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

RESPONSE TO SGX-ST QUERIES DATED 24 FEBRUARY 2022

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Company's announcement on 22 February 2022.

The Board of Directors of Raffles Education Corporation Limited ("**Company**") refers to queries raised by SGX-ST in respect of the Company's announcement on 22 *February* 2022.

The Company wishes to respond to the queries as follows:

Question 1: We refer to the Company's announcement on 22 February 2022 relating to the update on Investigations. It was disclosed that the Current Officers were formally arrested by CAD and released on bail. The Nomination Committee ("NC") of the Company provided its view that the ongoing Investigations will not compromise the ability of the Current Officers to discharge their duties as directors and/or executive officers of the Company amongst other things. However, we note that the NC currently comprises four (4) directors, three of whom, namely Mr Chew Hua Seng, Mr Lim How Teck and Mr Ng Kwan Meng (Chairman of the NC), are the subjects of the Investigations. Please clarify the following:

a) Referring to our communication in the SGX Regulator's Column dated 13 December 2021 titled "What Nominating Committees should consider for disclosures on investigations" ("Regulator's Column"), please elaborate in greater detail what process the NC had undertaken to rigorously satisfy itself as to whether the allegations against the directors and conditions or restrictions imposed by the regulatory authority or government agency, would cast any doubt on their suitability or continuing ability to act as directors.

Company's Response

The NC had considered the following factors:

(1) the Investigations are still ongoing;
(2) no charges have been brought against the Current Officers;
(3) the Current Officers are simultaneously arrested and released on bail for a relatively small amount of S$30,000; and
(4) no condition or restriction has been imposed on the Current Officers, other than routine attendance at the CAD's offices to assist with the ongoing Investigations and the requirement to seek clearance from the CAD prior to travelling.

In considering the Current Officer's ability to act as directors and/or executive officers of the Company, the NC is cognisant that the resignation of almost the entire board (save for one (1) director who was recently appointed) may destabilise the business and operations of the Group, which would not be in the best interest of the Company and will not be practical in the circumstances. In this regard, the NC further noted that the ongoing Investigations relate to a one-off historical matter, i.e. the alleged breach of the SGX-ST Listing Manual arising from the timing of the disclosure of a writ filed by Affin Bank Berhad that was discontinued on 23 August 2021. At this juncture, there is no further action nor charges brought against the Current Officers, and the NC does not believe it is appropriate to pre-empt or prejudge the outcome of the ongoing Investigations given the current circumstances.

In view of the above, the NC did not believe there is a significant change (since the Company's initial announcement dated 21 October 2021) in the circumstances with respect to the ongoing Investigations, and the recent developments do not affect (i) the ability of the Current Officers to perform their duties, (ii) their character and integrity, as well as (iii) their suitability and ability to continue serving as directors and/or executive officers of the Company.

However, in order to boost investor confidence in the governance structure of the Company (including, the timeliness and accuracy of the Company's announcements with respect to the ongoing Investigations), the Company intends to undertake the additional steps set out in the Company's response to Question 2(c) below.

The NC will monitor material developments relating to the Investigation and each of the Current Officers has undertaken to inform the Company of the ongoing Investigations and the subsequent developments. The NC will continue to consider on a continuing basis the suitability and continuing ability of the Current Officers to act as directors and/or executive officers of the Company.

b) Please elaborate further, with specific reference to the issues that led to the investigation against the directors, the basis of the NC's view that the ongoing Investigations will not compromise (i) the ability of the directors to perform their duties, (ii) their character and integrity, as well as (iii) their ability to continue serving as directors and/or executive officers of the Company.

Company's Response

See response to Question 2(a) above.

c) In line with the matters set out in the Regulator's column, please disclose whether any measures had been undertaken to safeguard against risks associated with the directors' continued appointment and if so, to disclose these safeguards. If none, please provide the basis for the NC's view how risks associated with the directors' continued appointment have been managed.

Company's Response

In light of perceived risks that may be associated with the Current Officer's continued appointment, the Company intends to take the following additional steps to improve shareholders' confidence in the corporate governance of the Company:

(i) Mdm Lim Siew Mun ("**Mdm Lim**"), currently an independent director of the Company, has been re-designated as Lead Independent Director. Mdm Lim has held various senior positions in financial and civic institutions;

(ii) the Company will appoint one (1) additional independent director ("**New ID**") to provide additional oversight and checks and balances as soon as practicable;

(iii) the New ID and Mdm Lim will together form an independent committee ("**Independent Committee**"), who will be primarily responsible for supervising and reviewing all matters relating to the Investigations, including overseeing the disclosures relating to the Investigations and the continuing suitability of the Current Officers as directors and/or executive officers of the Company.

Question 2: As set out in the Regulator's Column, please disclose whether there are any plans to appoint new independent directors to strengthen the Board with additional oversight and to provide checks and balances given that the entire Board, save for Mdm Lim Siew Mun who was appointed to the Board on 1 July 2021, are the subjects of the Investigations. If so, please elaborate on the process for the NC to source for new directors and whether the Company will be seeking the help of an independent external professional firm to render advice on its board composition and/or manage and source suitable directors for appointment in view of the uncertainties as well as time needed by the current officers to attend to on-going investigations. If not, please explain why and how the process to identify and nominate new directors will be undertaken.

Company's Response

Please see our response to Question 2(c). The Company will appoint a New ID to provide additional oversight and checks and balances. Such New ID will be appointed in accordance with the requirements under the Listing Manual.

Question 3: Given that the current lead independent director, Mr Lim How Teck, is also the subject of and assisting in the ongoing Investigations, please disclose how the Company has ensured that its Nominating Committee is able to properly discharge its duties including exercising independent assessment on the continuing suitability of the current directors. Are there plans to change the appointment of the lead independent director so that any fact finding process by independent directors can be independently undertaken? If no plans to re-designate a new Lead Independent Director is being considered, please explain why.

Company's Response

In discharging its duties, including the consideration of whether each Current Officer is suitable to continue as a director and/or executive officer of the Company, the members of the NC have abstained from taking part in discussions and making decisions where such discussions and/or decisions relate to themselves.

As set out in our response to Question 2(c), Mdm Lim has been re-designated as Lead Independent Director and the Company will appoint a New ID, who will also be a member of the NC. Going forward, Mdm Lim and the New ID as part of the Independent Committee will independently assess the continuing suitability of the Current Officers on a continuing basis.

Question 4: Noting that the entire Board, save for Mdm Lim Siew Mun, is the subject of investigations for potential disclosure related offences, please disclose if any plans are in place to appoint a special committee to independently investigate into the weaknesses that led to the breaches and to recommend actions to ensure that the Company has the processes in place to comply fully with its disclosure requirements in future. If no, please explain why.

Company's Response

The formal arrest and bail, and ongoing Investigations do not necessarily signify that there will be any further actions taken or charges in the future. At this point in time, there is no intention to appoint a special committee to independently investigate into the circumstances surrounding the Investigations.

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
28 February 2022