

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

RESPONSE TO SGX-ST QUERIES DATED 11 OCTOBER 2021

The Board of Directors (the “Board”) of Raffles Education Corporation Limited (“Company”) refers to queries raised by SGX-ST in respect of the Company’s announcement dated 8 October 2021 on BDO LLP’s audit opinion relating to the Material Uncertainty Related to Going Concern raised on the audited financial statements of the Group and the Company for the financial year ended 30 June 2021.

The Company wishes to respond to the queries as follows:

Question 1 We refer to the Company’s announcement on 8 October 2021 on BDO LLP’s audit opinion relating to the Material Uncertainty Related to Going Concern raised on the audited financial statements of the Group and the Company for the financial year ended 30 June 2021. Please provide:

- a) **the Board of Directors’ assessment of the Group’s ability to continue operating as a going concern and the bases for the said assessment;**

Company’s Response:

The directors are of the view that the Group and the Company are able to continue as a going concern. In particular, there is no current intention for the Company or any material Group entity to be liquidated or to cease trading due to inability to pay their debts as they fall due in the next 12 months. In addition, the Group as a whole is generating positive free cashflow in its operation and none of the Group company has received a notice alleging default on any of its loans, save for the loan with Affin Bank. It is also noted that the Group has receivables due to it over the course of next 12 months that will be sufficient to satisfy its repayment obligations to Affin Bank. Accordingly, the Directors are of the view that 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. The Group is to repay the Settlement Amount of RM138.2million (approx. SGD 44.7million) from June 2021 to March 2022. The total cashflows from (ii), (iii) and (iv) below are sufficient to repay the Settlement Amount.

As of today, RM 58.2million (approx. SGD 18.8million) of the RM 138.2million Settlement Amount has already been repaid with the balance of RM 80million (approx. SGD 25.9million) due to be repaid from November 2021 to March 2022.

The expected collection of RMB 100million by 15 October 2021 and RMB 216.3million from (ii) and (iv) below will total approximately SGD 65.9million, which is in excess of the required repayment for the balance of RM 80million (approximately SGD 25.9million);

- (ii) Collection of receivables of RMB 274million (approx. SGD 57.0million) arising from the disposal of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd (“LDZ Sino-Singapore Education Investment”). Out of the receivables of RMB 274million, RMB 100million was received on 28 September 2021, RMB 100million is expected to be received by 15 October 2021 (of which RMB 20million was already

received on 12 October 2021), and remaining RMB 74million is expected to be received by 30 September 2022;

- (iii) Positive cash flow generation from its operations based on the cash flow forecast that covers a period of at least 12 months;
- (iv) Collection of receivables of RMB 216.3million (approx. SGD 45.0million) from the disposal of land and buildings of Wanbo Institute of Science & Technology's ("WIST") old campus is expected before 30 November 2021. WIST had vacated the old campus and is now in the process of handing over of the land to complete this disposal;
- (v) The Group's ability to realise certain of its assets such as the proposed disposal of 51 Merchant Road ("the Property") which will be used to reduce debt to a very low level and for opportunistic acquisition;
- (vi) The Group is confident that the lenders will continue to give support to the Group. To date no other banks have withdrawn their loans and UOB's mortgage loan on the Property is only due for re-financing in May 2023; and
- (vii) The Group's ability to refinance its existing borrowings when necessary. The Group is in discussion with a few banks to re-finance Affin Bank's loans.

- b) the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3); and**

Company's Response:

Based on a) above, the Board is of the view that suspension of the Company's shares is not required as our operations are generating positive cashflows. In spite of the Covid-19 pandemic and the one-off unexpected issue with Affin Bank of which a settlement has been reached, the Company is still able to fulfill its loan repayment obligations.

- c) the Board of Directors' confirmation as to whether all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner; and the bases for its views.**

Company's Response:

The Board confirms that all material disclosures have been provided and the Board is unaware of any undisclosed material information.

Question 2: We note the directors have taken into account, amongst others, the Group's ability to realise certain of its assets when forming the view that the financial statements should be prepared on a going concern basis. The Company had also previously announced the potential sale of the Company's corporate office and college campus on 51 Merchant Road for approximately \$200 million.

- a) Please provide an update on the progress of this potential sale to-date and whether there are any outstanding liabilities on the property that the Company will be required to pay in conjunction with the sale. Based on the indications to-date, how likely is the Company**

able to dispose of this property to repay its short term obligations when they fall due. Please disclose the expected disposal completion date, the market valuation of the property and the date of repayment of bank loans. Please quantify the amounts that are required to be repaid as well as the net amount that the Company expects to receive from the sale;

Company's Response:

The potential sale of the Property is on going. The Company will make further announcements as and when there are material developments on this sale.

This proposed sale of the Property and the proceeds thereof, have not been taken into account by the Group for the repayment of its loans as they fall due over the next 12 months. In fact, the announcement on 16 August 2021 was to inform the public of the Group's intention to sell the Property. The Group is always on the look out to unlock value for its shareholders as part of the Company's on-going asset rationalization plans.

The mortgage to UOB Singapore on the Property is SGD 98.6million.

Market valuation of this property as at 30 June 2021 was SGD 150million.

Assuming the sales price is SGD 200 million, repayment of the mortgage of SGD 98.6million and transaction costs of about SGD 1.1million, the estimated net amount is SGD 100.3million.

Should the proposed sale take place, upon completion of the sale, the net amount will be used for further repayment of loans, working capital and/or opportunistic acquisition.

- b) Please elaborate how the potential sale of the 51 Merchant Road college campus affected the operations of the college in terms of student enrolment and financial performance? Please elaborate what will happen to the students and this stream of income from the college if 51 Merchant Road college campus is sold. To quantify the revenue and income derived from this campus;**

Company's Response:

The potential sale of the Property will not affect the operations of the college as the college will rent another premises upon on the sale of the Property.

For the financial year ended 30 June 2021, the revenue and profit for the college was SGD 10.4million and SGD 0.7million respectively.

- c) Please also provide an update on the status of operations of the Group's other significant colleges globally in terms of student enrolment and financial performance and indicate whether the Company is intending to dispose of any other assets to realise proceeds for the repayment of bank loans or in order to continue operating as a going;**

Company's Response:

In the midst of Covid 19, the revenue has decreased by 2.7% from SGD 100.5million in FY2020 to SGD 97.8million in FY2021.

Revenue for the 5 regions where the Group operates is as follows :

	ASEAN	North Asia	South Asia	Europe	Total
	SGD million	SGD million	SGD million	SGD million	SGD million
Revenue	32.0	61.7	0.6	3.5	97.8

The Group has seen the decrease of student enrolments in certain colleges/schools in ASEAN mainly due to travel restrictions in these countries. However, colleges/schools in ASEAN, South Asia and Europe have attempted to mitigate the travel restrictions of foreign students by focusing and improving the enrolment of local students. The colleges in PRC have seen an increase in student enrolments as the local student preferred to stay at home during this time.

Currently, the Group has no plans to dispose of any other assets but is always on the look out when the opportunity arises.

We reiterate that, without the proposed disposal of the Property and further disposal of other assets, the Group will continue its planned repayment of loans as they fall due over the next 12 months and will continue to operate as a going concern generating positive cash flow.

- d) **Please provide details of the upcoming loan repayments within the next 12 months and how the Company intends and is able to finance these short term obligations as and when they fall due;**

Company's Response:

The planned loan principal repayments within the next 12 months are as follows:

		At 13 Oct 2021	At 13 Oct 2021	
		SGD million	SGD million	Remarks
a	Affin Bank		25.9	SGD 25.9m is the balance of RM 80million (RM 138.2million less repayments till today of RM 58.2million)
b	Other banks	24.0		
	Listed subsidiary loans	(7.0)		OUCHEK, as a separately listed company, will repay its SGD 7million loans
	Boustead College ("BC") and WIST's loans	(12.3)		Loans will be repaid from collection of tuition fees by BC and WIST
	Sub-total Other Banks	4.7	4.7	Repayments will be from subsidiaries' positive cashflows
c	Total net planned loan principal repayments to be made over the next 12 months		30.6	

Main sources of funds for the repayment of these loans are as follows:

		RMB million	SGD million
(i)	Collection of receivables arising from the disposal of LDZ Sino-Singapore Education Investment ^{Note (i)}	274.0	57.0
(ii)	Collection of sale proceed from the disposal of land and buildings of WIST's old campus expected before 30 November 2021 ^{Note (ii)}	216.3	45.0

	Total	490.3	102.0
(iii)	Positive cash flow generation from operations and current cash balance		

Note (i) For details, please refer to Question 1 a) (ii) above. (Out of the receivables of RMB 274million, RMB 100million was received on 28 September 2021, second RMB 100million will be received by 15 October 2021 of which RMB 20million was already received on 12 October 2021 and remaining RMB 74million will be received by 30 September 2022, please refer to announcement on 28 September 2021).

Note (ii) For details, please refer to Question 1 a) (iv) above. WIST had vacated the old campus and is in the process of handing over of the land to complete this disposal.

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
13 October 2021