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

ANNOUNCEMENT – RECEIPT OF LETTER FROM SHAREHOLDER AND COMPANY'S REPSONSE

The Board of Directors ("**Board**") of Raffles Education Corporation Limited ("**Company**") refers to its announcements dated 21 October 2021 and 24 October 2021 (collectively, the "**Announcements**") relating to, *inter alia*, the Company's receipt of letters issued by Mr Oei Hong Leong ("**Mr Oei**") to the Company dated 16 October 2021 and 22 October 2021 (the "**OHL Letters**") and the Company's responses to the OHL Letters.

All capitalised terms used but not defined shall have the meanings ascribed to them in the Announcements.

The Company had:

(1) on 25 October 2021 received a further letter from Mr Oei responding to the Company's response dated 24 October 2021 (" **25 October OHL Letter**"); and

(2) on 29 October 2021 issued its response to Mr. Oei on the 22 October OHL Letter ("**Company's Further Response**").

Company's response to the 25 October OHL Letter

The Board notes that the 25 October OHL Letter continues to be non-responsive to the Company's earlier requests for Mr. Oei to explain the basis of his unsubstantiated allegations.

The 25 October OHL Letter and the Company's Further Response are attached to this announcement for the shareholders' information only. Shareholders are advised to read the attached letters together with the Company's responses as set out in the Announcements and this announcement.

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 investments 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
29 October 2021

RafflesEducation

Raffles Education Corporation Limited
Raffles Education Square, 51 Merchant Road, Singapore 058283
T +65 6338 5288 F +65 6338 5167
W Https://Raffles.Education
Company Registration No: 199400712N

29 October 2021

Mr. Oei Hong Leong
1, Scotts Road
#20-05, Shaw Centre
Singapore 228208

By Email (lee@chiplian.com.sg)

Dear Sir,

YOUR LETTER TO RAFFLES EDUCATION CORPORATION LIMITED ("COMPANY") DATED 25 OCTOBER 2021

1. We refer to your captioned letter. We further refer to and adopt the abbreviations used in our previous responses of 20 October 21 ("**20 Oct Letter**") and 23 October 21 **("23 Oct Letter**").

2. It is regrettable that you refuse to back down on your allegations even after they have been proven wrong.

3. As we have repeatedly emphasised to you in our 20 and 23 Oct Letters, independent auditors have by way of the Audited S164A Statement confirmed that the Total Benefits received by Mr Chew Hua Seng and Ms Doris Chung were S$2,893,053 and S$372,240 respectively, not the grossly inflated figures of S$5,000,000 and S$500,000 that you continue to insist on.

4. Despite our repeated requests, you have not been able to provide any justification as to why your inflated figures should be believed. Instead, you now seek to discredit the audited figures by suggesting (for the first time, and completely without any basis) that the Company's management may not have provided the auditors "*accurate[] or full[]*" facts (which somehow was not picked up by the auditors). We strongly deny these self-serving and unsubstantiated speculations, which suggest to us that you are simply indifferent to the truth.

5. It is also clear to the Board that none of the matters you cite come close to justifying your unbelievable assertion that Mr Liu Yingchun is an "unofficial" family member of Mr Chew Hua Seng. As previously explained, the Board understands that Mr Liu uses the 30C Nassim Road address merely a posting (*c.f.* residential) address. In any event, it is unclear how this, or Mr Liu's directorships in other companies and his employment status with the Company can conceivably mean that Mr Liu is Mr Chew's "unofficial" family member.

6. You therefore seek to distract by making prying inquiries as to Mr Liu's personal finances, which this Board is simply not in a position to answer. You also resort to your familiar tactic of rehashing old allegations in relation to the Company's share placement in 2017 ("**Placement**"), notwithstanding that more than 4 years have now elapsed since the Placement. As you know, your bare speculation that Mr Liu "*had acquired the [P]lacement shares on behalf of Mr Chew*" has been communicated to the Board in harassing manner on at least 6 occasions this year. We ask that you refer to the Board's comprehensive rebuttals in the Company's letters dated 21 Apr 2021, 14 May 2021, 7 June 2021 and 13 September 2021 (contrary to your false assertion that your claims were "*never denied*"), and cease further vexing the Board on this matter.

Success by Design

RafflesEducation

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T +65 6338 5288 F +65 6338 5167
W Https://Raffles.Education
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7. As you would appreciate, the Board requires time to properly consider and respond to your substantial list of questions in your 18 October 2021 letter, and are not beholden to the timelines you unilaterally demand. In any event, please be informed that the response has been announced on the Company's announcement dated 27 October 2021.

8. As a shareholder of the Company, you should be providing constructive feedback to the Company instead of resorting to mischievous mudslinging and vexing the Board as you have continually done. We urge you to allow the Board, management and staff to focus on managing the Company's business to tide through these difficult times and returning value to the shareholders, rather than having to constantly deal with your repeated attacks.

9. All of the Company's and Board's rights are reserved.

Yours faithfully,



Lim How Teck
Lead Independent Director
For and On Behalf of the Board of Raffles Education Corporation Limited

cc.
SGX Regco
BDO
The Straits Times

Success by Design

25 October 2021

BY EMAIL

RAFFLES EDUCATION CORPORATION LIMITED
51 Merchant Road
Raffles Education Square
Singapore 058283

Attention: The Board of Directors
Lim How Teck, lead independent director

Dear Sirs

RAFFLES EDUCATION CORPORATION LIMITED ("THE COMPANY")

I refer to your letter of 23 October 2021. I am grateful for the Company to have announced the full copy of my letter dated 22 October 2021 on SGXnet. The queries and the assertions that I raised are based on public information announced by the Company in particular to the S.164A statement and the FY2021 annual report.

You have no doubt chosen to respond selectively to my clarification and have also tried to explain it out of context. I have also raised in my letter dated 18 October 2021, a 7-page list of 17 queries to be answered by the Company before the AGM. Todate, you have not provided your response to these queries.

You seem to suggest that the S.164A Statement was confirmed by BDO LLP as an independent third party auditor is conclusive of the facts in the statement. You will no doubt note that BDO has qualified the S.164A statement by stating that "***Management [of the Company] is responsible for preparation of the Statement in accordance with the Basis of Preparation, and for such internal control as management determine is necessary to enable the preparation of the Statement that is free from material misstatements, whether due to fraud or error. Those charged with governance are responsible for overseeing the Group's financial reporting process.***" Whether management of the Company has prepared the statement accurately and fully is not a matter for BDO to verify.

In the case of Mr Liu Ying Chun, as disclosed in your annual report, he is listed as receiving 100% salary from the Company while he is listed as a **non-executive director**. Does he even have an employment agreement with the Company or even obtained employment pass to work for the Company in Singapore? Sharing private residential address at Nassim Road with Mr Chew and acting as alternate director to Mr Chew's wife in Axiom, a related company of OUCHK are together with all the above, indicates a closer unofficial family member rather than an ordinary employer-employee relationship. Is he provided this benefit as an *unofficial family maintenance support* to act as nominee for Mr Chew Hua Seng to hold the 39,371,700 placement shares for Mr Chew? There has been no explanation for how Mr Liu could afford a $11.7 million acquisition of these placement shares at the material time when he only had a meagre annual salary of $60,079 as CEO of OUCHK. The suspicious circumstances only indicate one thing i.e. that he acquired these placement shares on behalf of Mr Chew **which was never denied.**

For your convenience, I reproduce below the series of questions below which has yet to be responded to by the Company:

Questions for the Board / External Auditors of REC

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	S$2,893,053	S$1,012,568	
	65% others	*(as announced pursuant to s.164A statement)*		

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.

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?

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?

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 year end ($000)	IPT (CHS) ($000)	IPT (Doris) ($000)	IPT (CHS + Doris) ($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

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?

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?

Annual Report

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 local 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 Asia		South Asia		Australasia		Europe		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Course fees	30,139	34,277	44,353	37,371	512	972	-	1	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.

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

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

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

Page 127 – see note 7

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 **zero revenue** and in fact suffered a **net loss of $2.7 million**. How has this acquisition created a revenue stream to the Group's business?

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?**

Page 77 – Going Concern Issue

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 the payment terms.

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 10 years, 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?

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 gains are 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?

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?

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 independent and 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?

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.

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?

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

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.

Kindly respond to the list of questions for the AGM without further delay by the close of today, 25 October 2021 to allow for sufficient time for shareholders to consider before they lodge their proxy votes.

I have met with you and the other independent directors on 18/09/2020 and suggested a special audit to be conducted which was summarily rejected. In order to defend your integrity and ***"independence"*** as independent directors of the Company, I would strongly recommend an independent special audit be appointed to investigate all the affairs of the Company. I am willing to pay for the cost of the independent special audit unconditionally as part of my continuing efforts towards improving the corporate governance in Singapore. In the event that the findings of the independent special audit prove that I am wrong, I am willing to retract my assertions and to make a public apology.

Yours faithfully,

OEI HONG LEONG

c.c. SGX Regco (Attention: Lorraine Chay)
BDO
The Straits Times