

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

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**RESPONSES TO QUERIES FROM THE SGX-ST DATED 25 JULY 2024**

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The board of directors (the “**Board**” or “**Directors**”) of Raffles Education Limited (“**Company**”) refers to queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in respect of the Company’s announcement dated 24 July 2024 (“**Announcement**”) in relation to the Proposed Bond Issue.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as ascribed to them in the Announcement.

The Company wishes to respond to the queries as follows:

**Question 1**

**In the announcement, the Company proposes to raise funds through the issue of unlisted, 5-year 10.5% unsecured bonds (“**Bonds**”) of up to an aggregate principal amount of S\$20 million (“**Proposed Bond Issue**”). Please quantify the basis for setting the interest rate at 10.5%, viz-a-viz the current SIBOR interest rate of 3.91% and elaborate how the 10.5% interest is on normal commercial terms and not prejudicial to the Company and its minority shareholders.**

**Company’s Response**

The interest rate of 10.5% per annum was determined after taking into consideration, amongst others, the following factors:

- (a) the current market conditions and benchmarking against industry standards for similar financing arrangements and in particular, the following:
  - (i) the Company had in September 2022, completed a rights issue of S\$26.2 million of unsecured convertible bonds which were issued at a discount of 15% with a coupon rate of 6% per annum. The effective interest rate on these convertible bonds was 10% per annum at inception;
  - (ii) the Company had in March 2023, obtained a secured loan of S\$15 million from a financial institution at an interest rate of approximately 8% per annum; and
  - (iii) in May 2024, the Company discussed the possibility of a potential unsecured bond issuance with certain independent non-interested third-party investors through a financial institution to gauge their interest. The indicative pricing provided by the investors was approximately 15% per annum.

Accordingly, the interest rate of 10.5% is in line with past unsecured financing obtained by the Company and is lower than the indicative pricing;

- (b) the Bonds are unsecured obligations of the Company, and the interest rate reflects a fair risk premium appropriate for the Company’s credit profile and overall risk associated with the Bonds;

- (c) the terms of the Bonds are considered to be issuer-friendly due to the following factors: the minimal financial covenants, the representations and warranties to be given by the Company to the Subscribers, there are no other onerous terms under the Subscription Agreements, and an option allowing the Company to redeem the Bonds without penalty before its maturity date by giving 1 months' notice; and
- (d) the impact on minority shareholders was considered and, amongst others, the following was taken into consideration, (i) the issue of Bonds will not result in dilution of the shareholding of shareholders of the Company, (ii) the terms and conditions of the Bonds are market comparable and consistent with similar financing the Company is accustomed to.

In view of the above, the Company believes that the interest rate of 10.5% per annum is on normal commercial terms and not prejudicial to the Company and its minority shareholders.

## **Question 2**

**Of the S\$20 million Bonds, the Company disclosed that it had already entered into Subscription Agreements with certain subscribers ("First Tranche Subscribers") for the issuance of an aggregate principal amount of S\$12.5 million of the Bonds on the date of the announcement and, six out of the First Tranche Subscribers are deemed to be interested persons under Chapter 9 of the Listing Manual ("IPs").**

**(i) Please disclose how the First Tranche Subscribers were identified. To also describe who are the remaining individuals other than the six IPs within the First Tranche Subscribers.**

### **Company's Response**

Taking into account the circumstances of the Company, including the need to refinance some of the Group's borrowings, market conditions and difficulties the Companies faced in securing external financing on commercially agreeable terms, the Board had proposed raising funds through the issue of bonds, and had finalised the terms of the Proposed Bond Issue. Subsequently, the Company sought investors through its network, including existing shareholders of the Company who had previously expressed interest to invest in the Company. Certain third-party investors (including existing shareholders of the Company) expressed interest in subscribing for an aggregate of S\$750,000 in Bonds, which is significantly less than the S\$20,000,000 proposed to be raised from the Proposed Bond Issue. To demonstrate confidence in the Company and support for the Proposed Bond Issue, the Directors themselves decided to invest in the Bonds.

The remaining First Tranche Subscribers are private investors identified through the network of the Company. They expressed interest to invest in the Bonds for personal investment purposes.

**(ii) We note that the principal amount of the bonds to be subscribed by the 6 IPs aggregate to S\$11.75 million, which is ~59% of the total principal amount for the Proposed Bond Issue. Please disclose how this allocation to them was determined.**

### **Company's Response**

As total demand from the First Tranche Subscribers of S\$12.5 million are lower than the intended issue size of S\$20 million, the Company has given full allocation to the First Tranche Subscribers. Allocations to the Interested Persons match the subscription amounts they had requested.

**(iii) Please also confirm that the subscriber Joseph Ho Yan Jun [Non-Independent Non-Executive Director] refers to Mr. Joseph He Jun as per his official designation disclosed in the Company's latest FY2023 Annual Report.**

**Company's Response**

The Company confirms the above. The Company understands that Mr. Joseph Ho Yan Jun had recently changed his name legally.

**(iv) Considering that the six IPs comprises of the entire board including the deemed interest of Mr. Lim How Teck, whose wife (Tan Cheng Hiang Rosalind alias Mrs Rosalind Lim) will be subscribing as the First Tranche Subscribers, please disclose whether the AC is in a position to review that the terms entered into are on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders. To also disclose how the Board had approved Proposed Bond Issue if the entire board is required to abstain from voting where there is conflict of interest.**

**Company's Response**

The principal terms of the Proposed Bond Issue were deliberated, discussed and agreed by the Board prior to their decisions to subscribe for the Bonds. The Audit Committee (comprising Lim Siew Mun, Lim How Teck, Ng Kwan Meng and Chua Chwee Koh) and the Board had taken into consideration the following to ensure that the Proposed Bond Issue will not be prejudicial to the interest of the Company and its minority shareholders:

- (a) the rationale for the Proposed Bond Issue;
- (b) the terms of the Bonds, including but not limited to the following:
  - (i) the interest rate (further considerations as described in Question 1 above);
  - (ii) the Bonds will not be issued at a discount;
  - (iii) the Company will not be subject to any financial covenants;
  - (iv) limited representations and warranties will be given by the Company;
  - (v) the long tenor (5 years), bullet repayment structure and an option allowing the Company to redeem the Bonds without penalty before its maturity date by giving 1 months' notice, implying ease of debt service and re-financing to the benefit of the Company; and
  - (vi) no impact on the shareholding structure of the Company following the Bond issuance.

As disclosed in the Announcement, the value of the transaction (being the interest payable) for each of the interested person transaction with the respective Interested Persons is below the thresholds under Chapter 9 of the Listing Manual and the subscription of Bonds by the Interested Persons are non-disclosable interested person transactions. In addition, the aggregate interest payable under the Bonds (assuming they are held to maturity) to the Audit Committee members constitutes only 0.132% of the Group's latest audited NTA.

As described in (i) above, the prospective investors solicitation by the Company through its network has resulted in modest demand, hence the Directors who are confident of the financial position and outlook of the Company subsequently decided to subscribe to the Bonds for their personal investment purpose.

While the Proposed Bond Issue was approved by the Board, each respective Director had abstained from voting in respect of his / her entry into the Subscription Agreement.

**3. Please disclose the proposed subscribers of the remaining principal amount of S\$7.5 million from the Proposed Bond Issue and whether these will be related parties or interested persons and when the subscription will occur.**

**Company's Response**

The Company is still in the process of reaching out to more investors to raise the additional S\$7.5million from the Proposed Bond Issue and further announcements will be made when additional fundings are secured. At this juncture, the Company does not expect such investors to be related parties or interested parties.

**4. The Company further provided that the net proceeds of S\$12.5 million from the Proposed Bond Issue will be used by the Company to refinance some of the Group's borrowings. We note that the Company had also previously disclosed in its Responses to SGX Queries on 17 February 2024 that it will finance its current borrowings by, among others, the collection of the proceeds from the proposed disposal of shares of 4 Vallees Pte Ltd ("4VPL") by the Company to Oriental University Holdings (H.K) Co. Ltd ("OUCHK") amounting to \$4.1 million and the collection of \$9.8 million of amounts owing by 4VPL to the Group after the disposal to OUCHK which OUCHK is to pay the amounts owing on behalf of 4VPL.**

- a. **Please disclose whether the aggregated amount of \$13.9 million have been collected from OUCHK and if not, to provide the timeline for the collection.**
- b. **Please quantify the current outstanding amounts due to the Company from the proposed disposal of shares of 4PVL.**

**Company's Response**

\$4.1 million of the proceeds from the proposed disposal of shares have been collected. The amount owed by 4VPL to the Group has been reduced from \$9.8 million to \$9.1 million as of 30 June 2024. There is currently no fixed term of repayment by OUCHK (on behalf of 4VPL) to the Company, and the \$9.1 million is recorded as part of amount owing by subsidiary in view of the Company's 75% ownership of OUCHK.

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 Limited  
29 July 2024