

**RAFFLES EDUCATION CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 199400712N)

(the “**Company**”)

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**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “Board”) of Raffles Education Corporation Limited (“Company”) wishes to announce that the independent auditor, BDO LLP (the “Auditor”) has rendered an unmodified audit opinion with a Material Uncertainty Related to Going Concern matter in their report (the “Independent Auditor’s Report”) on the audited financial statements of the Group and the Company for the financial year ended 30 June 2021 (“FY2021 Audited Financial Statements”).

The relevant extracts of the Independent Auditor’s Report and Note 2.1 to the FY2021 Audited Financial Statements are attached to this announcement.

The opinion of the Auditor remains unqualified. The audited consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International).

The Directors, based on the mitigating factors set out in Note 2.1, are of the opinion that the net current liabilities position will not likely pose material uncertainty on the ability of the Group and of the Company as a going concern. The Auditor as part of their responsibility included the emphasis of matter paragraph in the Auditor’s Report to draw the users’ attention to this matter as in their judgment, it is fundamental for the users to understand the basis of preparation of the FY2021 Audited Financial Statements. The opinion of the Auditor remains unqualified.

Shareholders and investors are reminded to exercise caution when dealing or trading in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

BY ORDER OF THE BOARD  
Raffles Education Corporation Limited  
8<sup>th</sup> October 2021

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Raffles Education Corporation Limited (the "Company") and its subsidiaries (the "Group"), as set out on page 81 to 176, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2021;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2021, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that as of 30 June 2021, the Group's and the Company's current liabilities exceeded its current assets by \$196.4 million and \$96.8 million respectively. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 June 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matter to be communicated in our report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

## 1. General corporate information

Raffles Education Corporation Limited (the “Company”) is incorporated and domiciled in the Republic of Singapore (Registration Number: 199400712N), and its registered office and principal place of business at 51 Merchant Road, Raffles Education Square, Singapore 058283. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the Company are those of an investment holding and provision of business and management consultancy services.

The principal activities of significant subsidiaries are set out in Note 7 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in associates and joint ventures.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity within the Group are measured and presented in the currency of primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar (“\$”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (“\$’000”) as indicated unless otherwise stated.

#### Going concern

As at 30 June 2021, the Group’s and the Company’s current liabilities exceeded its current assets by \$196.4 million and \$96.8 million respectively. Following Affin Bank Berhad’s (“Affin Bank”) writs and statements of claim, all of the borrowings from Affin Bank together with all other bank borrowings with possible cross default were classified as current borrowings as at 30 June 2021 (Note 16). These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

## 2. Significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### Going concern (Continued)

However, the directors are of the view that the financial statements of the Group and the Company have been prepared on a going concern basis after taking into account the following:

- (i) The Group has reached a settlement with Affin Bank under the Writs and Affin Bank has discontinued the Writs (Note 16);
- (ii) Collection of receivables arising from the disposal of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd (“LDZ Sino-Singapore Education Investment”) (Note 12);
- (iii) Positive cash flow generation from its operations based on the cash flow forecast that covers a period of at least 12 months from 30 June 2021;
- (iv) Collection of consideration from the disposal of Wanbo Institute of Science & Technology’s land and buildings is expected before 30 November 2021 (Note 4 and Note 14);
- (v) The Group’s ability to realise certain of its assets;
- (vi) The Group is confident that the lenders will continue to give support to the Group; and
- (vii) The Group’s ability to refinance its existing borrowings when necessary.

Should the Group and the Company be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the financial statements and to provide for any future liabilities which might arise. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments have not been made to the financial statements.

#### Changes in accounting policies

##### *New standards, amendments and interpretations effective from 1 July 2020*

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies, except as detailed below.