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

RESPONSES TO SGX REGCO QUERIES DATED 21 FEBRUARY 2023

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Company's announcement on 10 February 2023.

The Board of Directors (the "**Board**") of Raffles Education Limited ("**Company**") refers to queries raised by SGX RegCo in respect of the Company's announcement dated 10 February 2023 on the Company's Results for the half year ended ended 31 December 2022.

The Company wishes to respond to the queries as follows:

Question 1

With reference to the Company's Statement of Profit and Loss and Other Comprehensive Income,

a) Please explain the significant increase in "Foreign exchange gain" from S$685,000 in 1HFY2022 to S$24,188,000 in 1HFY2023 and the value of the underlying item which resulted in a forex gain of approximately S$24 million.

Company's Response

The significant increase in "Foreign exchange gain" of S$24.188million was mainly due to weakening of RMB, USD, HKD and AUD against Singapore Dollar for foreign currency denominated financial liabilities during the financial period in 1HFY2023.

b) Please explain the factors which caused the significant decrease in "Share of results of associates" from S$999,000 in 1HFY2022 to -S$277,000 in 1HFY2023. Please disclose the identity of the associate.

Company's Response

Decrease in share of results of associate from S$999,000 in 1HFY2022 to (S$277,000) in 1HFY2023 is mainly due to the loss incurred by Axiom Properties Limited ("Axiom"), an associate of OUCHK, in 1HFY2023, compared with profit generated by Axiom in 1HFY2022. Axiom is listed on Australian Securities Exchange (ASX: AXI).

Question 2

The Company has prepared its financial statements on a going concern basis, please disclose details of and elaborate on the basis that the Board relied on in arriving at its view of the following:

a) The Company's positive cash flow forecast and the underlying assumptions: given that the Company's net operating cash flow for 1H2023 is only S$10.8 million which is substantially lower than its net current liabilities of S$170.8 million.

Company's Response

The Company besides being net operating cash flow positive for 1H2023, had tapped funds from its shareholders and the capital markets with the issuance of convertible bonds in September 2022.

Net current liabilities as at 31 December 2022 was mainly as a result from:

a) A mortgage borrowing of S$98.6 million by Raffles Assets (Singapore) Pte Ltd, which owns 51 Merchant Road, Singapore 058283, was classified as current borrowings as this mortgage is due for refinancing in May 2023. The bank had been supportive of the Company all these years and the Company is in continuing discussions with the bank with regards to this refinancing. At the same time, the Company is in on-going discussions with parties who expressed interest in purchase or lease of the Property;
b) A mortgage borrowing of S$3.4 million by Raffles Assets (Thailand) Limited which was classified as current borrowings as this mortgage is due for refinancing in April 2023. The bank has recently extended tenor to October 2023;
c) Overdraft facilities of S$2.3 million that were classified as current but these overdraft facilities will be continuing; and
d) Course fees received in advance of S$39.9 million and education facilities rental service fees received in advance of S$2.4 million which will be recognised as revenue in FY2023.

b) The Company's available credit facilities with its lenders; please provide details of the status of its ongoing discussions to arrive at its basis that "the Group is confident that its lenders will continue to give support to the Group" and "the Group's ability to refinance its existing borrowings when necessary with other banks". Where the Company has worked out debt repayment plans to fulfill its debt obligations or refinancing arrangements, please disclose details and whether the Company is on track to fulfilling any debt repayment obligations.

Company's Response

The Company is in discussions with other banks to refinance the Affin Bank loans.

The borrowings that will be coming due for refinancing are :

1) Mortgage borrowing of S$98.6 million by Raffles Assets (Singapore) Pte Ltd. The bank had been supportive of the Company all these years and the Company is in continuing discussions with the bank with regards to this refinancing. At the same time, the Company is in on-going discussions with parties who expressed interest in purchase or lease of the Property.
2) Mortgage borrowing of S$3.4 million by Raffles Assets (Thailand) Limited. The bank has recently extended tenor to October 2023.

Question 2 (continued)

c) In relation to "the Group's ability to realise certain of its assets through sale/lease of its properties": please disclose whether the Company is contemplating/has entered into an agreement for the sale of any of its properties and whether these has been disclosed via SGXNet. If not, please elaborate why it has not and please disclose when it expects to complete this accordingly.

Company's Response

The Company had on 16 August 2021 announced that it had put its property located at 51 Merchant Road, Singapore 058283 ("Property") up for sale ("Proposed Sale"). Besides the Proposed Sale, there are parties interested to lease the Property and negotiations are in progress. The Company will make further announcements as and when there are material developments related to the Property.

Question 3

Listing Rule 705, read with Appendix 7.2 of the Listing Manual, requires the Company to disclose in its half year financial statements "the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year". We note that the Company has not disclosed the number of ordinary shares that can be issued on conversion of the convertible bonds issued by the Company in 1H2023. Please disclose accordingly.

Company's Response

Convertible Bonds were issued by the Company in September 2022 and up to 678,376,553 new shares may be issued if converted. As at 31 December 2022, there was no conversion of Convertible Bonds to new shares.

Question 4

Please provide an update on the use of proceeds from the issuance of convertible bonds in 1HFY2023.

Company's Response

Referring to the announcements dated 27 September 2022, 30 September 2022 and 31 October 2022, the use of net proceeds from the issuance of convertible bonds in 1HFY2023 is as follows:

Use of Net Proceeds	**Amount Utilised (S$ million)**	**Percentage of Net Proceeds**
Repayment of existing loans and interest thereon	31.5	83.3%
General working capital	6.3	16.7%
Total	37.8	100.0%

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
23 February 2023