# RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199400712N)
(the "Company")

## ANNUAL GENERAL MEETING TO BE HELD ON 25 OCTOBER 2022
## RESPONSES TO RELEVANT QUESTIONS FROM SHAREHOLDERS

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 3 October 2022.

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 relevant questions submitted by shareholders are set out below.

**QUESTION 1**
Please refer to page 143 of the Annual Report about "Report by segments". For Education segment, excluding the "Gain on disposal of non-current assets held for sales", the net loss for FY2021 and FY2022 would have been -$3.745m and -$4.623m respectively. Given that the world has entered endemic phase, is the Board and Management confident of making operating profit in the Education segment (excluding any Gain on disposal of non-current assets held for sale) going forward?

**Company's Response**

Education is our core business. The education business itself is profitable without the interest cost associated with the Group's borrowing and the fluctuation of different currencies in markets where we operate. Increasing interest rate environment, currency fluctuations and global uncertainties will affect the Group's profitability of its core education business with or without asset sale or revaluation of assets.

**QUESTION 2**
Please refer to page 119 of the Annual Report about "Goodwill on acquisition". Which subsidiary does this "China Education Limited" belong to?

**Company's Response**

China Education Limited (CEL) is the sole shareholder of Tianjin University of Commerce Boustead College.

**QUESTION 3**

a) Please refer to page 143 of the Annual Report about "Report by segments". For Education Facilities Rental Service segment, why its segmental revenue declined by 17.2% to $10.132m in 2022?

**Company's Response**

Re-emergence of the COVID-19 outbreak in PRC in 2022, the month-long lockdowns and the imposition of strict zero COVID-19 policy measures in

Langfang city, where the majority of Education Facilities are located, led to the decline in the Education Facilities Rental Service segment. Due to these factors in Langfang city, some education institutions had to cancel students' intake for spring 2022 semester and had to provide student's fee rebate. As a result, the Education Facilities Rental Service segment experienced a drop in revenue as the affected education institutions reduced their leasing requirement or chose not to renew their tenancies upon expiry of contracts.

b) May I ask the Audit Committee: Despite this 17.2% decline in segmental revenue, how did the Group manage to see $5.222m "Net fair value gain on investment properties" in 2022? Which investment properties (i.e. "teaching buildings, dormitories, and support facilities like libraries, cafeterias, and sport halls") were they specifically derived from?

**Company's Response**

The net fair value gain was mainly contributed by the higher valuation of the investment properties that located at Oriental University City in Langfang city, the People's Republic of China (the "PRC"), which formed the majority investment properties of Oriental University City Holdings (H.K.) Limited, a subsidiary of the Company. The investment properties in Langfang, comprising mainly of the teaching buildings and dormitories, were appraised higher based on their long-term income capitalization profiles.

**QUESTION 4**

A) Please refer to page 143 of the Annual Report about "Report by segments". For Real Estate Investment & Development segment, what were the $207.928m segment assets mainly made up of? Do these segment assets include Langfang Hezhong Real Estate Development Co Ltd, Trophy Land Global Limited (TLG), Raffles Iskandar Sdn Bhd (RU), Raffles K12 Sdn Bhd (RK12), Mandurah Resort Pty Ltd, Raffles College of Design and Business (Private) Limited (RUSL), Raffles Siviez 1750 Pte Ltd (Siviez) and 4 Vallees Pte Ltd?

**Company's Response**

The Real Estate Investment & Development segment does not include Raffles Iskandar Sdn Bhd, Raffles K12 Sdn Bhd and Raffles College of Design and Business (Private) Limited (RUSL).

The segment assets for real estate investment & development are made up of the entities that operate in People's Republic of China, Thailand, Australia, Switzerland, Singapore and Italy.

B) Why its reportable segment loss before income tax has widened by -$7.853m to -$13.391m in 2022?

**Company's Response**

The segment loss before income tax for real estate investment & development which increased by $7.9 million to $13.4 million was mainly due to increase in

depreciation expenses and higher provision of estimated expenses payable upon receipt of sale proceeds of Langfang Oriental Institute of Technology ("LOIT") in FY2022.

**QUESTION 5**

A) Please refer to page 13 of the Annual Report about "FY2022 Financial Review". Under point (5), it was stated that "… default interest recognised by Raffles K12 Sdn Bhd and Raffles Iskandar Sdn Bhd". Given that it was also stated on page 105 of the Annual Report that Raffles K12 Sdn Bhd has only "utilised part of the land for cafeteria and boarding facilities rental" and "The land under RU (Raffles Iskandar Sdn Bhd) … are vacant as at 30 June 2022", may I ask the Audit Committee is there any going concern issue at Raffles K12 Sdn Bhd and Raffles Iskandar Sdn Bhd?

**Company's Response**

There is no going concern issue for both Raffles K12 Sdn Bhd and Raffles Iskandar Sdn Bhd.

B) Since entire RU's land as well as part of Raffles K12's land have been vacant & does not generate "a stream of stable and recurring rental income" (as stated on page 141 of the Annual Report), why the Board and Management has not considered exiting the Iskandar market?

**Company's Response**

RAS is a full-fledged K12 school fully built on the land it owns. It has a bright future but is temporarily affected by the onslaught of Covid-19, it does not make sense for the Group to be reactive but the Group must stay its course with long-term focus. Hence there is no reason to exit just because there is a temporary set-back. Similarly RU is a full-fledged operating University established through hard work and tenacity of the Group, hence the Group cannot just exit just because of the covid-19 situation. Before Covid-19 struck, the Group had planned to build the campus to house RU's operation on the purchased land. This development plan has been pushed back to a later date to be decided and RU continues to operate from rented premises.

**QUESTION 6**

A) Please refer to page 105 of the Annual Report about "Investment properties". Under (a), it was stated that "The land under … Mandurah and RUSL are vacant as at 30 June 2022." May I ask the Board and Management whether there are plans to divest land held by Mandurah Resort Pty Ltd or Raffles College of Design and Business (Private) Limited? If not, why not?

**Company's Response**

Management is now looking at the rationalisation / divestment of these two small assets which were acquired for the purpose but which had now outlived their original purpose.

B) Under (a), it was also stated that "Siviez owns a commercial building. 4Vallees owns a hotel and facilities ("Hotel") and seven commercial units ("commercial units"), of which four are rented out." What were the Net Property Income (NPI) %yield for Raffles Siviez 1750 Pte Ltd and 4 Vallees Pte Ltd in 2022 respectively?

**Company's Response**

The net property income yield for Raffles Siviez 1750 Pte Ltd and 4 Vallees Pte Ltd in FY2022 is 17.6% and 16.4% respectively.

**QUESTION 7**

A) Please refer to page 111 of the Annual Report about "Investments in subsidiaries". Given that Langfang Hezhong Real Estate Development Co Ltd did not have any revenue yet its losses after income tax has widened by -$1.139m from -$3.915m in 2021 to -$5.054m in 2022, may I ask the Audit Committee whether it will have any going concern issue?

**Company's Response**

Langfang Hezhong has no going concern issue.

B) So far, how has Langfang Hezhong Real Estate Development Co Ltd been impacted by the real estate development crisis in PRC?

**Company's Response**

Due to the Covid-19 onslaught and changes in government policies with regards to education and real estate in the PRC, the recent intention of the Group is to make use of this land for further development of education facilities for rental. However, management must watch and evaluate the situation as the covid-19 is still affecting the rental market of our existing facilities.

**QUESTION 8**

Please refer to page 125 of the Annual Report about "Borrowings". In the 2nd paragraph, it was stated that "The non-current bank borrowings have an average maturity of approximately 2.44 years (2021: 3.33 years) from the end of the financial year." For the $134.826m non-current bank loans, is the Board and Management confident of refinancing them?

**Company's Response**

The Board and Management is confident of refinancing them.

**QUESTION 9**

Please refer to page 113 of the Annual Report about "Investments in joint ventures". It was stated that "The Group has not recognised losses relating to joint venture where its share of losses exceeded the Group's carrying amount of its investment in the joint

venture." How have the Board and Management planned to turnaround Raffles Education Middle East Training Co Ltd?

**Company's Response**

This JV does not require the Group to inject any further funds into its operations.

The Group's revenue from this operation comes from royalty, certification and services provided to this JV.

**QUESTION 10**

Please refer to page 42 of the Annual Report about "Corporate governance statement". Despite being a Covid year, can the Remuneration Committee share what remuneration factor(s) specifically led to the increase for the following? How much is attributable to each of these remuneration factor(s)?

**Company's Response**

| No. | Name | Remuneration band (2021) | Remuneration band (2022) | Reason(s) |
|---|---|---|---|---|
| 1 | Doris Chung Gim Lian | Between S$350,001 to S$400,000 | Between S$400,000 to S$450,000 | Expanded scope and depth of responsibilities |
| 2 | Chew Han Wei | Between S$150,001 to S$200,000 | Between S$200,000 to S$250,000 | Expanded scope and depth of responsibilities |
| 3 | Chew Han Qiang | Between S$150,001 to S$200,000 | Between S$200,000 to S$250,000 | Expanded scope and depth of responsibilities |

**QUESTION 11**

Please refer to page 42 of the Annual Report about "Corporate governance statement". In the 6th paragraph, it was stated that "The total remuneration paid to the key management personnel (who are not directors or the CEO) in FY 2022 was $1,438,651." May I ask the Remuneration Committee what was the comparative amount for FY2021?

**Company's Response**

The amount for FY2021 was S$1,216,920.

**QUESTION 12**

Please refer to page 139 of the Annual Report about "Capital commitments". How will the "capital commitments" trend be like over the next 2-3 years? How will they be funded?

**Company's Response**

The capital commitments relate to RU and OUCHK, both commitments have been delayed since the pandemic.

The Group will make material capital investments only when necessary.

**QUESTION 13**

With the increasing interest rate cost, how is the management managing its cost of operation going forward? Any anticipation of reducing its overhead?

**Company's Response**

In order not to be badly affected by rising interest rates, the Group is working to reduce its borrowing and also to reduce its overheads where possible.

**QUESTION 14**

It is concerning to see that leadership focus and time has been more on real estate than on education; further there is lack of transparency and governance. The retail shareholders, many of them retirees like me, are not receiving dividends and experiencing severe capital loss. Further, we have been drawn into putting more money through Rights issues or suffer dilution; this method of draining us is very worrying. Can the board give an assurance to focus on education as first and foremost?

**Company's Response**

The focus has always been in Education. Please make an enquiry to join one of our schools / colleges then you would know that we are running schools and colleges and not real estate as some mistakenly understand. In running education institutions, the operations need to be housed in premises be they rented or owned. The Group has taken the decision, for longer term benefits and efficiency to invest and own its premises to house the schools and colleges it operates. Investment in owned premises provide more stability and certainty to the school/college operations without having to need to relocate to other rented premises every 3 to 5 years. It is more cost effective as well. As time passes some of these assets become ripe for divestment to cash in for re-investments into the Group's business.

**QUESTION 15**

Real estate is cyclical and the next downturn will most likely bring the whole company down specially with our very poor capital structure and governance. We need answers as to how the company's education business will be made profitable?

**Company's Response**

The Group has been in existence for 33 years and had overcome many downturns. No company is unaffected by economic cycles. The Board and the management is confident that it has the necessary bandwidth, knowledge and experience to navigate the Group through different type of crisis. The profitability of the schools/Colleges comes from 2 ways: (1) increasing revenue through increasing student numbers and

fees (2) increasing efficiency in operations. Both of these are top priorities of management when managing the day to day operation.

**QUESTION 16**
There is less hope on this front based on management and board statements on our future. If so, can an orderly method be devised to get back as much money as possible by divesting or allowing some take over by interested parties who can offer retail shareholders a fair and reasonable exit?

**Company's Response**

The Group is confident that it has the right management and skills to manage and is open-minded to evaluate all options available. However the Group is also confident that its present education model which it has painstakingly built-up over the years is a superior model which will bring returns to shareholders.

**QUESTION 17**
Why are we extending to expensive regions like Switzerland? Is Switzerland operations profitable? What are the quantum of Swiz investments and their returns so far? What are our prospects for our future there?

**Company's Response**

Our investment in Switzerland was for the purpose of starting a practice hotel school as an extension of our college operation. Unfortunately things are not going as fast and as efficiently as we had anticipated. As of now, this operation is profitable. In answering this question, we need to remember that the Covid-19 onslaught is almost 3 years running and has disrupted lives and businesses on a global scale never seen before and the Group is not spared from the trauma and the impacts.

**By Order of the Board**
**RAFFLES EDUCATION CORPORATION LIMITED**

20 October 2022