
RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

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 Securities Investors Association (Singapore) in respect of the Annual Report for FY2021 announced on 14 October 2021.

QUERY 1

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 kilometers 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.

Response:

Overall, the construction progress for our infrastructure project in Bodao has been tracked properly. The minor delays in the construction of roads due to the pandemic is insignificant. Bo Dao undertakes the role of a project manager for the Bo Dao Road construction project whilst the construction of roads is outsourced to a main contractor, whom is also a minor shareholder of Bo Dao Construction Co., Ltd.. The staff costs stated in Note 7 page 85 of the Company’s Annual Report FY 2021, refers to the total staff related costs for non-key management for the entire Group of companies, which includes six entities during FY 2021.

- (ii) Can the board elaborate further on the performance obligation that needs to be satisfied?

Response:

In accordance with the Public-Private-Partnership (“PPP”) agreement signed in 2018 between the Company and local government of Xingwen County in China, the Company is to ensure that the total contract value (i.e contract costs) does not exceed RMB 550 million. In the event if the cost exceeds, the main contractor is to bear all the additional costs in excess of RMB550 million.

- (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?

Response:

In 1QFY2022, there are a total of four road parcels under construction and two parcels completed. The Group is in the process of preparing all relevant documents for the completed parcels for the local government's review and approval. To date, the project milestones for each road parcel have been closely monitored, assessed and met in an orderly manner. The Group considers the impact from the pandemic on our current project's progress insignificant with minor delays.

- (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?

Response:

Since end of year 2018, when the Company embarked onto this project officially, the Company has engaged shareholders on several occasions via project briefings, presentations as well as past years' AGMs, all on top of the Company's announcements made in relation to this project. Hence, it will not be addressing this project via a presentation in this AGM. Instead, the Company would like to invite the shareholders to reach out to the Company for clarification and/or queries, if any.

As notified on 14 October 2021, shareholders have been invited to pre-register and submit their questions in advance of the AGM by 9.00 a.m. 26 October 2021. Noting that the cut-off time for submission of questions has passed, the Company is nevertheless pleased to attend any query from the shareholders.

For submission of questions, shareholders can do so in the following manner:

by post to the Company's Secretary's Office, Tricor Singapore, at 80 Robinson Road, #02-00, Singapore 068898; or

by email to the Company's Administrator at admin@rafflesinfrastructure.com

When sending in their questions by post or email, shareholders are required to provide the Company with the following details to enable the Company to verify the shareholders' status:

- their full name;
- their address; and
- the manner in which they hold shares in the Company (e.g. via CDP, CPF or SRS).

For those questions submitted by the cut-off time, the Company will endeavour to address all substantial and relevant questions which shareholders have submitted, during the AGM through the Live AGM Webcast. For questions that are submitted after the cut-off time, the Company shall respond as soon as practicable via publication on the Company's website.

- (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?

Response:

The Company wishes to clarify that no default on milestones has occurred to date. The Project is registered in the PPP database of the Sichuan providential government, where the payment has been budgeted to be paid to the Company in accordance to the PPP agreement signed. Given that it is a PPP project which is also part of China's larger one belt and road project, the Company does not foresee any collectability issue.

- (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?

Response:

The management is of view that this new subsidiary for business advisory service is in line with the Company's on-going objective of seeking opportunities and growth in our business and operations with a diversity on revenue streams. Due to the COVID-19 pandemic, the Company realized that it needs to preserve the capital it has and would likely not be successful in sourcing for funding to pay its proportion of costs required for any projects entered into by this subsidiary company. Therefore, as a measure of prudence, the Company decided to dispose its entire shareholding.

- (vii) Also, can the board help shareholders understand its competitive advantage in development in Bangladesh?

Response:

The understanding of the different working culture in the region and the ability in arranging resources from different partners are essential for project negotiations. With years of experiences managing PPP project in China and working with government and state-owned enterprises, this is the key competitive advantage of the company.

QUERY 2

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?

Response: The board has performed the necessary background and information checks on the company and its beneficial owner. It is a Singapore based company without negative records in the business scene and has not had any trouble legally and financially as far as the Company is aware of.

- (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?

Response: Management has been selective in its fund- raising exercises, and as mentioned earlier there is no indication of any issue in the counterparty's financial capacity.

- (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.

Response: There is no indication that Management do not have the necessary expertise to negotiate and successfully conclude the group's corporate action.

- (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?

Response: The AC reviews monthly financials together with the sighting the bank statements. Movements of cash in the bank has been properly accounted for since its trading resumption in September 2018. This evaluation has been further reassured by the independent auditors that conduct the fieldwork annually.

QUERY 3

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?

Response: In September 2019, the Company lodged the findings of the special audit report with the Singapore Police. In June 2020, the Singapore Police responded that the authorities in the People's Republic of China had been notified and that no further action can be taken in Singapore. As of now, the Company has yet to be contacted by the Chinese authorities for investigation purpose. The Company will certainly inform the shareholders via SGX announcements once there is any material development.

- (ii) Is the board still in active consultation with SGX RegCo based on the findings of the special audit?

Response:

The Board updated SGX RegCo on the response from the Singapore Police accordingly. Generally, the consultation and discussion with RegCo on both Company's current and legacy matters has been regular and consistent.

- (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.

Response:

The Company has spent a significant amount of resources toward the completion of the special audit report as well as the post report remedial actions. The Company is fully aware that any further pursuit on this matter in the People's Republic of China on its own at this stage would start to consume a lot more resources that is meant for revenue generating activities from the new infrastructure business. Hence, with concurrence with the Board, the Company has concluded that it is wiser to leave the matter to the Chinese authorities in leading the legal actions that can be taken against the parties involved at this stage to protect the current interest of the Company's and its shareholders collectively. At the same time, the Company wishes to clarify that it has no legal rights over the shares held under Wellgain International Holdings Limited regardless of the outcome.

QUERY 4

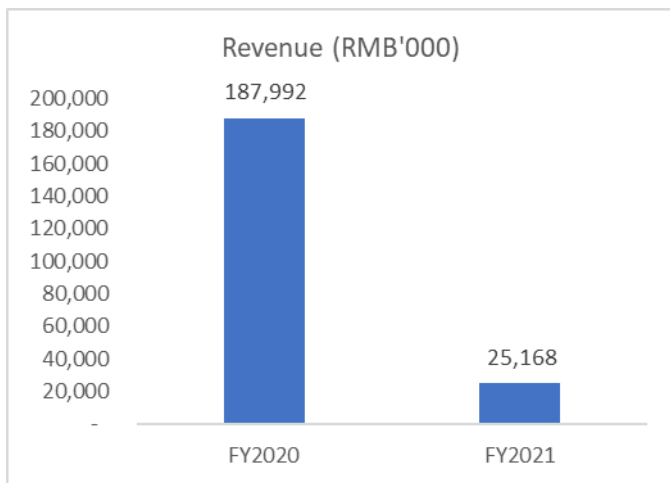
Additional comment: Can the board, especially the independent chairman and the independent directors, help shareholders understand their level of involvement in the preparation of the annual report? As shown below, the chart showing the group's revenue for FY2021 does not appear to be correct and may 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)?

Response:

The Company wishes to clarify that total revenue amounting to RMB25.2 million for FY2021 is audited and factual correct. We will make necessary announcement for this human error on the revenue chart presented in Page 8 of annual report for FY2021.

The Company wishes to confirm that there is an error in the revenue chart illustration printed on page 8 of the Annual Report FY 2021 which has been erroneously presented and missed for correction during the proof-reading process despite being highlighted on the draft versions by the Board. As the figures and all other information remain accurate, the Company will not be issuing a revised annual report. Instead, it shall be highlighted during the AGM and taken into the minutes of the AGM to inform the error to avoid misrepresentation.

Corrected Revenue Chart



By Order of the Board
Eric Choo Han Kiat
Executive Director and Chief Executive Officer
27 October 2021