

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 in respect of the announcement filed on 27 August 2021, in relation to the Response to Queries on the twelve months results for the financial year ended 30 June 2021.

QUERY 1

We note that the Company is required to make certain disclosures in its financial statements, including its Q42021 profit and loss as compared to the Q42020 figures, pursuant to the SFRS(I) 1-34 accounting standards and Financial Reporting Guidance 3 published by the Institute of Singapore Chartered Accountants.

- a. Please explain why the Company has not disclosed its Q42021 profit and loss and comparative figures in the FY2021 financial results, as required under the SFRS(I) accounting standards and Financial Reporting Guidance 3.
- b. Please disclose the updated financial statements for FY2021 in accordance with the SFRS(I) accounting standards and Financial Reporting Guidance 3.

RESPONSE:

- a. The Company has made quarterly announcements for 1QFY2021, 2QFY2021, 1HFY2021 and 3QFY2021 and based on that understanding, thought to have complied with the directives under the applicable listing rules and did not release the 4Q results.
- b. The Company is preparing the Q4 condensed financials in accordance with the SFRS(I) accounting standards and Financial Reporting Guidance 3 and will be releasing in due course.

QUERY 2

Please disclose reasons for significant decrease in revenue from RMB 188 million in FY2020 to RMB 25.2 million in FY2021. Please also disclose all the milestones under the construction agreement and the respective values and disclose which milestones have been met or not met. If some of the milestones have not been met, to disclose whether any default has occurred under the agreement and if so, what are the implications and penalties and the financial impact to the Company.

RESPONSE:

A significant decrease in total revenue is mainly due to one road parcel being completed and accepted by the client during FY2021 as compared to five road parcels in FY2020. During FY2021, there are two additional road parcels (i.e. 11th and 12th parcels) that were kick-start in FY2021 and there are another four new road parcels which have been scheduled for the constitution in next financial year (i.e. FY2022). Therefore, the revenue is expected to be increased by the end of 2021 onwards.

The Company is keeping track on the progress to ensure that the project is meeting its milestones as scheduled. The Company wishes to clarify that no default on milestones have occurred as of today.

Please refer to the table schedules below for payments received and future payments to be received:

	Current Assets FY2021 RMB mil	Non-current assets FY2021 RMB mil	Total RMB mil
Trade receivables	47.8	281.7	329.5
Adjustments for time value of money	-	(47.8)	(47.8)
Adjustments for unwinding of discounts cash flow	-	7.3	7.3
Contract assets	-	10.6	10.6
Total	47.8	251.8	299.6

Payment received:

	Aug 18	Dec 18	Jan 19	July 19	Aug 19	Sep 19	Dec 19	Jan 20	Apr 20	Aug 20	Sep 20	Dec 20	Jan 21	Feb 21	Apr 21	total
Billing date	10.4	7.6		0.9	30.6		14.5			32.8		20.0				116.8
Payment date			18.0			10.0		30.0	6.0		0.5		0.7	40.0	11.6	116.8

Future billing/payment dates:

	Aug 21	Dec 21	Jan 22	Aug 22	Dec 22	Jan 23	Aug 23	Dec 23
Billing date	29.5	18.0		31.4	19.2		30.0	18.2
Payment date			47.5			50.6		
	Jan 24	Aug 24	Dec 24	Jan 25	Aug 25	Dec 25	Jan 26	Aug 26
Billing date		28.1	17.2		26.6	16.2		26.7
Payment date	48.0			45.3			42.8	
	Dec 26	Jan 27	Aug 27	Dec 27	Jan 28	Aug 28	Dec 28	Jan 29
Billing date	16.3		21.8	13.3		9.0	5.3	
Payment date		43.0			35.2			14.4
	Aug 29	Dec 29	Jan 30	Total				
Billing date	1.7	1.0		329.5				
Payment date			2.7	329.5				

QUERY 3

The Company disclosed that the increase in administrative costs in FY2020 is attributed to additional business development costs of RMB 0.4 million and office general expenses of RMB 0.1 million. Please elaborate on what these business development activities are and which projects do the additional business development costs of RMB 0.4 million pertain to. Why were there additional business development costs given that revenues of the Company had fallen in FY2021.

RESPONSE:

The business development cost refers to the costs incurred for exploring and developing business advisory service in infrastructure business. As per our announcement on 25 May 2021, the Board concurs that the termination of this new business advisory service contract is in the best interest of the Company after reviewing the feasibility report presented.

QUERY 4

The Company had disclosed in its 9M2021 results issued on 14 May 2021 that it had incurred administrative costs of RMB 6.9 million for 9M2021. The Company disclosed that it had incurred administrative costs of RMB 9.7 million for FY2021, implying that the Company had incurred administrative costs of RMB 2.8 million in 3 months for 4Q2021. Please provide the breakdown of the material items and explain why administrative expenses had increased substantially in 4Q2021.

RESPONSE:

Please refer to the following breakdown of the material items for your reference:

Accounts	RMB'000	Remarks
Marketing development expenses	1.0	Increased in marketing expenses due to additional costs of approx. RMB1.0 million incurred for Bangladesh project during FY2021.
Staff salaries and CPF	0.9	This refers to staff salaries and CPF for Q4FY2021.
Professional fees	0.6	There are audit fee and legal professional fee being accrued in Q4FY2021.
Directors' fees	0.3	This refers to the directors' fee for Q4FY2021.

QUERY 5

The Company had disclosed on page 11 of the FY2021 financial statement that “[during FY2021, total revenue of RMB21.7 million from the infrastructure business”]. Please disclose for which infrastructure project was the RMB 21.7 million revenue recognized for in FY2021, and whether this revenue recognition is in line with the project timeline. Please explain any delays in the project timeline and revenue milestones of the Company.

RESPONSE:

The infrastructure project refers to Public-Private Partnership (“PPP”) project in China and the Company recognized a total revenue of RMB21.7 million during FY2021.

The Company’s revenue recognition is based on 10% of initial payment from the client upon the acceptance of each complete road parcels. Therefore, the revenue milestone is based on the payment schedules from the client. Please refer to the payment milestones in Query 2 above. There is no delay in the project timeline.

QUERY 6

Please disclose the breakdown of non-current trade and other receivables amounting to RMB 251.8 million for FY2021, including underlying transactions, details of the projects that these receivables relate to, and whether the counterparties are related parties. Please also disclose the Board's assessment of the recoverability of these receivables.

RESPONSE:

Please refer to the breakdown of non-current trade and other receivables in Query 2’s table.

The Management has taken into consideration all reasonable and supportable information available that includes both qualitative and quantitative information such as payment history, financial conditions of each receivable. It is also noted that its external auditors have carried out a review on the assumptions and reasonableness on the recoverability of the remaining trade and other receivables.

Hence, the Management considered the expected credit losses (“ECL”) on non-current trade and other receivables were immaterial and insignificant and no default payments due were reported.

Based on above assessments, the Board was satisfied with the methodologies adopted by the Management on the assessment of the recoverability for non-current trade and other receivables as at 30 June 2021.

QUERY 7

Please explain why trade and other receivables only decreased by RMB 2.9 million from RMB 51.6 million in FY2020 to RMB 48.7 million in FY2021, when the Company had disclosed that it had collected RMB 50.3 million from the client in FY2021 and had only recognized revenue of RMB 25.2 million in FY2021.

RESPONSE:

The Company wishes to clarify that total collection of RMB50.3 million is to settle all outstanding balance which has been recognised as revenue in prior financial years. This is also the reason of reduction in trade and other receivables for FY2021 as compared to FY2020.

QUERY 8

We note that the Company's trade and other receivables increased by RMB 34.5 million in 4Q2021 from RMB 14.2 million as at 31 March 2021 (based on the 3Q/9M2021 financial results announced on 14 May 2021) to RMB 48.7 million as at 30 June 2021. On the other hand, revenue recognized in 4Q2021 amounted to only RMB 6.1 million. Please reconcile how trade receivables were able to increase by RMB 34.5 million when sales amounted to only RMB 6.1 million in 4Q2021.

RESPONSE:

The increased of RMB34.5 million is mainly due to reclassification amounting to approximately RMB34.0 million from non-current trade receivables recognized in FY2020 to current trade receivables in FY2021 as our receipts from the client on PPP project in China are settled over 10 years instalments for each completed road parcels based on the payment arrangement stipulated in PPP contract. This reclassification is regularly adjusted by each financial year end.

QUERY 9

It was disclosed on page 4 of the FY2021 financial statements that an amount of RMB 14.8 million was due and paid to shareholders in FY2021 as part of the Company's financing activities. Please provide details of the identity of the shareholders, the reasons and the nature of the transactions which resulted in RMB 14.8 million due to these shareholders.

RESPONSE:

As per our responses to SGX's queries announced on 3 June 2020 and 19 February 2021, 宜宾路桥 is a shareholder of Bo Dao Construction Co. Ltd and also the main contractor for the project. Both the contractor and the Company have mutually agreed that the settlement of their payment will be upon the receipt payment from our client. Total payment amount of RMB14.8 million refers to the construction costs financed by 宜宾路桥 for all completed road parcels.

QUERY 10

In relation to the audit issue on the non-consolidation of certain entities due to loss of control disclosed on page 8 of the FY2021 financial statement, please disclose what are the remedy actions and status of the actions taken by the Company to-date to resolve this audit issue given that the subsidiaries had been deconsolidated from the Group since FY2019.

RESPONSE:

The Company had engaged a legal counselor to address the loss of control under auditors’ request and the legal opinion is in the midst of preparation based on current audit evidence.

QUERY 11

The Company disclosed on page 9 of its FY2021 financial statements that “the committed project value of RMB550 million remains intact”.

- a. Of the committed project value of RMB 550 million, please disclose how much has been earned to-date and what is the remaining value on the project agreement.
- b. Of the amount that has been earned, please disclose how much has been paid to-date and how much of the earned revenue remains unpaid as at 30 June 2021 and as at the latest practicable date.

RESPONSE:

- a. Status of the subject construction project:

	RMB mil
Total contract value (approximately)	550.0
Total completed road parcels	446.3
Road parcels under Construction (approximately)	97.3
Remaining road parcels	6.4

- b. Please refer to our responses to Query 2 for the payment milestones. As we have made our announcement to responses to SGX’ queries on 1 June 2021, the Company wishes to clarify that our revenue is recognised based on the first initial payment (i.e. First 10% of total revenue recognised) from the client rather than based on the project milestones. This revenue recognition had been consistently applied since the date of commencement of this project.

QUERY 12

The Company disclosed on page 10 of the FY2021 financial statements that it is still negotiating with the bank for a bank loan to finance the Public-Private Partnership (“PPP”) project in China.

- a. Please disclose the rationale that the Company is seeking to obtain a bank loan to finance the PPP Project in China when the Company has significant cash balances of RMB 91.2 million as at 30 June 2021.
- b. Please also disclose the potential amount of bank loan that the Company is intending to obtain for the PPP Project in China, which bank the Company is negotiating with for the bank loan and what are the specific PPP projects referenced by the Company that will commence and therefore requires bank financing.
- c. Please disclose the commencement dates of these PPP Projects in China and the expected completion dates.

RESPONSE:

As per earlier announcements on the Company’s PPP project in China, which is the Bo Dao Road project, the total investment is RMB 550 million (Projected Capital Cost), and the Company intends to obtain RMB 440 million for the project. The Company is currently liaising with Agricultural Bank of China on the financial loan. Currently, the Company only have one PPP project in China per earlier announcements.

QUERY 13

The Company had disclosed in its response to SGX's queries on 25 May 2021 in relation to the Company's 3Q/9M2021 financial statement that the 11th and 12th parcel are approximately 13% and 20% completed as at 31 March 2021. It was disclosed on page 11 of the FY2021 financial statements that the 11th and 12th road parcels are still 13% and 20% completed. Please explain why there has been no progress on construction of the road parcels in 4Q2021 and yet revenue of RMB 6.1 million revenue was booked in 4Q2021. In view that there has been no progress on construction of the road parcels in 4Q2021, please disclose the Board's assessment of the likelihood of completing the road parcels by the end of 2021.

RESPONSE:

During 4QFY2021, there is a delay of acceptance of the road parcel by the client (i.e Local Transportation Authority) due to a significant change in management team in government authority in BoDao City, China. Before the client review and approve each road parcel in China, they will perform the audit, inspection and review all applications together with all detailed supporting documents and it will take approximately four months to complete whole process. However, these two road parcels are targeted to be completed by the end of 2021 as scheduled. We will continue to monitor the progress and assess the situation.

QUERY 14

The Company had announced various Memorandums of Understanding ("MOUs") since 2018 which have not materialized to-date, namely, (i) Bangladesh Trust Green City project with MOU signed on 8 May 2020; (ii) MOU announced on 21 December 2020 with MCC Land Singapore who will conduct due diligence exercises and a feasibility study on the Bangladesh Trust Green City project and complete them within an agreed exclusive period which under the MOU which is slated to be a period of two (2) months from the date of the MOU, or such longer period as the parties may mutually agree on; (iii) Infrastructure and Smart City Projects with Magic Micro Co., Ltd. with MOU signed on 3 October 2019; and (iv) Deng Feng City Project with MOU signed on 22 October 2018. In respect of each of these projects, please specifically provide the following information:

- a. Please disclose whether active negotiations for the signing of the agreements on these projects are still currently ongoing or have negotiations been aborted or are no longer continuing.
- b. For each of these projects, please disclose what significant milestones, including signing of definitive agreements, commencement of due diligence works and commencement of contract, and payment of investment/deposits etc. had been achieved.
- c. For the projects where there is no active ongoing negotiations for the signing of definitive agreements / contracts, please disclose whether the Company had been informed by the counter party of each of these projects that they are not intending to sign the contracts and have no definite plans to do so. If so, please provide the date when this was informed to the Company. Otherwise, please provide the target date indicated by the counter party for the Company to sign the agreements and commence operations on these projects;
- d. Please disclose when the Company last engaged the MOU partners to finalise the contracts and the confirmation that the MOU partners will proceed with the project. To also provide details of the planned milestone dates for the Company to undertake these projects in the upcoming 12 months.

RESPONSE:

a. At present, the projects that the Company are/were working on and the respective statuses are as follows:

- Bangladesh Trust Green City Project – Definitive agreement signed on 30 Nov 2020, please refer to the Company’s announcement on 30 November 2020. Due to the pandemic situation in the region, the Company expects the efficiency to be reasonably lower than usual. There is no revenue-generating item from this project as of now.
- MOU signed with MCC Land – MOU signed on 21 December 2020. The Company is still working on the collaboration. However, due to the pandemic situation in the region, progress has been slower as expected. There is no payment of investments/deposit as of to-date.
- 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. There is also no payment of investments/deposit as of to-date.
- 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.

b. Refer to our response to Query 14a above.

c. The Company has not been informed by counter-party that they are not intending to sign the contracts and have no definite plans to do so at this stage. Due to the pandemic situation and the travel restrictions in the region, the efficiency in progress is low. The Company is currently working with the respective partners to determine the continuance of the MOU signed and will update status accordingly.

d. Refer to our response to Query 14c above.

QUERY 15

Where any of the projects mentioned in question 14 above has been terminated or is dormant, please disclose:

- a. When was the project terminated / classified as dormant and the reasons resulting in the termination / dormancy;
- b. Whether the Company had announced the termination of the project or when it became dormant, and provide the relevant date of announcements; and
- c. If the Company had not made any such announcements on the change in status of the projects, please explain why.

RESPONSE:

- a. Deng Feng City project has been dormant in FY2020.
- b. The information was announced on 7 September 2020.
- c. Please refer to our response to Query 15b above.

QUERY 16

As disclosed on page 12 of the FY2021 financial statements, the Company had announced on 30 June 2021 that it had entered into a subscription agreement with Integrated Health Ventures Pte Ltd. for the subscription of 8,000,000 new shares of the Company at a price of S\$0.25 per share for an aggregate consideration of S\$2 million (the “Proposed Placement”). Please disclose why the subscription agreement had not been completed to-date and whether the placement subscription has been aborted. If so, please disclose the reasons.

RESPONSE:

The Company is currently in talks with the subscriber and will be making announcement on the status soon.

QUERY 17

The Company had disclosed in its FY2021 financial results it has bank balance of S\$18.78 million from IPO and placement proceeds as at 30 June 2021. Please disclose the rationale for proceeding with the Proposed Placement of 8,000,000 new shares to raise further funds of S\$2 million when the Company has S\$18.78 million from the IPO and placement proceeds that are still unutilized and provide specific details on the Company’s proposed utilization of these funds.

RESPONSE:

Please refer to the announcement made on 30 June 2021 subject titled “Proposed Subscription of 8,000,000 New Ordinary Shares at an Issue Price of \$0.25 each” point 5 on the Rationale and Use of Proceed for the new proceed.

For the bank balance of S\$18.78 million from placement in 2017, the funds are primarily for use for the Company’s Bo Dao project in China and working capital as indicated in earlier announcements on the use of proceed for the placement.

QUERY 18

Please provide a status update on the construction of the Bo Dao project and whether there have been defaults under the construction contract by parties to the construction contract to-date. If so, to provide specific details and quantify the effects of such defaults. If none, to confirm accordingly.

RESPONSE:

Please refer to our responses to above query 2 for the payment milestones and query 11 (a) for the project status.

QUERY 19

We refer to the Company’s announcement on 27 August 2021 in relation to its quarterly update pursuant to Rule 1313(2) of the Listing Manual. It was disclosed in the announcement that the Board had on 1 June 2021 concurred that the termination of the contract signed between the joint venture company and the customer is in the best interest of the Company, and that the Company had disposed of its 14.29% shares to a third party.

a. Please disclose which contract is the Company referring to here, the identity of the JV partner referred to and reasons for the termination of the contract between the joint venture company and the customer.

b. Please disclose the identity of third party that the Company had disposed of its 14.29% shareholdings to and how much the Company received from the disposal of its 14.29% shares in the joint venture. To also disclose how the purchaser was introduced or known to the Company and the identity of the introducer.

c. Please disclose whether the Company had announced the termination of the contract and the subsequent disposal of the Company's 14.29% shares. If not, please explain why.

d. Please disclose the profit or loss on disposal and whether there are any impairments made by the Company in relation to this termination. Please quantify all the related costs and impairments made to to-date.

RESPONSE:

a. It is Business Service Advisory Agreement (“Agreement”) which was signed between Raffles Infrastructure Capital Limited (“RIC”) and a third party (“Client”). The Board, after reviewing the feasibility report presented, concurs that the termination of the contract is in the best interest of the Company.

b. The purchaser’s name is In Investments Limited and the purchase consideration of HKD100 for the acquisition of 14.29% shares in the joint venture. In Investments Limited approached the Board of RIC for the interest of investing in the JV. The new business arrangement had been discussed and agreed by all parties.

c. The Company had announced the termination of contract in 3QFY2021 on 14 May 2021. The Company had made an announcement on disposal of 14.29% shares in the JV on 27 August 2021 under “quarterly update pursuant to rule 1313(2) of the listing manual”.

d. There is no gain or loss on this disposal as the selling price of HKD100 is same as the investment amount paid by the Company. There is no impairment made until the date of disposal (i.e. 1 June 2021).

By Order of the Board
Eric Choo Han Kiat
Executive Director and Chief Executive Officer
9 September 2021