

**RAFFLES EDUCATION CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 199400712N)

(the "**Company**")

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**RESPONSE TO SGX-ST QUERIES DATED 26 AUGUST 2021**

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*Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Company's announcement dated 29 July 2021.*

The Board of Directors (the "**Board**") of Raffles Education Corporation Limited ("**Company**") refers to further queries raised by SGX-ST in respect of the Company's announcements dated 25 August 2021. Such announcements were released by the Company in connection with its previous announcements dated 29 July 2021, 11 August 2021 and 23 August 2021.

The Company wishes to respond to the queries as follows:

**Question 1: In the Company's response, it was explained that the Settlement Amount was RM138.2 million, with balance outstanding debts as at 1 April 2022 of approximately RM 310.9 million. This aggregates to RM 449.1 million, which is RM 39.1 million higher ("Variance") than the entire outstanding amount under the Relevant Facilities of RM 410 million disclosed in the Company's 29 July 2021 announcement. Please elaborate what the Variance of RM 39.1 million pertains to and how it will be reported in the Group's Income Statement and Balance Sheet.**

**Company's Response:**

The outstanding amount under the Relevant Facilities disclosed in the Company's announcement dated 29 July 2021 is an approximate figure. Based on the Writs, the exact amount outstanding under the Relevant Facilities is approximately RM416.6 million.

The remaining amount of RM32.5 million (the "Difference") pertains to estimated contractual interest and provisions made by the Company for additional net default interest in the event default interest is imposed, for the period from April 2021 to March 2022. Such provisions for additional default interest are subject to further negotiations with Affin Bank.

The Difference will be captured in the Group's Income Statement under Finance Costs and captured in the Group's Balance Sheet under Accrued Interest, under Current Liabilities in the respective financial years.

**Question 2: We note that the repayment schedule of the Settlement Amount of RM 138.2 million is on a monthly basis from 1 June 2021 to 31 March 2022. Please disclose how much of the Settlement Amount has been paid to-date, in June, July and August of 2021 and whether it was in accordance with the repayment schedule.**

**Company's Response:**

The following amounts have been paid to date, in accordance with the revised repayment schedule:

- (a) RM10 million, in respect of the payment for June 2021;

- (b) RM1.6 million, in respect of the payment for July 2021; and
- (c) RM5 million, in respect of the payment for August 2021.

**Question 3: The Company disclosed that “all legal expenses incurred by Affin Bank shall be paid by the Borrowers by 10.8.2021”. Please quantify the amount of legal expenses to be paid by the Group and whether the Group had paid the amount by 10 August 2021.**

**Company's Response:**

Affin Bank's legal fee of RM241, 500.00 was paid on 11 August 2021, as 10 August 2021 was a public holiday in Malaysia.

**Question 4: Based on the aggregate of the RM 39.1 million Variance incurred upon settlement, as well as the legal expenses to be borne by the Group, please quantify the total additional expenses incurred arising from the Settlement with Affin Bank. Please also compute how the aggregated additional expense compares to the Company's latest announced profit before tax ("PBT") as well as the original loan balance of RM 410 million.**

**Company's Response:**

As highlighted in our response to Question 1, the amount outstanding under the Relevant Facilities is approximately RM416.6 million.

The total additional expenses incurred by the Group arising from the Settlement with Affin Bank amount to an aggregate of approximately RM14.6 million, comprising:

- (a) Affin Bank's legal fees of RM241,500;
- (b) the Borrower's estimated legal fees of RM105,000; and
- (c) a sum of RM14.2 million being additional net default interest, in the event default interest is imposed, is included in the Difference of RM32.5 million. Such provisions for additional default interest are subject to further negotiations with Affin Bank, and the amount has not been crystallized.

The aggregated additional expenses of RM14.6 million represents approximately 3.5% of the original outstanding amount under the Relevant Facilities of RM416.6 million and approximately 15.9% of the Group's PBT for the financial year ended 30 June 2021.

**Question 5: In the Company's announcement on 11 August 2021, it was disclosed that “The Board is of the view that the terms of the Settlement will not result in any significant impact on the operations of the Company or result in the Company facing a cash flow problem.” Taking into account the computations in response to question 4 above and the impact on the Group's profits/loss position, please provide the basis for the Board's views disclosed in its 11 August 2021 announcement that “the terms of the Settlement will not result in any significant impact on the operations of the Company”.**

**Company's Response:**

Notwithstanding the computations set out in the response to Question 4, the Board is of the view that the terms of the Settlement will not result in any significant impact on the operations of the Company or result in the Company facing a cash flow problem, as the Settlement has been and/or will be funded by the Group's collections of receivables, including the following:

- i. Receipt of RMB274.0 million in connection with the disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd., of which RMB274.0 million will be available to be used by the Group in relation to the Settlement; and
- ii. Receipt of RMB216.3 million arising from the compulsory acquisition by Hefei City Authority of land owned by Wanbo Institute of Science & Technology, of which RMB94.1million will be available to be used by the Group in connection with the Settlement.

**Question 6: In the Company's announcement on 29 July 2021, it was disclosed that "the Board is of the view that the actions brought, and claims under, the Writs are unmeritorious." Please disclose the date of the event(s) which caused the writs and statements of claim to be filed by Affin Bank Berhad and whether there was a default based on the loan agreement arising from the event(s). In view of these event(s) and default on the loan agreement, where applicable, please provide the basis for the Board's views disclosed on 29 July 2021 that the "actions brought, and claims under, the Writs are unmeritorious".**

**Company's Response:**

Affin Bank filed the Writs in connection with alleged defaults arising from failures by the Borrowers to make certain repayments to Affin Bank under the Relevant Facilities.

The Company and Affin Bank have had various discussions on variation to the repayment terms of the Relevant Facilities even prior to the issuance of the Writs. Moreover, amid the Covid-19 pandemic, the Company had appealed to Affin Bank for extension of the six (6) month moratorium that was previously granted and was given to understand that Affin Bank would likely extend the moratorium for a further period. Under the circumstances, the Borrowers and the Company were of the view that Affin Bank had no intention to follow through with court proceedings to litigate the claims, and the issuance of the Writs were part of Affin Bank's strategy to obtain improved terms.

In addition, the Company is advised by its Malaysian legal advisor that a proposal on the repayment terms of the Relevant Facilities was accepted by Affin Bank on or prior to 8 June 2021, and such acceptance should be considered a settlement of the legal proceedings initiated under the Writs.

In view of the above, the Board was of the view that the legal proceedings brought under the Writs were unmeritorious.

**Question 7: In the Company's announcement on 25 August 2021, it was disclosed that the source of funds for the Settlement Amount will be funded, inter alia, by (a) receipt of RMB 274 million receivable from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co. Ltd. ("Langfang"); and (b) receipt of RMB 216.3 million arising from the compulsory acquisition by Hefei City Authority ("Compulsory**

Acquisition”) of land owned by Wanbo Institute of Science & Technology (“WIST”). Please provide further information on the following:

- (i) Please reconcile the amount of RMB 274 million receivable from the disposal of the subsidiary, Langfang, to the disclosed consideration in its previous announcements on the disposal, if applicable. Please quantify how much of the disposal consideration of Langfang has been received by the Group to-date.

**Company's Response:**

Receivables from Disposal of Langfang

	RMB' m	SGD' m
Balance at 30 Jun 2020	291	57.19
Unwinding of interest	3	0.68
Currency translation movement	-	2.04
Balance at 31 Dec 2020	294	59.91
Received from Liu Yan Wen	(20)	(4.07)
Currency translation movement	-	1.21
Balance at 30 Jun 2021	274	57.05

The total sales consideration for the disposal of Langfang was RMB 420 million. To date, the Group has received RMB146 million. As at 30 June 2021, RMB274 million remains outstanding. Such outstanding amount is available to be used by the Group in connection with the Settlement.

- (ii) In relation to the receipt of RMB 216.3 million arising from the Compulsory Acquisition, the Company had previously announced on 12 June 2020 that the Group “is using the proceeds from the Compensation Amount to build a new campus for the Institute to ensure minimal or no disruption to the operations of WIST”. Please disclose (a) how much of the Compulsory Acquisition proceeds of RMB 216.3 million has been received to-date; (b) how much has been used by the Group to-date for the purpose stated in the Company's 12 June 2020 announcement. Please elaborate on the cost of construction of the new campus for WIST and how much of the costs had been incurred to-date; and (c) the balance available for the Settlement Amount with Affin Bank

**Company's Response:**

- (a) Proceeds collected to-date from the Compulsory Acquisition of Wanbo's land.

According to the Compensation Agreement, the Hefei City Authority (“Authority”) will pay RMB 216.3 million as follows:

- RMB 129.8 million when Wanbo completes demolition of all structures on the land; and
- RMB 86.5 million when Wanbo completes the transfer of the land and buildings to the Authority.

Wanbo will complete demolition of all structures on the land in September and the Authority will pay RMB129.8 million in October 2021. We estimate that the Authority will pay RMB 86.5 million in November 2021.

(b) Cost of construction and cost incurred to-date

Xin Qiao Campus	RMB' m
Total Construction Cost	209.9
Cost incurred to-date	(87.7)
Balance estimated cost	122.2

(c) Balance proceeds available to settle with Affin bank.

	RMB' m
Compensation from Authority	216.3
Balance estimated cost	(122.2)
Balance available	94.1

**Question 8: We note that the Company has explained that “Affin Bank will review the position in 31 March 2022 in respect of the settlement of the balance outstanding debts owed by each of the Borrowers”. However, the Company subsequently disclosed that “no other material revisions have been made to the terms of the Relevant Facilities”. Please clarify if there are no material revision to the original terms of the Relevant Facilities including but not limited to the tenure, repayment schedule, security, financial covenants and restrictions, and interest rates based on the terms in the Settlement Amount. If there are amendments, please disclose the material terms of the amended agreements.**

**Company's Response:**

As no agreement has yet been reached with Affin Bank as to the terms of repayment following 31 March 2022, save for the amounts that has been or will be repaid in connection with the revised repayment schedule as announced by the Company on 25 August 2021, no material revisions have been made to the original terms of the Relevant Facilities including but not limited to the tenure, repayment schedule, security, financial covenants and restrictions, and interest rates. The Company and Affin Bank will negotiate the terms of repayment on or before 31 March 2022.

BY ORDER OF THE BOARD  
Raffles Education Corporation Limited  
30 August 2021