

RESPONSE TO QUERIES BY SGX-ST ON FIRST QUARTER 2017 RESULTS

1. SGX-ST Query

In the Income Statement, “Reversal of government grant receivable for land restructuring” amounted to \$30.57mil. It was mentioned that “(i) in FY2012 and FY2013, certain land titles were rationalized by OUC’s subsidiaries in a land restructuring exercise which gave rise to:

- a) provisions for estimated taxes payable in relation to land restructuring, and
- b) the corresponding government grant receivable.

During this quarter FY2017 Q1, the statutory period of these tax provisions expired and reversals were made to:

- i. the provision for land restructuring costs and tax payable, and
- ii. the corresponding government grant receivables.”

Please provide details on:-

- i) How the taxes were calculated and how much was the value of the land titles;
- ii) How did the restructuring result in a government grant;
- iii) What is the government grant for;
- iv) The status of the land and the land titles;
- v) Whether the Company is still the owner of the land;
- vi) What are the implications to the Company upon the expiry of the statutory period; and
- vii) Whether there will be any impact or other financial or operational implications arising from this expiry.

Company’s Response

In accordance with the Master Plan (the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang City in 2011 governing land use zoning in Oriental University City) and in contemplation of the listing of Oriental University City Holdings (H.K.) Limited (“OUCHK”), OUCHK and Oriental University City Limited (“OUCL”)(together “OUC”) underwent a land restructuring which consisted of a series of land transfers for the purpose of consolidating all land titles within Oriental University City in accordance with each entity’s line of business.

- i) The provisions for estimated taxes payable were calculated based on the prevailing income tax rule on OUC which is either 2.5% of the transferred price or 25% of the capital gains. The transferred price then was RMB 2.7 billion which was deemed to be the fair value of the land and properties transferred.
- ii) According to “Certain Requirements of the People’s Government of Langfang City on the Encouragement of Enterprises Listing” issued by the People’s

Government of Langfang City in April 2010, the municipal government and provincial ministry of finance supervised municipal government shall establish a enterprises listing support fund, which was specifically used for the purpose of providing support for the listing of corporations.

As such the People's Government of Langfang City issued the 2012 Circular, whereby the People's Government of Langfang City agreed to facilitate the land restructuring, and provided OUC with a special government grant in respect of provisions for estimated taxes payable arising from the land restructuring.

The 2012 Circular operates in such a way that the actual government grant will be received after actual cash payment by OUC of provisions for estimated taxes payable on the land restructuring.

- iii) Refer to item (ii).
- iv) The land restructuring is only among the subsidiaries of OUC. Thus, the land and properties remain with OUC after the land restructuring except for land and properties which had been disposed post-land restructuring. Previous announcements had been made in relation to the disposals of the 635mu, 118mu and 490mu land and properties (refer to the previous announcement dated 20 April 2012, 19 July 2012, and 9 December 2013 respectively).

Shareholders' approval were also received on 31 August 2012 and 31 March 2014 for the significant disposals of 635mu and 490mu land and properties respectively.

- v) Refer to item (iv)
- vi) The statutory period refer to the 3 years period whereby a company will not be penalised if the company has not paid or underpaid income tax due to the responsibility of the income tax authority.

During the last 3 years, the income tax authority did not query or levy the taxes provided on the land restructuring.

Upon consultation with its tax professional, OUC's management is of the view that the payment of taxes provided is less than probable and has reversed the provisions for estimated taxes payable and related government grant receivable.

Provisions for estimated taxes payable arising from the land restructuring will instead be disclosed as a contingent liability.

- vii) Refer item (vi).

On behalf of the Board

Chew Hua Seng
Chairman and Group Chief Executive Officer

8 December 2016