

Raffles Education Corporation

(Incorporated in the Republic of Singapore)

Company Registration No. 199400712N

RESPONSE TO QUERIES BY SGX-ST ON THIRD QUARTER RESULTS FOR FY2015 ("FY2015 Q3") ANNOUNCED ON 14 MAY 2015

1. SGX-ST Query

In paragraph 8 of the Company's 3Q2015 Results Announcement ("**Announcement**"), the Company announced that "Revenue would have increased by 6.8% if the revenue of Langfang Oriental Institute of Technology ("**LOIT**") of \$1.9 million in FY2014 Q3 was excluded. The Group ceased consolidating the operational results of LOIT since FY2015 Q1".

- i) Please explain why the revenue of LOIT was excluded; and
- ii) What were the expenses and net effect of excluding this in FY2015 Q1?

Company's Response

1(i) Due to the swap of equity interests in June 2014, the Group gave the operational rights of LOIT to another party. Thus, the Group ceased consolidating the operational results (including revenue) of LOIT from 1 July 2014.

1(ii) The Group does not consolidate the operational expenses of LOIT except for \$0.4 million depreciation expenses in FY2015 Q1 relating to certain property, plant and equipment used by LOIT which was consolidated in the Group's Consolidated Statements of Financial Position.

2. SGX-ST Query

In paragraph 8 of the Announcement, the Company also announced that "Share of profit from joint ventures of \$2.7 million for FY2015 Q3 was mainly due to share of unrealized exchange gain of \$3.4 million recorded by a joint venture".

Please explain for the significant unrealized exchange gain.

Company's Response

The joint venture above refers to Value Vantage Pte Ltd ("**VVPL**"). In FY2014, VVPL entered into an equity transfer agreement to dispose all of the equity interest in the registered capital of Value Vantage Investment and Management (Hangzhou)

Co., Ltd. The sales consideration receivable outstanding as at 31 March 2015 was RMB682 million.

Renminbi (“**RMB**”) appreciated about 4.5% during FY2015 Q3. The significant unrealized exchange gain arose mainly from the revaluation of this foreign currency receivable of RMB682 million into VVPL’s functional currency of \$152.8 million.

3. SGX-ST Query

The Company announced that the “Group recorded \$25.1 million in currency translation gain arising from consolidation of foreign operations”.

Please provide details on the foreign operations that resulted in such a significant currency translation gain of \$25.1 million and quantify the items which gave rise to the gain.

Company’s Response

The currency translation gain arose mainly from the translation of Oriental University City Limited (“**OUCL**”) and Oriental University City Holdings (H.K.) Limited (“**OUCHK**”) (collectively “**OUC**”) RMB2.1 billion net asset value as at 31 March 2015. RMB has appreciated about 4.5% during FY2015 Q3 resulting in OUC’s translation gain of \$20.5 million.

4. SGX-ST Query

In paragraph 9, the Company is required to disclose whether there are any variance between the prospects disclosed in paragraph 10 of its 2Q2015 Results Announcement. This disclosure is applicable. Please disclose accordingly.

Company’s Response

With reference to paragraph 10 of the Company’s Half Year ended 31 December 2015 Results Announcement (“**FY2015 HY Results Announcement**”):

- a) The Group has seen improvements in overall operations in FY2015 Q3 compared to FY2014 Q3. Excluding the revenue of LOIT in FY2014 Q3, revenue has increased from \$29.2 million for FY2014 Q3 to \$31.2 million for FY2015 Q3.
- b) The Group has also seen positive results from its expansion outside of People’s Republic of China (“**PRC**”) in FY2015 Q3. Revenue outside of PRC has increased from \$13.0 million for FY2014 Q3 to \$13.3 million for FY2015 Q3.

The above are in line with the comments made in paragraph 10 of the FY2015 HY Results Announcement.

5. SGX-ST Query

Please provide details of competitive conditions of the industry in which the Company operates and any known factors or events that may affect the Company in the next reporting period and the next 12 months.

Company's Response

As there was no change to the competitive landscape or factors that may affect the Company, the Company would not be adding to its FY2015 Q3 Announcement.

6. SGX-ST Query

In paragraph 10 of the Announcement, the Company announced that "The Group's expansion strategy outside of People's Republic of China (PRC) is yielding positive outcomes."

Please provide details and elaborate on the positive outcomes mentioned above.

Company's Response

The Group has seen revenue outside of PRC increasing from \$13.0 million for FY2014 Q3 to \$13.3 million for FY2015 Q3.

On behalf of the Board

Chew Hua Seng
Chairman and Group Chief Executive Officer

19 June 2015