

INFORMATICS EDUCATION LTD.

(Company Registration Number: 198303419G)
(Incorporated in Singapore)

RESPONSE TO SGX QUERIES IN RESPECT OF THE ANNOUNCEMENT ON 15 DECEMBER 2021 ON PROPOSED DISPOSAL OF INFORMATICS ACADEMY PTE. LTD.

The Board of Directors (the “**Board**” or “**Directors**”) of Informatics Education Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement pertaining to the Proposed Disposal of Informatics Academy Pte. Ltd. (“IAPL”) which released on 15 December 2021.

The Board would like to provide the Company’s response to the queries raised by SGX-ST on 20 December 2021.

Unless otherwise defined, capitalised terms used herein shall bear the same meaning ascribed to them in the Company’s announcement dated 15 December 2021 in relation to the Proposed Disposal of IAPL.

Query 1:

Please disclose further information on Professional Education Management Pte Ltd (formerly known as TEG Edu Solutions Pte. Ltd.) (the “Purchaser”), to disclose identities of the directors and substantial shareholders of the Purchaser and whether they are related to the Company’s directors, substantial shareholders or their respective associates.

Company’s response:

Based on the business profile issued by the Accounting and Corporate Regulatory Authority dated 15 December 2021, the directors and substantial shareholders of the Purchaser as of 15 December 2021 are as follows:-

Directors	
1. Periyanyahi Muruganatham	2. Chokkalingam Muruganandam
Shareholder	
Periyanyahi Muruganatham	

The directors and substantial shareholders of the Purchaser are not related to the Company’s directors, substantial shareholders or their respective associates.

Query 2:

Please elaborate what will be the Group’s remaining business upon disposal of Informatics Academy Pte. Ltd. (“IAPL”) and whether the remaining business is profitable and that the Group will be in positive net asset position.

Company’s response:

Following the disposal of IAPL, the Group’s remaining businesses will comprise of its overseas businesses in Hong Kong, through Informatics Education (HK) Ltd and the United Kingdom, through NCC Education Limited and its subsidiaries.

As disclosed in the Company’s announcement on 15 December 2021, IAPL recorded a loss of S\$1.26 million, and contributed to more than 80% of the Group’s losses for the financial year ended 30 June 2021. As illustrated in the Company’s announcement on 15 December 2021, the Group would expect losses to be substantially reduced upon disposal of IAPL. The future profitability of the Group would depend on the performance of the Group’s subsidiaries in Hong Kong and the United Kingdom.

Following the disposal of IAPL, the Group will still be in negative net asset position.

Query 3:

Please explain the basis in arriving at the consideration of S\$320,000 and whether the Company has appointed a competent and independent valuer in relation to the Proposed Disposal as required under Listing Rule 1014(5), given that the relative figures of the disposal exceeds 75% set out under Listing Rule 1006. To disclose details on the independent valuer and material assumptions of the independent valuer in arriving at the consideration.

Company's response:

The Consideration was arrived at pursuant to arm's length negotiations, on a willing-buyer, willing-seller basis, taking into account, *inter alia*, IAPL's EduTrust status, brand name and existing intellectual property, including its course design and materials.

Basis in arriving at the consideration of S\$320,000 would include the following factors:-

1. IAPL was in negative net asset position as at 30 November 2021. While Vendor's Liabilities and Receivables in connection with the IAPL's business are excluded from the sale and purchase under the SSA, the Consideration for the Proposed Disposal represents a premium over IAPL's book values of assets to be disposed of;
2. IAPL will cease operations after completing its teach-out obligations to its existing students. Hence, the valuation using an income approach which is based on the discounted cash flow method would not be applicable in view of the negative projected free cash flows up to the full cessation of IAPL's business; and
3. Based on the latest financial statements of IAPL for financial year ended 30 June 2021, book values of property, plant and equipment and intangible assets were nil. While negotiation with the Purchaser has taken into account, *inter alia*, IAPL's EduTrust status, brand name and existing intellectual property, including its course design and materials, there is lack of market comparisons for the valuation of these items, in which book values of these items were nil as well.

The Company notes the requirement to appoint a competent and independent valuer in relation to the Proposed Disposal as required under Listing Rule 1014(5). The Company is in the midst of appointing an independent valuer and will include more information on the independent valuer in the circular to be released in relation the Proposed Disposal for the EGM to be convened to seek the approval of the shareholders of the Company for the Proposed Disposal.

Query 4:

In relation to the relative figures under Listing Rule 1006, please elaborate why the Company disclosed the NAV of assets to be disposed as "Vendor's Liabilities and Vendor's Receivables shall be for the account of the Company". To disclose the NAV of the IAPL against the Group's NAV as required under Listing Rule 1006(a) as well as calculations in arriving at the ratio.

Company's response:

Based on the latest financial statements of IAPL as at 30 June 2021, IAPL was in negative net asset position of S\$384,000. Under the terms of the SSA entered into with the Purchaser, the liabilities of IAPL will not be transferred to the Purchaser, while the Company will be able to claim all receivables arising from IAPL's business as at 30 November 2021 from the Purchaser. Hence, no assets and liabilities are disposed under Listing Rule 1006.

Query 5:

In relation to the Company's statement in paragraph 4.1.2 of the announcement that "All liabilities in connection with the Business arising as at 30 November 2021 ("Vendor's Liabilities") are excluded from the sale and purchase under the SSA and shall not be transferred to and assumed by the Purchaser, and the Company undertakes to indemnify the Purchaser from all claims arising from or relating to the Vendor's Liabilities". Please quantify the amount of liabilities in connection with IAPL's business.

Company's response:

Based on the latest unaudited management accounts of IAPL, a breakdown of the Vendor's Liabilities in connection with IAPL's Business as at 30 November 2021 are summarised as follows:-

	S\$'000
Trade payables	71
Deferred income (Note 1)	21
Accruals (including retrenchment benefit payable to employees of IAPL)	388
Other creditors	4
Total	484

Note 1

Deferred income relates to course fees which IAPL had billed and received in advance, and will be recognised as revenue over the duration of the course. IAPL undertakes to complete the delivery of the courses under its teach-out obligations to its existing students as at 30 November 2021, and all costs relating to the delivery of these courses will be borne by IAPL.

Query 6:

Please disclose the cost of investments and loans extended by the Company to IAPL to-date and disclose the balance of outstanding loans owing by IAPL, if any, and disclose if the amount will be repaid to the Company. Please also explain how has this been factored in the consideration of S\$320,000.

Company's response:

Based on the Company's audited financial statements for the financial year ended 30 June 2021, the Company's carrying amount of investment in IAPL as at 30 June 2021 is nil, as the investment had been fully impaired.

As of 30 June 2021, the Company has no outstanding loans or balances owing from IAPL. As of 30 June 2021, the Company has amounts owing to IAPL of S\$4.22 million. Pursuant to the SSA, these amounts will be waived in full prior to Completion, resulting in a gain on waiver of inter-company loans in the Company's financial statements for financial year ending 30 June 2022. However, these would not have an impact of the Group's financial statements for the financial year ending 30 June 2022.

Query 7:

Please disclose the actual net cash proceeds to be received by the Company from the disposal after taking into account the indemnification of all claims relating to the Vendor's Liabilities as well as waiver of inter-company loans.

Company's response:

The projected cash proceeds from the disposal of IAPL are estimated as follows:-

	S\$'000
Proceeds from disposal of IAPL	320
Add: Vendor's receivables claimable from the Purchaser (upon receipt by Purchaser) (note a)	129
Less: Vendor's liabilities to be borne/repaid by the Company (note a)	(484)
Less: Estimated expenses of the Proposed Disposal	(92)
Net shortfall/deficit	(127)

Note a

The estimated balances for Vendor's Receivables and Vendor's Liabilities (as defined in the SSA) are based on IAPL's latest management accounts as at 30 November 2021.

The net shortfall/deficit above will be borne by the Company.

Query 8:

Please disclose the adjusted NAV of IAPL after taking these into account adjustments for the waiver of intercompany loans from the Company and the liabilities of IAPL that will be borne/repaid by the Company.

Company's response:

As per response to query 4, IAPL was in negative net asset position of S\$384,000. IAPL's waiver of intercompany balances and loans owing from the Company will not have an impact on IAPL's NAV as these have been fully impaired by IAPL. IAPL's liabilities that will be borne/repaid by the Company is as detailed in the Company's response to query 5.

Query 9:

Please disclose the net profits attributable to the assets being disposed of, and the amount of any gain or loss on disposal as required under Listing Rule 1010(7) after taking into account the indemnification of all claims relating to the Vendor's Liabilities as well as waiver of inter-company loans.

Company's response:

The net loss attributable to IAPL for the financial year ended 30 June 2021 was S\$1.26 million. Taking into account the estimated expenses of the Proposed Disposal of approximately S\$92,000 and the exclusion of Vendor's Liabilities and Vendor's Receivables (as defined in the SSA) from the sale and purchase under the SSA, the Proposed Disposal is expected to result in a gain on disposal of subsidiary of approximately S\$228,000.

The waiver of inter-company loans would only have an impact on the Company's financial statements, and would not have an impact on the Group's financial statements for the financial year ending 30 June 2022.

Query 9:

Company's response (cont'd):

Vendor's Liabilities as at 30 November 2021 would have included substantially all liabilities of IAPL's business up to cessation of operations, as IAPL is close to completing its teach-out obligations in relation to its existing students. IAPL is expected to complete its teach-out obligations by early 2022, and it is currently difficult to reasonably determine the actual indemnification of claims relating to Vendor's Liabilities, as these would depend on the status of completion of the courses by existing students of IAPL.

BY ORDER OF THE BOARD

Yau Su Peng
Executive Director
22 December 2021