sichuan. As the Company has also endeavoured to explain, it will keep in close contact with the management of Yibin to ensure that it has advance information of the situation regarding Sichuan insofar as it may affect Yibin and the project. What the Company knows as of the current time is that the project is proceeding in the ordinary

course, and neither the Company or Yibin has had any notice from any official, creditor or liquidator regarding the project.

QUERY 6

In SGX Query 3b), the Board was asked to disclose its “assessment of the materiality of this information that Sichuan Coal is facing bankruptcy proceedings as well as the impact of Sichuan Coal’s bankruptcy proceedings on the Company’s cash flow, ability to complete the Bo Dao Project and revenue in the next 12 months”. The Company replied that “...from queries made to the management of Yibin, they have also confirmed that it’s business as usual on their part. In fact, since being informed by the SGX Regco of this news, the Company has noted from publicly available news that Yibin appears to have won a new infrastructure project. Please see <http://ggzyjy.sc.gov.cn/jyxx/002001/002001008/20200821/788F662D-C87A-4B05-9905-121ED14AE362.html>”. Please confirm if the Company had verified this information on Yibin’s new infrastructure project with Yibin, as we note from the website link shared, that the heading of the record is repetitive and the source of the record is unknown.

RESPONSE:

The company has verified this information with Yibin, and the website is one of the official website of the Sichuan Provincial Government.

By Order of the Board

Eric Choo Han Kiat

Executive Director and Chief Executive Officer

23 September 2020