

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199400712N)

(the "Company")

RESPONSES TO SGX REGCO QUERIES DATED 1 SEPTEMBER 2022

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Company's announcement on 23 August 2022.

The Board of Directors of Raffles Education Corporation Limited ("Company") refers to queries raised by SGX RegCo in respect of the Company's responses to SGX REGCO queries announced on 30 August 2022.

The Company wishes to respond to the queries as follows:

Question 1

We refer to the Company's responses to SGX queries announced on 30 August 2022. In the Company's response to query 1(c), we note that the Company's disposal of investment property, the land and building housing water and heating facilities located in OUC Langfang (the "Utilities IP") was recorded at a book value of \$3.3 million as at 30 June 2021 which reflected its market value. However, the Utilities IP was sold at only \$1.6 million, a 52% loss. Please elaborate on the following:

a) When did the local authorities inform the Group of their intention to purchase the Utilities IP and when did the Group become aware of the value of \$1.6 million consideration offered by them?

Company's Response

The negotiation with the authorities for the disposal of heating and water assets (comprises land & buildings and equipment & machinery), was conducted since early 2020. In July 2021, the consideration of \$1.6 million was offered for the land and building ("Utilities IP") portion.

b) What was the basis used by the independent valuer to compute the valuation of the Utilities IP to be \$3.3 million when in fact it was earmarked to be sold for \$1.6 million?

Company's Response

The valuer appointed by the Company has adopted an income capitalisation approach to value the land and buildings comprising teaching buildings, dormitories buildings and ancillary buildings (i.e. ancillary buildings are separate buildings that houses the power station, the public toilets, the water and heating assets etc) in the campus. The valuer has applied an average unit rent for teaching buildings, dormitories buildings and ancillary buildings to assess the value of the whole campus.

The disposal of Utilities IP comprises the land and buildings that house water and the heating facilities, on a collective basis. In this respect, the transaction price paid was lower than the valuation of each public utilities building.

c) What was the benchmark used by the local authorities for setting the consideration at \$1.6 million and why is this value significantly lower than the market value estimated by the Group's valuer of \$3.3 million? Please elaborate on the specific reasons for the significant difference in value.

Company's Response

The authorities had made their offer based on their own valuation. We understood that in arriving at their consideration, the local authorities had indicated that they had considered future extensive replacement cost of the equipment, the machinery and the piping for the water and of the heating assets.

d) In relation to the remaining assets at OUC Langfang, please disclose the fair value gain attributable to these assets that was recognised in FY2022 and disclose whether the Company is aware of any further disposals that may be made. If so, please disclose whether the fair value of these assets had taken into account the potential disposal consideration.

Company's Response

The fair value gain of the remaining assets at OUC Langfang was S\$5.4million. The Company is not aware of any further disposals of the remaining assets at OUC Langfang.

Question 2

In the Company's response to query 2, the Company disclosed that the valuer had applied a gradual increase in rental rates to \$71.4/sqm over a 10 year period to determine the fair value of the Company's investment in Hotel Nendaz 4 Valles & Spa in Switzerland (the "Hotel"), and that the current rental contract will expire in December 2023. Please disclose the following:

a) The book value attributable to the Hotel as at 30 June 2022 and the fair value gain recognised in the financial year ended 30 June 2022.

Company's Response

The book value of the Hotel as at 30 June 2022 was S\$50.0million and the fair value gain was S\$1.8million.

b) The current rental rate/sqm of the Hotel, the current rental rates of similar hotels in the vicinity and how this rate is comparable to the average rental rates of the similar hotels in the vicinity as well as the maximum rental rate of \$71.4/sqm used in the valuation of the Hotel.

Company's Response

The current rental rate/sqm of the hotel is \$14.5/sq based on the leasing contract signed during the acquisition in December 2014. The contract is up for renewal in 2023.

Valuation was performed by a Swiss independent professional valuer firm ("the Valuer").

SGX's questions on rental rates of similar hotels in the vicinity and how this rate is comparable to the average rental rates of the similar hotels in the vicinity have been posed to the Valuer which the Valuer had replied that there are no reliable comparable rates in the vicinity.

The Group is not an expert on property valuations.

c) Aside from the fair value gain disclosed for OUC Langfang and the Hotel above, please also quantify and provide a breakdown of the other investment properties that contributed materially to the fair value gain of \$11.6 million recognised in the financial year ended 30 June 2022.

Company's Response

Investment properties held by the following companies	Fair value gain on investment properties (S\$' million)
Oriental University City Holdings (H.K.) Limited and Langfang Tonghui Education Consulting Co. Ltd (OUC Langfang)	5.4
Raffles College of Design and Business (Private) Limited	3.8
4 Valleys Pte Ltd	1.8
Trophy Land Global Limited	0.4
Raffles Siviez 1750 Pte Ltd	0.1
Mandurah Resort Pty Ltd	0.1
	11.6

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
3 September 2022