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

**ANNUAL GENERAL MEETING FOR FINANCIAL YEAR END 30 JUNE 2020
RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS**

The Board of Directors ("**Board**") of Raffles Education Corporation Limited ("**Company**", and together with its subsidiaries, the "**Group**") refers to the Notice of AGM and Annual Report 2020 issued to Shareholders on 8 October 2020 and, in particular, to the invitation to shareholders to submit questions relating to the business of the AGM in advance of the AGM.

Unless otherwise defined, all capitalized terms used in this Announcement shall have the same meanings ascribed to them in the Notice of AGM and Annual Report 2020.

The Company has received certain substantial and relevant questions from Shareholders in relation to the Proposed Resolutions under the Notice of AGM and Annual Report 2020 and the Company's response to the said questions are set out below in this announcement:

Question 1:

What are the Board directions going forward beyond pandemic?

Question 2:

What are the cost control measures taken in view of the pandemic?

Company's Response:

Unlike many other crisis or events outside of management control, a key variable of COVID-19 is that there is no clarity as to how long the impact may last.

The Group has been conscientiously managing its costs amidst the current situation and has implemented several measures to mitigate the negative impacts of the pandemic on the operation of the Group, including steps to safeguard employees and reduce operational exposure.

During the lockdown period, the Group has taken learning processes online via various platforms to continue to teach our students across its campuses. Following the strict safe distancing and other precautionary opening up mode, the Group has implemented specially designed e-learning programmes complemented by some in-person classroom learning to reduce the risk of transmission. The Group has utilised the crisis to make the system more resilient.

We will continue to take efforts to make timely adjustments to our strategies, improve internal operational efficiency, adopt measures to reduce costs and manage our cash flows to ensure the sustainability of our businesses during the COVID-19 crisis and beyond.

Question 3:

Any reduction in directors' fees (since shareholders also not getting dividends)?

Company's Response:

The Board's overall remuneration framework has remained the same and the Board is not seeking to make any changes to it at the forthcoming AGM. There is no plan to reduce the directors' fees at this time as the fees are in line with market practices.

Question 4:

"I give the Board 3 reasons why you should not be rewarded with more Directors' fees:

a) No dividends declared for the past 5 years.
b) Raffles Edu is not even making profit for such a straight forward business like edu.
c) Revenue is not even growing, flat at BEST.

Now, you can give poor shareholders like me 3 reasons why you deserve a BIG increase in the light of Covid-19 pandemic even our Ministers/civil servants/many other public companies are sacrificing a pay CUT?"

Company's Response:

To begin with, the increase in the directors' fees for FY 2020, as compared to FY 2019, by a sum of $16,313 is solely attributable to an increase of the same amount in the director's fees of Mr Joseph He.

And the increase is, firstly, because Mr He was appointed as a member of the Remuneration Committee on 15 November 2019, entitling him to additional director's fees, whereas Mr Chew Hua Seng whom Mr He replaced was not paid such fees as Mr Chew is an executive director.

Secondly, the total director's fees for FY 2020 was more than FY 2019 because Mr Joseph He did not serve the full term of FY 2019 as he was appointed to the Board only on 5 November 2018 and his director's fees for FY 2019 was pro-rated accordingly.

There is no change at all in the director's fees of the other non-executive directors.

Question 5:

In its Audited Financial Statements for the financial year ended 30 June 2020 (“FY2020”), the Company reported a net loss of about S$16.4 million, compared to a net profit of S$40.2 million in the previous financial year (Page 82 of the Annual Report (“AR”)).

There will also be a cash outflow of RMB254,000,000 (equivalent to approximately S$50 million) paid by Langfang Tonghui Education Consulting Co., Ltd., a subsidiary of the Company, as consideration for the acquisition of 35.9% equity interest in Langfang Hezhong Real Estate Development Co., Ltd. from Langfang Heying Real Estate Development Co., Ltd (the "Proposed Acquisition"). It was disclosed by the Company in its announcement dated 29 September 2020 that the Company is exploring developing a higher education institution with an estimated initial development cost of between RMB 20,000,000 to RMB 50,000,000 in the initial stage.

(a) Will the Auditor please clarify if they foresee any going concern issues taking into account the abovementioned:

- (i) net losses already suffered by the Company;
- (ii) S$50 million cash outflow;
- (iii) negative working capital of about S$97 million (Page 81 of the AR).;
- (iv) future projected expenses and developments costs required for the development project; and
- (v) the negative outlook arising from the COVID-19 pandemic situation and its impact on the Company's business operations.

(b) Will the Auditor please substantiate its views above with specific details.

(d) Has the Auditor verify any management representation in relation to the financial health of the Company and if there are concerns, please highlight all the concerns.

Auditor’s Response:

Please refer to the Independent Auditor’s Report on pages 75 to 80 of the Annual Report, where, among others, it is stated that, “In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date”.

(c) Will the Audit Committee please provide the basis of its assessment on the financial health of the Company and the basis of any management representation that the Company has given to the auditor.

Audit Committee's Response:

The Audit Committee has assessed the financial health of the Company based on their knowledge of the operation of the company, reports submitted, the assurances and representations from Management and the External Auditors. And for the purposes, the Audit Committee has also relied on BDO's audit of the financial statements, as well as assurances from BDO that in light of the Covid-19 situation, BDO has in fact performed a more detailed audit field work in connection with the going concern evaluation for the purpose of the audit.

Question 6:

As a result of the COVID-19 pandemic situation, education institutions are under pressure to reduce course fees because of virtual learning and to avoid potential cancellations of student enrollment and fall in student intake. The Company has also acknowledged in its AR that "the restricted border movements in the locations of all the colleges we operate in, which rely on foreign student intake is impacting our recruitment and retention of foreign students" (Page 15 of the AR) and that "the uncertainty brought about by Covid-19 pandemic with the shutdown and restricted border movements in all the locations which the Group operates in is impacting our recruitment and retention of foreign student from January till date and will have an impact on the Group"(Page 173 of the AR).

Please disclose in detail the risks and challenges faced by the Company when operating in the current COVID-19 pandemic environment, including any business, operational and financial risks.

Company's Response:

Uncertainties around the evolution of the COVID-19 pandemic will continue to persist, and the business environment is expected to remain extremely challenging. Indeed, the restricted border movements in the locations of all the colleges we operate in, which rely on foreign student intake, will impact our recruitment and retention of foreign students as international students are unable to travel.

However, the situation is different for our colleges which depend on domestic market demand such as our colleges in the People's Republic of China ("PRC"), where a higher demand for places in domestic higher institutions of learning is expected and in fact already happening by virtue of the COVID-19 pandemic situation in the west not getting any better and the existing political as well as diplomatic uncertainties between the PRC and certain western nations.

In any case, the Group has instituted an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology risks to safeguard the interests of shareholders and the Group’s assets.

An enterprise-wide risk management framework, which had been set in place to enhance the Group’s risk management capabilities, is administered by the Enterprise Risk Management team (“ERM”). The key risks of the Group are identified and action plans made to mitigate these risks. Risk awareness and ownership of risk treatments are continually instilled and reinforced throughout the organisation. As the environment in which the Group operates changes, risks and opportunities also change.

The Board recognises that risk management is no longer simply a business and operational responsibility of management. It has also become a governance issue that is squarely within the oversight responsibility of the Board. To this end, the Board has established the Risk Management Committee to assist the Board in overseeing the risk management practices of the Group.

Notwithstanding the immediate challenges posed by the COVID-19 pandemic, there is inherent value in Raffles’ business as a provider of education. This will not change because of the pandemic.

Question 7:

The Company has asserted in its AR that "the PRC remains the key bright spot in our business. Owing to tensions between China and the West — even before the coronavirus pandemic — middle-class parents in China had become increasingly concerned about the safety of, and possible discrimination against, their children abroad and would prefer their children to study in domestic universities, which translates into a positive impact on the education sector in the PRC" (Page 15 of the AR).

(a) Please provide supporting evidence for the above claim or whether this assertion is based on anecdotal evidence.

(b) Even assuming that middle class parents in China do not wish to send their children to overseas universities, please explain why the Company is of the view that such parents would choose to send their children to a university in a remote village in Langfang, Hebei instead of a university in a bigger city in the PRC (e.g. Beijing) or in a non-western country. Please provide supporting evidence for this view.

(c) The Company has also asserted in its AR that they are "taking actions to seize the tremendous opportunities in the PRC and will make sure our business remains strong throughout this period' (Page 15 of the AR). Please substantiate this position with specific details, including specific development proposals, business plan and feasibility study in respect of the development of the land acquired by way of the Proposed Acquisition.

Company's Response:

In the first place, the colleges owned and operated by the Group in the People's Republic of China ("PRC") are not located in remote villages. To the contrary, the Oriental Univeristy City, an education township, owned and operated by the Group is strategically located in Langfang city, a fast developing city, located between the metropolis cities of Beijing and Tianjin, well poised to cater to the demands for higher education institutions specialising in the area of vocational and technical training.

The business assessment, in the context of the education sector in the PRC, is arrived at by the Company drawing on its current knowledge, past experiences and judicious use of current best available evidence from multiple sources and certain public information which are axiomatic.

Question 8:

The Company disclosed in its AR that the Mr Teo Cheng Lok John, an Independent Director, has served on the Board for a term more than ten years and explains that it "considers continuity and stability of the Board as important and that it is not in the interest of the Company to require Directors who have served more than nine years or longer to be ineligible for re-election (as independent Directors)" (Pages 50 and 51 of the AR).

(a) Mr John Teo is also stated to be the Founder and former Senior Partner of Baker Tilly (page 24 of the AR). He is also a member of the Audit Committee (page 73 of the AR). Baker Tilly Consultancy is also stated to be the internal auditor of the Company (page 63 of the AR). Prior to 2017, the AR did not disclose the identity of the external firm undertaking the internal audit. Please disclose when Baker Tilly was first appointed as the internal auditor for the company. Please explain why Baker Tilly was selected when Mr John Teo would have a conflict of interest. This seems like a classic case of "ownself checking ownself'.

Please clarify the basis for the board to consider John Teo as independent.

Company's Response:

Mr John Teo retired from the firm of Baker Tilly sometime in early 2010. The Company engaged Baker Tilly (the "Firm") as its internal auditor on 22 January 2015. The engagement was considered and approved by the Board at the time, without the participation of Mr John Teo, and upon the Board being satisfied that Mr John Teo no longer had any role or interest in or association with the Firm or its associates.

(b) In addition to the above, please have the nominating committee provide a full basis of John Teo being regarded as independent given his long tenure and his familiarity with the CEO and management, including the factors taken into consideration when reviewing his independence.

Company's Response:

The Nomination Committee (NC) assesses on a continual basis the contribution and ability of each director to exercise independent judgment on issues or matters before the Board.

In considering whether Mr Teo Cheng Lok John, who has served on the Board for more than nine (9) years, is still independent the Board has taken into consideration the following factors:-

a) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company.
b) The Independent Director's attendance and active participation in the proceedings and decision making process of the Board and Board Committee meetings.
c) The provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.
d) The Independent Director's qualification and expertise in providing reasonable checks and balances on the Management.
e) The Independent Director's overall guidance to Management in safeguarding the Company's assets and shareholders' interests.
f) The Independent Director's effectiveness in and capability of making independent and objective decisions.

The NC with the concurrence of the Board has rigorously reviewed the suitability and assessed the independence of Mr Teo Cheng Lock, John and is satisfied that he has measured up to the criteria of still being independent notwithstanding that he has served on the Board for more than 9 years.

Question 9:

Board Decision-Making

(a) Please ask the Audit Committee to explain and confirm their basis of their assessment for the Proposed Acquisition and whether they foresee any going concern issues to survive the liquidity crunch over the next 12 months.

Audit Committee's Response:

The Audit Committee has assessed the financial health of the Company based on their knowledge of the operation of the company, reports submitted, the assurances and representations from Management and the External Auditors. And for the purposes, the Audit Committee has also relied on BDO's audit of the financial statements, as well as assurances from BDO that in light of the Covid-19 situation, BDO has in fact performed a more detailed audit field work in connection with the going concern evaluation for the purpose of the audit.

(b) In response to the question submitted for the EGM on the Proposed Acquisition, the company merely said it did the "usual business due diligence". This does not give any comfort to shareholders. Please disclose in detail the due diligence process when the company makes investment and divestment decisions, and undertake other corporate actions such as placements.

(c) For the company's response to questions for the EGM on the Proposed Acquisition, it was disclosed that the 95% shareholder of the joint venture partner/vendor has changed and the company does not know the background of the new 95% shareholder. Does the company enter into joint ventures or other corporate actions without ascertaining the background and financial resources of its partners?

Company's Response:

The Proposed Acquisition has already been approved conclusively by majority shareholders' vote at the Company's Extraordinary Meeting held on 30 September 2020.

Question 10:

Remuneration of the CEO and Directors' Fees

The Company reported in its AR that the remuneration for the CEO is between S$1 million to S$1.5 million (Page 57 of the AR). Further resolution 3 calls for an increase in directors fees to $257,9831/- for FY2020 an increase from FY2019 (S$241,670/-).

(a) Will the Remuneration Committee please explain and confirm their basis for such remuneration for the CEO given the negative outlook arising from the COVID-19 pandemic situation and its impact on the Company's business operations.

(b) Why has the directors' fees proposed to be increased for FY2020 when it suffered a loss compared to FY2019 when the Company recorded a profit?
Why pay more directors' fees when they did a bad job and when no dividends are paid to shareholders?

(c) Will the Remuneration Committee also clarify why it has not recommended a reduction in pay and director's fees for directors and senior executives of the Company when other companies facing such financial crisis has voluntarily taken pay cuts.

Company's Response:

In the first place, the increase in the directors' fees for FY 2020, as compared to FY 2019, by a sum of $16,313 is solely attributable to an increase of the same amount in the director's fees of Mr Joseph He.

And the increase is, firstly, because Mr He was appointed as a member of the Remuneration Committee on 15 November 2019, therefore entitling him to additional director's fees, whereas Mr Chew Hua Seng whom Mr He replaced was not paid such fees as Mr Chew is an executive director.

Secondly, the total director's fees for FY 2020 was more than FY 2019 because Mr Joseph He did not serve the full term of FY 2019 as he was appointed to the Board only on 5 November 2018 and his director's fees for FY2019 was pro-rated accordingly.

There is no change at all in the director's fees of the other non-executive directors.

The Board's overall remuneration framework has remained the same and the Board is not seeking to make any changes to it at the forthcoming AGM. There is no plan to reduce the directors' fees at this time as the fees are in line with market practices.

Further, the CEO and key management remuneration is in line with industry averages. Anyway, the Board reviews the remuneration of senior management annually.

(d) The company's disclosures of remuneration in its latest annual report and in past years are not in compliance with the Code of Corporate Governance. Please disclose the exact remuneration of the CEO and non-executive directors in accordance with the Code. As Mr Chew is the controlling shareholder, there is no risk of him being poached to manage other companies. Neither are the non-executive directors at risk of being poached. The Company said that disclosure in bands "provide a balance between detailed disclosure and confidentiality".

Why is there a need to keep the remuneration of directors confidential?

(f) The Company did not disclose what key performance indicators are used for awarding any variable bonuses and share option elements to Mr Chew.

Please disclose these key performance indicators.

(g) Please also indicate what is the maximum variable bonus and other variable remuneration elements that may be payable to Mr Chew.

(h) If there is a profit-sharing arrangement, please disclose the percentage of profit share.

Company's Response:

In the matter of the Company's disclosures of remuneration of the directors and the CEO, including details pertaining to the CEO's remuneration package, the Remuneration Committee (comprising only non-executive directors) has reviewed the practice of the relevant industry and having carefully weighed the advantages and disadvantages of such disclosure in bands (for directors in bands of $250,000 with a percentage breakdown) rather than to the nearest dollar, is satisfied that such disclosures in bands is sufficient indication of each director's and the CEO's remuneration package

The Board believes that disclosures in bands serves to provide a balance between detailed disclosure and confidentiality without prejudicing the interests of the shareholders and further, that it underpins the Company's philosophy of motivating key executives through a framework which rewards performance and achievement of the Company's strategic objectives.

The Board has determined that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation are consistent with the intent of Principle 8 of the Code of Corporate Governance 2018.

(e) According to the remuneration table at page 57, there were no "Others" remuneration paid to the directors. For Mr Chew, presumably this is because there were no bonuses paid in light of the poor performance of the Company. Please disclose what "others" remuneration would apply for Mr Chew.

Please confirm that there were no benefits payable to any of the directors.

Company's Response:

The Company can confirm that no other benefits were paid to any of the directors.
The "others" remuneration refers to Mr Chew's incentive bonus in his service agreement.

(i) Mr Liu Ying Chun is a non-executive and non-independent director. Please disclose why he
is paid a salary rather than director fees like the other non-executive directors.

Company's Response:

Mr Liu is paid salaries separately for his role as CEO of Oriental University City Holdings (HK) Limited (a subsidiary of the Company) and as consultant to some of the Company's other subsidiary companies.

Under the circumstances, Mr Liu is not paid any director's fees as a non-executive and non-independent director of the Company.

(j) For Mr Chew's wife and two sons whose remuneration are disclosed in bands, please disclose their responsibilities and breakdown of their remuneration into different components.

Company's Response:

Doris Chew:

1. The Group's Director of Operations, managing and overseeing all aspects of university, college and school operations.
2. The Group's Human Resouces Director.
3. Executive Director of Raffles American School ("RAS") Johor, Malaysia and has been in overall charge of RAS since its founding.

Chew Han Wei:

1. Vice President of the Group's operations in Europe, in overall charge of Raffles Milano in Italy since the founding of the college.
2. Vice President of the Group's operations in India.

Chew Han Chiang:

1. Vice President of Raffles Design College and Raffles K-12 school in Bangkok.
2. Oversees the operations of Gelin kindergarten in Suzhou, China.

Question 11:

In its Audited Financial Statements for FY2020, the Company disclosed negative working capital of approximately S$97 million (Page 81 of the AR). Note 21 to the Audited Financial Statements explains that 75% of the revenue comes from course fee from students (about S$75 million in 2020 and $$70 million in 2019) (Page 150 of the AR).

Please explain the basis for the increase in course fees and whether there is an overall increase in student intake in 2020 compared to 2019.

Company's Response:

There is an increase in overall student enrolment for the Group's colleges and schools in FY2020.

Question 12:

In its Audited Financial Statements for FY2020, the Company disclosed a Loan from a Director and also reported a "major cash outflow" of about S$9.9 million for the repayment of Loan to a director (Pages 23, 87 and 158 of the AR).

Please clarify which Director of the Company extended the Loan.

Please clarify whether the Loan is a Singapore dollar or renminbi loan.

Company's Response:

In the Audited Financial Statements for FY2020, the repayment of loan, from a Director, was for a sum of $9,892,000, which was net of (1) the loan from a director of $7,142,000 as set out on page 158 in Note 31 under Notes to the Financial Statements and (2) repayment of loan from a director of $17,034,000.

The loan repaid (which was extended by Mr Chew Hua Seng to the Company) was a Singapore dollar loan.

Please explain and clarify why the Loan is being repaid when the Company is reporting significant net losses.

Please clarify how the Company intends to repay the Loan and the conditions and circumstances which would trigger repayment on demand.

Company's Response:

The interest-free loans, extended to the Company by a director, are repayable on demand.

Question 13:

(a) Please confirm whether the education institutions operated by the Company in various countries have the necessary accreditations to deliver the relevant university programs.

(b) Please disclose the group's quality assurance processes in relation to its education programs.

(c) Please disclose whether the Company is currently facing any issues in accreditation of its programs in any country.

Company's Response:

The Company can confirm that the institutions of learning operated by the Group in various countries deliver courses that are duly accredited or approved by the relevant regulators or authorities.

As Raffles' colleges and international schools are spread out across various parts of the world, their quality assurance mechanisms vary across national contexts, depending on the requirements of the applicable government or professional authorities but, invariably, their common objective is to improve teaching and learning, with the ultimate goal to support quality and the best outcome for learners.

BY ORDER OF THE BOARD
Raffles Education Corporation Limited
26 October 2020