

Raffles Education Corporation

(Incorporated in the Republic of Singapore)

Company Registration No. 199400712N

RESPONSE TO QUERY BY SGX-ST ON FIRST QUARTER RESULTS FOR FY2015 (“FY2015 Q1”) ANNOUNCED ON 13 NOVEMBER 2014

SGX-ST Query

In the Balance Sheet, “Trade and other receivables” as at 30 September 2014 amounted to \$273.7 million.

Please provide a breakdown of the amount and elaborate on the significant items.

Company’s Response

The breakdown is as follows:

	30/09/14 \$’000
Trade receivables:	
Trade receivables	16,584
Less:	
Allowance for doubtful trade receivables	(1,376)
	15,208
Other receivables:	
Third parties ^(a)	20,024
Receivable from sale of interest in subsidiary ^(b)	34,900
Receivable from sale of investment properties ^(c)	116,363
Government grant receivables ^(d)	31,367
Deposits	5,307
Prepayments ^(e)	15,094
Receivable from former joint venture	212
Joint ventures ^(f)	33,004
Associates	248
Tax recoverable	998
Others	979
	258,496
Total trade and other receivables	273,704

Elaboration on the significant items:

- (a) Included in the third parties other receivables were \$19.9 million short term loans to a third party. These loans are due from March 2015 to June 2015.
- (b) In July 2011, the Group completed the disposal of 50% equity interest in Value Vantage Pte Ltd for a consideration of \$46 million to an unrelated third party. \$10 million is receivable one year after the completion date and the remaining \$36 million is receivable two years after the completion date. The Group has since received \$11.1 million.

During the financial year 2014, the repayment term for the balance \$34.9 million was extended to January 2015 to coincide with the expected receipt of the proceeds from the disposal of Value Vantage Investment and Management (Hangzhou) Co., Ltd (“VVHZ”).

- (c) Receivables from sale of investment properties relate to the outstanding balance of:
 - i. \$3.3 million due from the disposal of 670mu land and properties in OUC,
 - ii. \$20.3 million due from disposal of 118mu land and properties in OUC, of which \$8.1 million is due in October 2014 and the balance due in April 2015; and
 - iii. \$92.8 million due from disposal of 490mu land and properties in OUC. The amount is due only after the completion of the transfer of the equity of the company holding the 490mu land and properties to the purchaser.
- (d) In the financial year ended 30 June 2013 and 30 June 2012, certain land titles were rationalised amongst the subsidiaries in the restructuring exercise. The transfer of land titles were subject to business tax and surcharges, land appreciation tax, stamp duties and corporate income tax which were estimated and provided for. A corresponding government grant receivable has also been accounted for.
- (e) Included in the prepayments was an advance payment of \$4.5 million for the purchase of hotel property and commercial units in Switzerland.
- (f) The amounts due from joint ventures include a \$30 million dividend receivable. The dividend is expected to be received upon the receipt of the proceeds from the disposal of VVHZ by the joint venture.

On behalf of the Board

Chew Hua Seng
Group Chief Executive Officer and Chairman

15 December 2014