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

ANNUAL GENERAL MEETING TO BE HELD ON 30 OCTOBER 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors ("**Board**") of Raffles Education Corporation Limited ("**Company**", together with its subsidiaries, the "**Group**") refers to its notice of annual general meeting ("**AGM**") dated 15 October 2021.

The Board wishes to thank shareholders for taking the time to send their questions ahead of the Company's AGM. The Board wishes to inform shareholders that responses to substantial and relevant questions submitted by shareholders are set out below.

Section 164A Statement

1. What is the basis for rewarding Mr Chew Hua Seng **$2.89 million** when the Company is having a going-concern issue as highlighted by BDO as a key audit matter in the annual report?
We have compared the past five years of Mr Chew's remuneration below from the past annual reports of the Company. It shows that Mr Chew has been receiving 100% salary for the past 4 years but this FY2021, he is shown to have 65% in "other" remuneration:

FINANCIAL YEAR	REMUNERATION	BAND DISCLOSED IN REC'S ANNUAL REPORT	SALARY ASSUMING LOWER BAND	SALARY ASSUMING UPPER BAND
2017	100% salary	Between S$1 m to S$1.25 m	S$1,000,000	S$1,250,000
2018	100% salary	Between S$1 m to S$1.25 m	S$1,000,000	S$1,250,000
2019	100% salary	Between S$850,000 to S$900,000	S$ 850,000	S$ 900,000
2020	100% salary	Between S$1 m to S$1,500,000	S$1,000,000	S$1,500,000
2021	35% salary 65% others	S$2,893,053 *(as announced pursuant to s.164A statement)*	S$1,012,568	

Company's Response

Mr Chew's total remuneration was approved by the Remuneration Committee ("RC") and the Board. The last review of Mr Chew's total remuneration was in FY2015. The RC engaged third party consultants to perform compensation benchmarking in April 2021 and took this into account when approving Mr Chew's total remuneration. The RC will review Mr Chew's remuneration on a yearly basis.

	Fixed salary S$ '000	Others – Profit Sharing S$ '000	Total S$ '000
2017	1,000 to 1,250	0	1,000 to 1,250

2018	1,000 to 1,250	Waived *	1,000 to 1,250
2019	1,000 to 1,250	(100 to 150) *	850 to 900
2020	1,000 to 1,500	0	1,000 to 1,500
2021	1,000 to 1,250	1,750 to 2,000 #	2,750 to 3,000

* Mr Chew waived his profit sharing for 2018 which was reflected in 2019.

65% Others - Profit Sharing in 2021. Inspite of the challenging conditions as a result of the Covid-19 pandemic globally, the Company has been able to deliver a commendable group profit before tax of S$29.9million.

2. In response to questions from shareholders for last year's AGM, the Company said that "others" remuneration for Mr Chew refers to his incentive bonus in his service agreement. Please explain whether this incentive bonus includes a profit share of the company or a contractual bonus. If so, please provide the basis of such profit-sharing arrangement or bonus and also any changes to such arrangement compared to the period between 2017 and 2020 where Mr Chew only received 100% in salary payments whereas for this year 2021, it has reverted to a very high "others" component.

Company's Response

Please see reply to Question 1 above.

3. We note that in FY2021, profit before tax amounted to $29.9 million, but this included $13.8 million of fair value gains on investment properties, and another $28.4 million in gains from disposals of investment properties, subsidiaries and AFS securities under "other operating income". Without these unrealised fair value gains and one-off gains from disposals, there would have been **a loss before tax of $12.4 million.** We estimated that over the last 10 years, cumulative profit before tax from continuing operations was $213.6 million, while cumulative fair value gains on investment properties amounted to $208.6 million, and cumulative one-off gains/losses from disposals of investment properties, subsidiaries and AFS securities amounted to $157.3 million. Without the fair value gains and other one-off gains/losses included in other operating income, the group would have cumulative losses before tax of $152.2 million. See the referenced table below which is extracted from the past annual reports of the Company.

Financial year	***Profit before tax (continuing operations) ($000)***	***Fair value gains/losses on investment properties ($000}***	***Other operating income (Gains/losses from disposals of investment properties, subsidiaries and AFS securities) ($000}***
2012 (restated)	-10,355	-6,327	24,820

2013	27,952	41,676	14,656
2014 (restated)	80,109	7,331	45,460
2015	22,339	23,031	0
2016	27,670	37,136	0
2017	-27,081	12,789	4,558
2018	42,421	64,944	0
2019	28,056	10,977	37,410
2020	-7,370	3,180	1,928
2021	29,879	13,839	28,427
Cumulative 10 years	**213,620[a]**	**208,576[b]**	**157,259[c]**

Note: a - (b + c) = $213,620,000 - ($208,576,000 + $157,259,000) = ***($152,215,000}***

Can the remuneration committee and the board explain whether these gains are included in determining Mr Chew's incentive bonus for FY2021 and in the past?

Company's Response

The nature of business of the Group is namely Premier Education Provider, Management of Education Assets and Facilities and Education-linked Real Estate Investment.

The gains from the abovementioned Group's businesses form the Group's profit before tax, of which Mr Chew's profit sharing as the CEO of the Group is consistently based on.

4. Do any other personnel in the Company participate in a profit -sharing incentive scheme and if so, does "profit" also include fair value gains from investment properties and other one-off gains from disposals?

Company's Response

Only Mr Chew has profit sharing.

5. We have also noted that there are considerable IPTs involving Mr Chew and his current wife, Doris Chung over the last 10 years. A quick summary of the table of IPTs is set out below. We note that most of these IPTs were reported as loans from a director or a spouse of a director. Presumably these refer to Mr Chew and Doris. Are these loans extended to the Company or its subsidiaries? If they are to the subsidiaries in China, have foreign exchange approvals been obtained for the repayment of such loans in Singapore?

Financial Year	**Amount due to director at yearend**	**IPT (CHS) ($000)**	**IPT (Doris) ($000)**	IPT **(CHS+ Doris) ($000)**

($000)				
2012	3,395	3,395	0	3,395
2013	0	719	0	719
2014	0	0	0	0
2015	0	0	0	0
2016	0	0	28,193	28,193
2017	10,941	12,831	2,109	14,940
2018	13,066	67,600	0	67,600
2019	15,767	11,212	0	11,212
2020	5,840	7,142	0	7,142
2021	10,923	9,530	0	9,530

Company's Response

These loans were extended by Mr Chew and his wife to the Company and its various subsidiaries at various points in time. No interest was charged on these loans.

Loans extended in China to subsidiaries in China and repayment in China by these subsidiaries do not require foreign exchange approvals.

6. From the different amounts of IPTs over the years, it appears that there is a pattern of loans been extended to the Company and these loans repaid in course of the year with further loans being extended again and with expectation of them being repaid. What is the rationale for such personal loans when it has recourse to bank loans? Can the audit committee and board explain how these IPTs are reviewed to ensure that they are bona fide and that they do not include undisclosed remuneration paid to Mr Chew and his spouse?

Company's Response

The loans extended by Mr Chew and his wife were interest free and provided when funds were required. These loans are repaid on an ad hoc basis.

The Board was informed and the Auditors had audited these loans which did not include undisclosed remuneration paid to Mr Chew and his spouse.

7. Mr Liu Ying Chun is stated to receive $168,000 from REC. Based on the remuneration table at page 56 of the Annual Report, Mr Liu received 100% of this remuneration as salary and he retired as of 30 October 2020. This would mean for FY2021, he would have worked from 1 July 2020 to 30 October 2020, a period of 4 months. That works out to about $42,000 per month as salary from REC whereas he earned the full annual salary of $60,079 as CEO of OUCHK. What is the basis of paying Mr Liu such high remuneration in the form of 100% salary when he was listed as a non-executive director of REC? Why is a non-executive director receiving salary from REC instead of director's fee?

Company's Response

Mr. Liu Ying Chun was an employee of the Company and seconded to OUCHK. Mr Liu's total annual remuneration is $228,079, out of which $168,000 was paid by the Company to Mr. Liu in his capacity as an employee of the Company (on secondment to OUCHK) and $60,079 was the annual remuneration paid by OUCHK to Mr. Liu as the CEO of OUCHK.

Mr. Liu Ying Chun's employment by the Company was solely for the purpose of his secondment to OUCHK (as its CEO) and he is not involved in the day-to-day management of the Company or its subsidiaries (except for OUCHK). OUCHK is separately listed in Hong Kong and subject to the listing rules of HKEx and supervision by a separate board.

Mr Liu retired from the Board of the Company on 30 Oct 2020 and no director fees was paid to him by the Company.

8. Page 6 - Chairman's statement:

The chairman statement mentioned a *"major decline in the number of foreign students"* and that *"going forward, maintaining a healthy balance between loco/ and foreign student enrolments .... will be key to strengthening the Company's services to its students and financial performance".*

Based on page 149 note 22 regarding the Geographical Segment, it was reported as follows:

Geographical segment

	ASEAN		North Aaia		SouthAaia		Auatralaaia		Europa	Total			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Course fees		30,139	31,277	44.353	37,371	512	972			2,480	2,249	77.484	74,870

This show that more course fees were collected in 2021 compared to 2020 with North Asia representing the highest increase in course fees collection.

(a) Please reconcile the chairman's statement about a major decline in number of foreign students and the increase in course fees collected.

Company's Response

The decline in "foreign students enrolled in some of our institutions" in the Chairman's statement at paragraph 3 referred particularly to foreign students for our international schools in Johor and Bangkok which are shown under ASEAN in the Geographical segment. The course fees under the ASEAN segment reflected this decline.

The Chairman's statement then went on to mention in paragraph 4 that a "healthy level of enrolments … in our colleges " in PRC. The course fees under the North Asia segment reflected this increase.

(b) Can you give a breakdown in the actual number of students?

Company's Response

We are not able to divulge the breakdown due to commercial, confidentiality and competition reasons.

(c) How do you classify "local student" and "foreign student" enrolments?

<u>Company's Response</u>
"Local students" are local nationals studying in the colleges / schools in their home country and "foreign students" are students from foreign countries studying in our colleges / schools of another country.

(d) What is the "healthy balance between local and foreign student enrolments" that the Chairman is striving to achieve to strengthen the financial performance?

<u>Company's Response</u>
The healthy balance of both local and foreign student enrolments that the Chairman was referring to being our effort to give more study options to local students. Previously our institutions population comprise of more international student than local students. We are now catering and focusing in improving the enrolments of these local students in addition to the recruitment of foreign students, especially during this on-going Covid-19 pandemic where local students are unable to travel abroad or rather choose to study from home with our e-learning solutions.

<u>Page 127 - see note 7</u>

9. The acquisition of 35.9% interest in the Hezhong property company was reported at $51 million with the stated intention of creating revenue streams complimentary to the Group's business.

For 9 months (Oct 2020 to FY2021-June 2021) since its acquisition, it recorded **<u>zero revenue</u>** and in fact suffered a **<u>net loss of $2.7 million</u>**. How has this acquisition created a revenue stream to the Group's business?

<u>Company's Response</u>
The land has not been developed due to the ongoing Covid 19 pandemic over the last 2 years and will be developed according to the demand for education facilities in the future.

10. This acquisition also took place at the time when the Affin Bank loan of RM410 million was already in default. Instead, the management entered into a settlement agreement with the defaulting Chinese parties (who owned the 35.9% interest in Hezhong) and proceeded to buy their interest. Did the management and the board ever consider aborting the Hezhong deal to save the $51 million cash consideration to repay Affin Bank which could have avoided an insolvency situation facing the Company?

<u>Company's Response</u>
The rationale and details of this transaction were stated in the circular to shareholders and approval was received during the EGM on 30 September 2020.

<u>Page 77 - Going Concern Issue</u>

11. BDO has highlighted a **Material Uncertainty Related to Going Concern** as the Group's current liability exceeds its current asset at $196.4 million. This is more than the current market capitalization of the Company. The board attempted to explain that there is no going concern issue with various assumptions at page 90 that amongst others, that it has reached settlement with Affin Bank. However, from the announcement by the Company dated 30 August 2021, the actual amount owing to Affin Bank was actually much higher at **RM449 million** and not RM410 million as initially reported. The Company's latest update on this was that it reached settlement with Affin Bank only to repay RM138 million by March 2022 **with the balance RM319 million to be further agreed** by the Affin Bank.

(a) Assuming that there is no agreement for further extension of time given by Affin Bank in March 2022, what is the basis that the board is confident that it has the financial resources to repay the balance sum of RM319 million (plus any accruing default interest) by then?

(b) Is the sale of 51 Merchant Road the main objective of raising funds to repay this balance sum?

(c) With no update on the sale of 51 Merchant Road, what is the prospect and the basis that the board is confident of selling the property at $50 million higher than its valuation of $150 million and to be able to receive the sum in time to meet this repayment obligation?

(d) It was reported that UOB has a mortgage on the property of about $98 million. Even if the sale is achieved at its valuation price of $150 million, that leaves only about $50 million of net proceeds which is still insufficient to repay the balance sum to Affin Bank.

(e) It was reported that a sum of RMB 200 million was received from Liu Yan Wen for the sale of a Chinese property by the Company's Chinese subsidiary Langfang Tonghui Education Consultancy Co., ltd.. How is the money received by the Company in Singapore instead and not via its Chinese subsidiary?

(f) Was foreign exchange approval obtained from the State Authority of China for the remittance of these payments from Mr Liu to the Company in Singapore?

(g) We note from the announcement of the sale of the property to Mr Liu, that Mr Liu is to pay interest on the outstanding amount at an interest being the long-term interest rate as announcement of the People's Bank of China to accrue from 30 September 2020 and ending on the date when the money is received in full. Have any concessions been made with Mr Liu to have the earlier repayment from him such as waiver of late interest payment? If so, please provide details of any such waivers or any other changes to thepayment terms.

Company's Response

Please refer to pages 74, 89 and 90 of the Annual Report and the Company’s announcements dated 30 August 2021, 9 September 2021, 28 September 2021, 8 October 2021, 13 October 2021 and 14 October 2021. Upon the final payment by Mr Liu expected in September 2022, all interest will be recalculated accordingly.

Valuations

12. We note that the Company has valued its properties almost annually and have since 2013 always increased its fair value gains to be included into its financial statements. It has also reported one- off gains on disposal of assets. All these are included in the profits of the Company. These fair value gains and one-off gains overwhelm the core operating profits of the Company. As mentioned earlier, without these unrealized and one-off gains, there would be an estimated loss before tax of $12.4 million for FY2021 and estimated cumulative losses of $152.2 million over the past 10 years.

(a) It appears that the main focus of the Company is property investment and not providing education as was made out to be. Was there any shareholders' approval being obtained for changing the core business of the Company into property investment?

(b) Given that the education business has been incurring significant losses over the past 10years, as there would have been a huge cumulative loss without fair value gains and one- off gains from disposals, has the board considered whether the Company should continue with the education business?

(c) Can the Company disclose the valuers used to value the investment properties?

Company's Response

(a) Please refer to our reply to Question 3 above. The Group’s nature of business have always been Premier Education Provider, Management of Education Assets and Facilities and Education-linked Real Estate Investment and the results of which are reflected in the profits of the Group.

(b) The Company will continue to be in education business.

(c) Proper audit procedures on the valuations were perfomed by our external auditors. Please refer to our external auditors’ response below.

Question to the auditors:

(d) Valuation of investment properties has been identified as a key audit matter every year by the external auditors. Can the external auditors provide more details beyond what they have repeated each year under key audit matters, about the audit procedures they have used to satisfy themselves on the veracity of these valuations and that the valuers are suitably qualified and independent?

(e) Are the external auditors satisfied that the constant fair value gains over the years will not later result in a need to significantly impair these investment properties?

(f) Are the external auditors aware of the existence of any profit-sharing arrangement with Mr Chew Hua Seng or any other directors of the Company for which the fair value gainsare included into the profit-sharing formula?

(g) If there is impairment to the investment properties, would there be similar claw-back from the profit share that was paid to Mr Chew?

Auditor's Response

(d) The Key Audit Matter section of our audit report already sets out substantially the key audit procedures performed in relation to the valuation of investment properties.

(e) We are not able to comment on the fair value of these investment properties in the future.

(f) During the course of our audit, we noted the service agreement between Mr. Chew and the Company as described in response to Question 3 above.

(g) We are not able to comment on the profit-sharing arrangement between Mr. Chew and the Company.

13. In light of the various SGX queries that were raised against the Company, did other regulatory bodies (other than SGX, whether in Singapore, China or Hong Kong including the Hong Kong Stock Exchange) raise regulatory queries or contact Mr Chew Hua Seng or the board members of the Company and/or subsidiaries for investigations or interviews in relation to any dealings affecting its business in Hong Kong, China or Singapore?

Company's Response

We will provide disclosure as and when required. All material information relating to any investigations (if any) on the Company and its subsidiaries have been disclosed on SGXNET in accordance with the SGX Listing Rules.

14. In its response to questions to shareholders for last year's AGM issued on 26 October 2020, the Company provided six reasons why Mr Teo Cheng Lok John should still be considered independentand retained on the board despite having served on the board for 12 years. The Company said that the NC had with the concurrence of the Board rigorously reviewed the suitability and assessed the independence of Mr Teo and is satisfied that he is still independent. Mr Teo resigned on 1 July 2021. The reason given was that this was part of the board's renewal and rejuvenation process. Can the NC and board explain why Mr Teo did not retire at this year's AGM but instead resigned just 8 months after the board justified his continuing service on the board? What has changed in those 8 months?

Company's Response

The details of Mr Teo's resignation can be found in the Company's announcement dated 1 July 2021. As disclosed, there are no unresolved differences in opinion on material matters between Mr Teo and the board, including matters which would have a material impact on the Group or its financial reporting.

Circular on Proposed Adoption of Performance Share Plan

The Company is seeking shareholders' approval for a Performance Share Plan at the AGM. On page 14 of the Circular, it said that the Plan will be extended to non-executive directors (including independent directors). We disagree with the Company's assertion that the award of performance shares to independent directors will not compromise their independence. While independent directors are expected to provide oversight and advice to help the Company perform well financially, they should be remunerated differently from management to ensure that they also discharge their responsibilities relating to promoting proper risk management, accountability and transparency. Further, performance shares include many discretionary elements such as number of shares to be granted, performance conditions and vesting periods, which are under the responsibility of the remuneration committee or other committee of independent directors administering the plan. There is therefore a significant conflict of interest when independent directors determine key parameters of these plans when they are recipients of performance shares.

<u>Company's Response</u>
Please refer to page 14 Point 5.2 and page 27 Rule 12.1 of the Circular which has been approved in principle by SGX and is to be formally approved by shareholders at the coming annual general meeting.

15. Will performance shares be awarded to employees and non-executive directors in lieu of other forms of remuneration? In other words, would other remuneration components be reduced by the fair value of performance shares granted or would such shares be additional remuneration to be granted?

<u>Company's Response</u>
Please refer to page 14 Point 5.2 of the Circular. Currently, the non-executive Directors are entitled to receive nominal director’s fees for their contributions and services.

It is currently contemplated that the performance shares allocation to the non-executive Directors will form a part of the total remuneration of a non-executive Director in order to commensurate with risk, responsibility and taking cognizance of the present corporate and operating environment so as to be able to retain and attract competent directors.

In relation to the employees, any awards given to the employees will be on top of the salary that they are entitled to under their employment contracts, and the performance shares allocation is a very necessary part of the variable incentive to retain and attract competent and committed employees and to align them with the interests of shareholders.

16. Please explain how the remuneration committee, audit committee and board will ensure that the conflicts highlighted above will be mitigated?

<u>Company's Response</u>
The remuneration committee, audit committee and board have given due consideration to the rationale and this Plan has been approved in line with existing guidelines and corporate governance objectives, and has been approved in principle by SGX.

17. Please explain for grants to both employees and non-executive directors, how the number of performance shares to be granted will be determined, the performance measures that will be used for vesting of these performance shares, how the performance shares will vest for

different performance levels, the performance periods that will be used to assess performance, and the vesting periods for these performance shares.

Company's Response

In deciding whether to grant Award(s) and the terms of such award(s), the Committee will consider the relevant circumstances at that point in time, taking into account the objectives of the Plan.

Other Questions

18. Can the Board advise on the following:

    (a) The financial condition of the company - as many countries still struggling with pandemic and border closure

Company's Response:

Please refer to pages 62, 74, 89 and 90 of the Annual Report and the Company's announcements on 8 October 2021 and 13 October 2021.

    (b) The salary of Key Personnel - who are the key personnel? salary band of such personnel

Company's Response:

Please refer to pages 56 and 57 of the Annual Report and the Audited Section 164A Statement.

    (c) Is there any independent review of the salary of these key personnel? Can the Independent Director comment on it?

Company's Response:

Yes, the Remuneration Committee conducts periodic reviews of the salary of key personnel and makes its recommendation to the Board.

19. Please provide us a list on all detailed properties owned or rented by the corporation. In addition, the intention to hold or trade for each of them with complete rationales.

Company's Response:

Please refer to the list of properties in Note 37 on pages 173 to 175 of the Annual Report. Currently, the Company does not have any intention to divest any properties except for 51 Merchant Road for this year.

20. Are the board of directors happy with the current state of Raffles Education.

Company's Response:

Given the current Covid-19 situation, the Board is satisfied with the current performance. However the Board and the management will always continue to strive for better performance.

21. What are the plans to increase shareholder value rather than increase the remuneration to CEO and board members.

<u>Company's Response</u>:
Please refer to pages 6 and 172 of the Annual Report.

22. The governance issues, delays in communication and inquiries from MAS/CAD are of deep concern.

Can the independent directors give assurance to uphold their representation of minority shareholders and explain as to why they have not met our expectations so far?

<u>Company's Response</u>:
Due to the ongoing inquiries from the CAD, the Board is unable to comment any further.

Also, can they assure not to participate in incentive schemes that would be a conflict of interest to their role?

<u>Company's Response</u>:
Please refer to page 14 Point 5.2 of the Circular which has been approved in principle by SGX and is to be formally approved by shareholders at the coming annual general meeting.

In addition to the above, Rule 12.1 of the Plan also states that the Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Award(s) granted or to be granted to him.

23. More importantly the long running fued between Chairman and the significant shareholder Mr. Oei Hong Leong is of deep concern as we see our valuation falling precipitously. Raffles Education would have scaled peaks by them working harmoniously together. Even now it is not too late for them to give up their differences in the interest of Raffles Education and all her stakeholders.

If this cannot be accomplished, can a quick way be found to realise as much value as possible by ordered disposal of our assets? This has to be done well before the next property market downturn as this will be death-bell for our company.

<u>Company's Response</u>:
The issue between Mr Chew and Mr Oei is personal. The Company suggests that this question be posed to Mr Oei as well.

Value leak through continuing the current trend that too with questionable governance is not acceptable. Can the independent directors raise up to the occasion and assure the minority shareholders?

<u>Company's Response</u>:
Please refer to the Corporate Governance Statement in pages 45 to 65 of the Annual Report.

The Company subscribes to and practices good corporate governance. The independent directors have always endeavoured to act in the overall best interests of the Company and its shareholders on every matter.

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
27 October 2021