**RAFFLES EDUCATION CORPORATION LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration No. 199400712N)
(the "**Company**")

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**RESPONSE TO SGX REGCO QUERIES DATED 22 NOVEMBER 2021**

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The Board of Directors (the "**Board**") of Raffles Education Corporation Limited ("**Company**") refers to queries raised by SGX RegCo in respect of the Company's announcement dated 12 November 2021 on the Company's Results for the first quarter ended 30 September 2021.

The Company wishes to respond to the queries as follows:

**Question 1) We refer to the Company's financial statements for the first quarter ended September 2021. We note that other operating expenses increased 39% to S$7.9 million in 1Q FY2022 from S$5.7 million in the comparative period. Please provide a breakdown of the amounts of S$7.9 million and S$5.7 million and elaborate on the material items.**

**Company's Response**

| **Other operating expenses** | Q1 FY2022 | Q1 FY2021 | Note |
|---|---|---|---|
| | S$' million | S$' million | |
| Business taxes | 1.0 | - | A |
| Royalty, registration & examination fees | 1.0 | 0.7 | B |
| Professional fees | 0.9 | 0.3 | C |
| Property & land use taxes | 0.8 | 0.7 | |
| Marketing & advertisement | 0.6 | 0.8 | |
| Utilities | 0.6 | 0.4 | |
| Repairs & maintenance | 0.4 | 0.5 | |
| Property management fees | 0.4 | 0.4 | |
| Class & office supplies | 0.2 | 0.2 | |
| Bad debts | 0.2 | - | |
| Transport & communication | 0.2 | 0.3 | |
| Audit fees | 0.2 | 0.2 | |
| Disinfectant expenses | 0.1 | 0.1 | |
| Non-governmental scholarship | 0.1 | - | D |
| Student activities | 0.1 | - | |
| Directors' fees | 0.1 | 0.1 | |
| Others (< $100k individually) | 1.0 | 1.0 | |
| **Total** | **7.9** | **5.7** | |

Notes:

A. Higher provision of estimated business taxes in PRC upon the receipt of RMB 100million from Mr. Liu Yan Wen in Q1FY22.

B. Higher royalty expenses/registration fee payable to our partner universities in line with higher number of students' enrollments.

C. Higher professional fees incurred in Q1FY22 mainly due to increased engagement of lawyers.

D. Higher non-governmental scholarship awarded by Wanbo Institute of Science & Technology ("WIST"). (See response Question 2) b) for more details).

**Question 2) We note that one of the reasons the Company disclosed for the higher operating expenses was due to higher non-governmental grants given by Wanbo Institute of Science & Technology ("WIST"). Please elaborate on the following:**

**a) In the Company's previous response to our queries on 30 August 2021, it was disclosed that WIST will complete demolition of all structures by September 2021. Please disclose whether WIST is currently still in operations. If so, please provide information from which campus is WIST currently operating from.**

**Company's Response**

WIST had vacated the old campus and is now in the process of handing over of the land to complete this disposal. WIST had started operating at its new Xin Qiao campus in October 2021.

**b) Please provide more information about what grants are being given and why there more grants given out this year. Please provide details of the number of grants given, to whom are these given and the basis for giving these grants. Please quantify, where applicable.**

**Company's Response**

In accordance with the government requirements, WIST, being a private college, has to distribute an amount not less than 5% of annual tuition fee as bursary and scholarships to its students. WIST made a provision of $0.1million in Q1FY22 which was an estimate. The final amount of grants will be determined by December 2021.

**c) What is the status of the repayment of the remaining RMB 86.5 million from Hefei City Authority which the Company had previously disclosed would be received in November 2021?**

**Company's Response**

Hefei City Authority has updated WIST that payment of RMB86.5m will be made around end of January 2022.

**d) Please elaborate on the progress and disclose the status of the construction of the new Wanbo Xin Qiao Campus. Please also disclose the target date for the completion of construction and the capacity of the campus after completion compared to the current capacity and enrollment of WIST.**

**Company's Response**

The construction of the Xin Qiao campus has been completed in November 2021.

Although WIST's Xin Qiao campus physical capacity is less than the old campus, WIST is able to take in more students (previous student enrolment of 7,000 to current student enrolment of 11,500). This is due to more teaching being conducted online.

**3) We note that finance costs was 70% higher at $6.1 million in 1Q FY2022 compared to the comparative period amount of $3.6 million.**

**a) Please provide a breakdown of finance cost by the types of interest charges incurred which includes the amounts recognised in its comparative period.**

**Company's Response**

| **Types of Interest** | Q1 FY2022 | Q1 FY2021 |
|---|---|---|
| | S$' million | S$' million |
| Borrowings | 4.9 | 3.0 |
| Overdraft | 0.3 | 0.2 |
| Unwinding of discount | 0.2 | 0.2 |
| Interest on tax instalments for sale of Australian property in FY2020 | 0.5 | - |
| Others | 0.2 | 0.2 |
| **Total** | **6.1** | **3.6** |

**b) Please disclose the default interest already incurred to-date and the aggregate default interest that the Group expects will have to be further recognised in relation to the Affin Bank loans to RK12 and RU.**

**Company's Response**

The default interest incurred for Q1FY22 was $3.0million (RM 9.3million) which was included in interest on borrowings and overdraft in Question 3) a) above.

As of today, RM 108.2million (approx. $34.9million) of the RM 138.2million Settlement Amount has already been repaid with the balance of RM 30million (approx. $9.7million) due to be repaid from November 2021 to March 2022. The Group expects to repay the balance RM 30million by 31 December 2021. The estimated default interest in relation to Affin Banks loans to RK12 and RU from October to December 2021 is RM 7.6million.

**c) Please also disclose if the Company has incurred default charges from its UOB loans.**

**Company's Response**

UOB did not charge default interest on its loans.

**Question 4) We refer to the breakdown of current trade and other receivables.**

**a) Please disclose who are the current trade receivables debtors and explain the reason for the 93% increase of current trade receivables from S$9.5 million to S$18.3 million. Please also**

**provide the ageing schedule in bands of 3 months, specifying the period of all upper bands disclosed.**

**Company's Response**

| Trade receivables (3rd parties) | As at 30 Sep 2021 | As at 30 Jun 2021 |
|---|---|---|
| | S$' million | S$' million |
| Not past due | 9.9 | 0.6 |
| 31- 60 days past due | 0.1 | 0.5 |
| 61-90 days past due | 0.2 | 0.2 |
| More than 90 days past due | 8.1 | 8.2 |
| **Total** | **18.3** | **9.5** |

As at 30 Sep 2021, trade receivables not past due of $9.9million was mainly due to $8.8million trade receivables of Boustead College and WIST as their invoicing of annual course fees was in Q1FY22 resulting in the increase of trade receivables as at 30 Sep compared to 30 June.

**b) Please clarify what is the nature of other receivables from joint ventures of S$21.5 million, which joint venture it pertains to, and whether the Company expects to recover these receivables by 30 September 2022.**

**Company's Response**

Other receivables from joint ventures of $21.5 million:

i. $21.1 million receivable is pending in relation to amounts extended by the Company's Indian subsidiaries to Jai Radha Raman Education Society of India ("JRRES") in relation to the Company's joint venture in India with Educomp Solutions Limited (the "Joint Venture") and subject to legal proceedings against JRRES for recovery of the amounts due and payable by JRRES to the Company's subsidiaries; and

ii. $0.4 million receivable from the Company's joint venture in Middle East.

**Question 5) The Company disclosed that course fees received in advance increased $30.8 million, an increase of 220%, to S$44.6 million main due to collection from Tianjin University of Commerce, Boustead College and WIST. Please provide the breakdown of advances received from each of these institutions and elaborate on the reasons for the sharp increase.**

**Company's Response**

| Entity | As at 30 Sep 2021 | As at 30 Jun 2021 |
|---|---|---|
| | S$ million | S$ million |
| Boustead College | 25.6 | - |
| Wanbo | 5.6 | - |
| Others | 13.4 | 13.8 |
| **Total** | **44.6** | **13.8** |

Increase in course fees received in advance is mainly due to annual tuition fees collected in advance by the two entities in Q1FY22, which will be recognised as revenue over the next three financial quarters of FY22. Thus, when compared to 30 June 2021, the balance in course fees received in advance had increased sharply.

**Question 6) The Company explained that the decrease in non-current trade and other payable was mainly due to a re-classification of its non-current amount due to Hongda of RMB 35 million to current payable. Please provide a background of what this payable relates to, and who Hongda is. How is this related to the disposal of land and buildings of WIST?**

**Company's Response**

The payable to Hongda is in relation to the acquisition of campus facilities by Boustead College from Hongda which was approved by shareholders on EGM held on 17 May 2019. Please refer to the circular dated 24 April 2019.

**Question 7) Please provide a breakdown of the repayment of bank borrowings of S$29.2 million during the quarter. Please provide details of the repayment schedule of the Affin Bank loan and confirm if they have fully complied with the repayment schedule on the relevant repayment dates.**

**Company's Response**

***Repayment of borrowings (Group)***

| Repayment | Term loans | Overdraft | Total |
|---|---|---|---|
| | S$' million | S$' million | S$' million |
| OUCHK Group | **3.3** | **-** | **3.3** |
| Boustead College | **1.4** | **-** | **1.4** |
| RK12 | **1.0** | **0.5** | **1.5** |
| RATH | **1.0** | **-** | **0.9** |
| REC (The Company) | **22.1** | **-** | **22.1** |
| **Total** | **28.8** | **0.5** | **29.2** |

***Repayment to Affin Bank by RK12***

| Agreed Schedule | | Actual Payment | | Remark |
|---|---|---|---|---|
| MM/YY | RM' million | MM/YY | RM' million | |
| Jun'21 | 10.0 | Jun'21 | 10.0 | |
| Jul' 21 | 1.6 | Jul' 21 | 1.6 | |
| Aug'21 | 5.0 | Aug'21 | 5.0 | |
| Sept'21 | 5.0 | Sept'21 | 11.6 | |
| Oct'21 | 6.6 | Oct'21 | 80.0 | |
| Nov'21 | 25.0 | Nov'21 | - | |
| Dec'21 | 25.0 | | | |
| Jan'22 | 20.0 | | | |
| Feb'22 | 20.0 | | | |
| Mar'22 | 20.0 | | | |
| **Total** | **138.2** | | **108.2** | |
| | NA | Dec'21 | 30.0 | Expected to be repaid |
| **Total Settlement Amount** | **138.2** | | **138.2** | |
| | | | | |

RK12 and RU have fully complied with the repayment schedule.

Shareholders are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in respect of their investment, which may be prejudicial to their interests. In the event that shareholders wish to deal in the shares of the Company, they should seek their own professional advice and consult with their own stockbrokers.

BY ORDER OF THE BOARD
Raffles Education Corporation Limited
24 November 2021