

**RAFFLES EDUCATION CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 199400712N)

(the "Company")

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**RESPONSE TO SGX REGCO QUERIES DATED 22 OCTOBER 2021**

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The Board of Directors (the "**Board**") of Raffles Education Corporation Limited ("**Company**") refers to queries raised by SGX RegCo in respect of the Company's Annual Report for the financial year ended 30 June 2021 ("**FY2021**").

The Company wishes to respond to the queries as follows:

**Question 1) We refer to the Company's FY2021 Annual Report ("AR") announced on 15 October 2021. We note that the interested person transactions ("IPT") table on page 59 of the AR does not conform to the format prescribed under Listing Rule 907. Please present the IPT table in accordance to the format prescribed under Listing Rule 907.**

**Company's Response:**

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Mr Chew Hua Seng	Substantial shareholder of the Company	S\$9,530,000	Not applicable

**Question 2) We further note that an IPT of S\$9.53 million with Mr Chew Hua Seng was reported. Under Note 33 on significant related party transactions, it was disclosed to be a loan made to the Group. Of this amount, under the "Company" column, the loan to Raffles Education Corporation Limited itself amounted to only S\$1.202 million. Please disclose the other entity(ies) in the Group under which the balance loan of S\$8.328 million was recorded, how these amounts owing to a director originated, whether the loan received by the Group was in the form of cash or arising from transaction(s), and why the loan(s) was needed by the entity(ies).**

**Company's Response:**

Loans from Mr Chew Hua Seng in FY2021 to:

Entity	S\$' million	Nature of Loans	Reasons for Loans
The Company	1.202	SGD cash	Working capital
Wanbo Institute of Science & Technology	8.328	RMB cash	Construction of Wanbo's new campus in Xin Qiao, Hefei, PRC
Total	9.530		

Question 3) Please provide details on the movement of the IPT loan balance owing by the Group to a director, which increased from S\$7.142 million in FY2020 to S\$9.53 million in FY2021. Of these amounts, under the "Company" column, it fell from S\$7.142 million in FY2020 to S\$1.202 million in FY2021. Please disclose if the loan owing to a director under the Company column by Raffles Education Corporation Limited was repaid to the director or transferred to another group entity. Please provide the full details.

**Company's Response:**

**Group:**

Amount due to a director	Group	
	FY21	FY20
Mr Chew Hua Seng	S\$' million	S\$' million
Balance as at beginning of financial year	5.84	15.77
Cash loans	9.53	7.14
Accrued profit sharing - Underprovision of S\$ 0.1m	1.79	-
Cash repayments	(6.25)	(17.0)
Foreign currency translation movement	0.01	(0.04)
Balance as at end of financial year	10.92	5.84

**Company:**

Amount due to a director	Company	
	FY21	FY20
Mr Chew Hua Seng	S\$' million	S\$' million
Balance as at beginning of financial year	5.45	15.34
Cash loans	1.20	7.14
Accrued profit sharing - Underprovision of S\$ 0.1m	1.79	-
Cash repayments	(5.84)	(17.03)
Balance as at end of financial year	2.60	5.45

Question 4) It is noted that Company made a profit after tax of S\$16.7 million in FY2021 due mainly to the reporting of fair value gain on investment properties of S\$13.8 million. The fair value gain was attributed mainly to OUCHK's investment properties. Please provide details of the value of OUCHK's investment properties, the nature of these investment properties, the valuer of these properties, the valuation methodology applied and the factors that were taken into account and the reasons which resulted in the fair value gain of S\$13.8 million.

**Company's Response:**

Oriental University City Holdings (H.K.) Limited ("**OUCHK**") OUCHK's investment properties are located at Oriental University City in Langfang City, the People's Republic of China ("Langfang Investment Properties").

Langfang Investment Properties are:

- a) education facilities comprising primarily teaching buildings and dormitories leased by OUCHK to education institutions in the PRC; and
- b) commercial spaces leased by OUCHK to commercial tenants operating a range of supporting facilities, including a shopping mall, supermarket, café, cafeterias, bank, telecommunication companies, renovation and engineering firms, amongst others, to serve the living needs of the students of the campus and residents of adjacent housing estates.

The value of Langfang Investment Properties as at 30 June 2021 was RMB 1,428,900,000.

The independent valuer, Cushman & Wakefield Limited, had adopted Income Capitalization Approach (on the basis of capitalization of rental derived from the rental potential of the Langfang Investment Properties) as most of the Langfang Investment Properties are held for letting purpose and receiving rental income. The independent valuer has also adopted the Market Comparison Approach in valuing the Langfang Investment Properties, as a check. Market Comparison Approach uses the principle of substitution as its basis, which assumes the sale of each of these properties in its existing state by making reference to comparable sales evidence as available in the relevant market.

The Langfang Investment Properties were valued at higher fair value due to the improved long-term income capitalization profiles, taking into account the generally improved property market profile in Langfang property market.

**Question 5) It was disclosed on page 56 of the AR that the Company's non-executive director, Mr Liu Ying Chun (retired w.e.f. 30 October 2020) received 100% of his remuneration as salary. It was further noted in the S164A disclosure on Directors' emoluments that the Company, Raffles Education Corporation Limited paid for his S\$168,000 salary for the 4 months from 1 July 2020 to 30 October 2020. Please explain why the Company paid his salary instead of OUCHK and why he was paid a salary rather than director's fees as a non-executive director who is not employed by the Company.**

**Company's Response:**

Mr Liu's total annual remuneration for FY2021 is \$228,079, out of which \$168,000 was received by Mr Liu in his capacity as an employee of the Company from July 2020 to June 2021 and \$60,079 was paid in connection with his annual remuneration as the Chief Executive Officer of OUCHK. Mr Liu retired from the Board of the Company on 30 Oct 2020 and no director fees was paid to him by the Company.

**Question 6) Listing Rule 1207(10C) requires the Audit Committee's ("AC") comments on whether the internal audit function is independent, effective and adequately resourced. The AC has expressed satisfaction of its internal auditor's, Baker Tilly Consultancy (Singapore) Pte Ltd, adequacy of resources to perform its functions. Please also provide the AC's comments on the independence and effectiveness of the internal audit. Please disclose whether any internal control deficiencies were noted by the internal auditors.**

**Company's Response:**

The AC confirms that the Internal Auditor ("IA") is independent and effective and has assessed the same based on the following factors:

- a) the IA does not provide any other services to the Group;
- b) the IA has unfettered access to the Company's documents, records, properties, management as well as direct access to the AC;
- c) the AC reviews and approves the annual internal audit plans and reviews the scope and results of the internal audit procedures issued by the IA.

The IA had not found any material control deficiencies. All minor control deficiencies had been rectified.

**Question 7) It was disclosed in the notice of AGM that detailed information of the directors seeking reelection, including information required under Appendix 7.4.1 can be found under the "Supplemental Information on Directors Seeking Re-election" section of the Annual Report. There is no such section noted. Please clarify where this information is disclosed.**

**Company's Response:**

The reference to the the Company's Annual Report 2021 as stated in the notice of AGM refers to the "Board of Directors" section at page 16 of the Annual Report. The "Supplemental Information on Directors Seeking Re-election", referred to in paragraph 2 of the Notice of AGM and which should have been exhibited in the Company's Annual Report FY2021, is set out in Attachment A of 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 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  
26 October 2021