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Issuer: Raffles Infrastructure Holdings Limited

Stock code: LUY

Meeting details:

Date: 29 October 2021

Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Revenue for the year ended 30 June 2021 amounted to RMB25.2 million and the group recorded a net profit of RMB3.9 million. In the letter to shareholders and in the business review, there were no details of the infrastructure project.

Details of the project under Bo Dao Road Construction Co., Ltd. can only be found on page 11, with some of the salient terms listed below:

- A 220 kilometres road construction project valued at RMB 550 million
- In collaboration with the local government of Xingwen County and managed by the company's subsidiary, Bo Dao Road Construction Co., Ltd.
- Construction is ~80% completed, as at 30 June 2021
- Revenue of RMB188.0 million and RMB25.2 million in FY2020 and FY2021 respectively

However, as highlighted by the independent auditor in the key audit matter, the group has only one contract comprising 26 projects. Under the terms of the contract, the completed sections of the road ("projects") are required to undergo quality checks by the contracted parties before the single performance obligation of each project is deemed to be satisfied.

- (i) **How did the pandemic affect the progress of the construction of the roads? Can management clarify if Bo Dao is responsible for the actual construction of the road?** As shown in Note 7 (page 85 – Staff costs), salaries for non-key management personnel amounted to just RMB2.11 million in FY2021.
- (ii) **Can the board elaborate further on the performance obligation that needs to be satisfied?**
- (iii) **How many projects are undergoing quality checks by the contracted parties to assess the satisfaction of the performance obligation in FY2022? How was this process affected by the pandemic?**
- (iv) **To help shareholders better understand the Bo Dao public-private partnership (PPP) project, would management provide shareholders (via a presentation during the AGM) with an overview of the salient terms in the contract, and include maps, photographs and videos of the construction site and the completed roads?**
- (v) The carrying amount of the group's trade receivables as at 30 June 2021 was RMB290.6 million. Management is of the opinion that the credit risk is "limited" because the counterparty is a provincial government authority of China. As such, no loss allowance has been recognised. **Has the customer been prompt in its payment to the group? Does management have visibility of the financial position of the provincial government?**

- (vi) **Separately, can management elaborate further on the reasons for the acquisition of a new subsidiary (Raffles Infrastructure Capital Limited) in November 2020 and its disposal several months later on 1 June 2021?**
- (vii) **Also, can the board help shareholders understand its competitive advantage in development in Bangladesh?**

Q2. On 14 September 2021, the company announced the termination of the proposed subscription of 8 million new shares at an issue price of \$0.25 per share, first announced by the company on 30 June 2021. The sole and ultimate beneficial shareholder of the proposed subscriber is a Mr. Anand Thyagarajan, an Indian national and an experienced entrepreneur. The company was introduced to the Mr. Anand Thyagarajan through business networking.

Mr. Anand Thyagarajan had informed the company that he faced “administrative issues” in remitting monies from India to Singapore and gave the company a notice of termination although he subsequently asked for a 2-weeks extension of time to sort out the said administrative issues. The company eventually accepted the notice of termination.

- (i) **What was the level of due diligence carried out by the board on the counterparty and its ultimate beneficiary?**
- (ii) **Has management been selective in its fund raising and did the board carefully assess the financial strength of its counterparties in its corporate actions, especially fund raising?**
- (iii) **Has the board reviewed if management has the necessary expertise to negotiate and successfully conclude the group’s corporate actions?**

The company followed up with the announcement of a new proposed subscription agreement with Yayuan Limited for the proposed allotment and issuance by the company of 10 million new shares at an issue price of \$0.20 for each new share. As disclosed, the company was introduced to the subscriber and its sole shareholder and ultimate beneficial owner, Mr. Vulcan Zhao, through business networking.

On 18 October 2021, the company announced that RegCo has declined the application for the listing and quotation of the new shares as it requires greater clarity on, inter alia, the company’s cash balance and the proceeds from a prior placement exercise in September 2018. As shown in the Statements of financial position, the group has RMB91.2 million in cash and cash equivalents as at 30 June 2021.

- (iv) **Can the audit committee elaborate further on its oversight of the group’s cash and on the robustness and effectiveness of the internal controls?**

Q3. On 13 August 2019, the company released the special audit report relating to transactions concerning the payment of claims by its former wholly-owned subsidiary, Shishi Sinwa Knitting and Dyeing Co., Ltd purportedly to three customers of the group.

The executive summary of the special report can be found here:

https://links.sgx.com/FileOpen/RIHL_Release%20of%20Executive%20Summary%20of%20Special%20Report.ashx?App=Announcement&FileID=574299

The company had previously stated in the 2019 annual report that the Special Audit report indicated that no such compensation was actually paid out. The company had sought legal advice from lawyers and was in consultation with the SGX-ST on the remedial actions to be taken or that can feasibly be taken. During the third quarter of financial year 2019, the company deconsolidated the three subsidiaries due to the loss of control.

In the 2020 annual report, the board stated that it believes that the company and its shareholders have been the victim of financial misreporting and non-disclosure by the PRC subsidiaries under the control and management of previous management, in relation to financing debt, material litigation and cash balances.

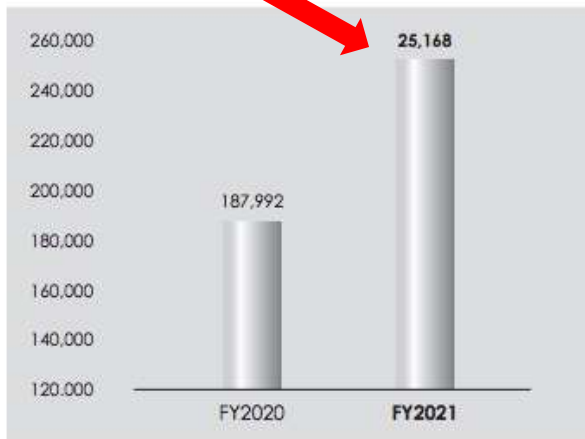
- (i) **Can the board help long-standing shareholders understand if there has been any material development on the issues since the publication of the special audit report?**
- (ii) **Is the board still in active consultation with SGX RegCo based on the findings of the special audit?**
- (iii) **What deliberations did the board have on exercising its rights to commence legal actions against persons who have caused loss and damage to the company arising from the purported compensation and the property disposal?** It is noted that Wu Xinhua remains the legal and beneficial owner of all the issued and paid-up share capital of Wellgain International Holdings Limited which holds 9,044,186 shares that are held by Philip Securities Pte Ltd as nominee.

[Additional comment: **Can the board, especially the independent chairman and the independent directors, help shareholders understand their level of involvement in the preparation of the annual report?** As shown below, the chart showing the group's revenue for FY2021 does not appear to be correct and may give shareholders the wrong impression that revenue further increased from the FY2020 level. **Would the company be correcting the error and issue a revised annual report with more details (including coloured photographs) on the Bo Dao PPP project as requested in Qn 1(iv)?]**

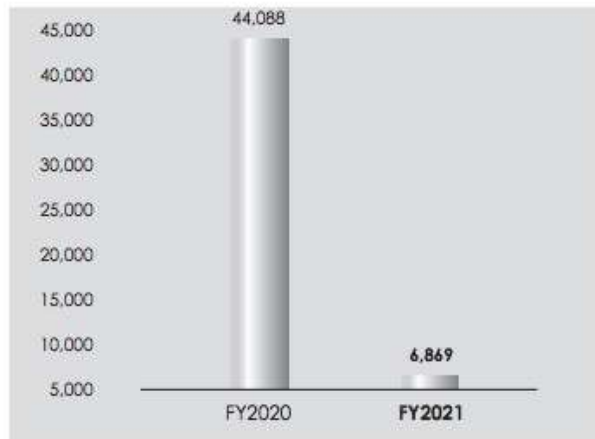
GROUP FINANCIAL HIGHLIGHTS

	FY2020	FY2021
Revenue (RMB'000)	187,992	25,168
Gross Profit (RMB'000)	44,088	6,869
Profit after tax (RMB'000)	28,690	3,947
Equity attributable to owners of the company (RMB'000)	209,434	213,962

**REVENUE
(RMB'000)**



**GROSS PROFIT
(RMB'000)**



(Source: company annual report)

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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