

**RESPONSE TO SGX QUERIES::**

## Issuer &amp; Securities

## Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

## Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

## Stapled Security

No

## Announcement Details

## Announcement Title

Response to SGX Queries

## Date &amp; Time of Broadcast

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New

## Supplementary Title

On Financial Statements

## Announcement Reference

SG200903OTHRSM3P

## Submitted By (Co./ Ind. Name)

Chew Hua Seng

## Designation

Chairman &amp; CEO

## Description (Please provide a detailed description of the change in the box below)

Response To SGX Queries On Full Year Results Announcement For Financial Year Ended 30 June 2020.  
Please see attached.

## Attachments

[RE - Reply to SGX-ST Queries on Results Announcement for FY2020 - 3 Sep 2020.pdf](#)

Total size =204K MB

# RafflesEducation

(Incorporated in the Republic of Singapore)

Company Registration No. 199400712N

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## RESPONSE TO QUERIES BY SGX-ST ON RESULTS ANNOUNCEMENT FOR FINANCIAL YEAR ENDED 30 JUNE 2020

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**Q1.** We refer to the full yearly financial results announced on 27 August 2020. We noted a net fair value gain on investment properties. \$2.5 million arose from the revaluation of the property in Bangkok, Thailand, as a result of the property being owner-occupied during the third quarter of FY2020 and \$2.0 million arose from Oriental University of City Holdings (H.K) and Oriental University Limited.

**a.** Please elaborate on how the property being owner-occupied would result in the fair value gain of \$2.5 million for the property in Bangkok, Thailand.

### Company's Response

Instead of leasing out the property in Bangkok, this property was used by our school during FY2020 and transferred from investment property to property, plant and equipment at the date of change in use in accordance with SFRS(I) 1-40.60. Upon the change of use, a valuation was performed by an independent property valuer giving rise to the fair value gain.

**b.** Please explain the factors for the fair value gain of \$2.0 million from Oriental University of City Holdings (H.K) and Oriental University Limited in view of the current Covid-19 situation. Explain the basis and quantify the changes in assumptions adopted that contributed to the fair value gain.

### Company's Response

The fair value gain from Oriental University City Holdings (HK) Limited and Oriental University Limited were mainly due to increase in fair value in investment properties in the PRC and the newly acquired investment properties in Jakarta, Indonesia. The fair value of investment properties in the PRC was determined based on income method valuation by an independent property valuer and the increase in fair value was mainly due to a new long-term tenant secured for a previously vacant building. The fair value of investment properties in Jakarta was determined based on market approach by an independent property valuer as there is comparable data available in the market.

**Q2.** We noted that the share of results from associates has decreased significantly from a profit of \$0.277 million in 2019 to a loss of (\$1.564) million in 2020. Please explain the material factors that contributed to this significant decline in performance of the associates.

Company's Response

Referring to the Company's announcement on 18 June 2019, the company accounted for a 34.1% equity interest in Langfang HeZhong Real Estate Development Co., Ltd ("He Zhong") whereby HeZhong became an associate in June 2019. The share of loss from HeZhong recorded by the Company for FY2020 was \$1.6 million which contributed materially to the decrease in the share of results from associates in FY2020.

**Q3.** We noted a forex gain of \$4.723 million recorded in 2020 compared to \$6.691 million recorded in 2019, as well as a forex loss of (\$9.278) million recorded in 2020 compared to (\$3.746) million recorded in 2019. This resulted in a significant net forex loss of (\$4.555) million recorded in 2020 compared to a net forex gain of \$2.945 million recorded in 2019.

**a.** Please elaborate why the forex gain and forex loss were separately recorded as two (2) line items in the statement of comprehensive income.

Company's Response

Forex gain and loss were material and separately presented to improve disclosure in the statement of comprehensive income following the requirement of SFRS(I) 1-1.

**b.** Disclose the nature of the material underlying items for both the forex gain and forex loss, the currencies involved and the exchange rates.

Company's Response

Forex gain and loss arose due to settlements of transactions denominated in foreign currencies during the year and translation of foreign currency denominated monetary items in the Company and its subsidiaries at the end of FY2020.

Material forex translation gains arising from :

- United States Dollars denominated receivables to functional currency of Chinese Renminbi year end rate of 7.07937
- Singapore Dollars denominated payables to functional currency of Thai Baht year end rate of 22.47343

Material forex losses arising from :

- Translation of United States Dollars denominated payables to functional currency of SGD year end rate of 1.39322
- Translation of Chinese Renminbi denominated payables to functional currency of SGD year end rate of 0.1968
- Translation of Australian Dollars denominated payables to functional currency of SGD year end rate of 0.95679
- Settlement of Australian Dollars denominated receivables to SGD spot rate of 0.95679

**Q4.** We noted the significant increase in currency exchange differences arising on translating foreign operations. Please disclose the currencies, the exchange rates and the net asset values of Oriental University (HK) Limited and Oriental University Limited for FY2019 and FY2020 that resulted in such a significant difference of a loss of (\$37.106) million in 2019 and a gain of \$2.455 million in 2020.

Company's Response

The functional currency, exchange rates, net asset values and the translation loss of Oriental University (HK) Limited and Oriental University Limited are as follows :

|  | Local functional currency | Translated to SGD | Exchange rate (RMB1 to S\$) | Forex loss / (gain) on currency exchange differences arising from translating foreign operations |
|--|---------------------------|-------------------|-----------------------------|--|
|  | RMB                       | \$                |                             | \$   |
| <b>FY2018</b>                            |                           |                   |                             |  |
| Oriental University (HK) Ltd – Net Asset | 1,138,894,892             | 235,581,905       | 0.20676                     | N/A  |
| Oriental University Ltd – Net Assets     | 1,260,033,515             | 260,520,749       | 0.20676                     | N/A  |
|  |                           |                   |                             |  |
| <b>FY2019</b>                            |                           |                   |                             |  |
| Oriental University (HK) Ltd – Net Asset | 1,152,602,475             | 227,592,130       | 0.19694                     | 10,280,383   |
| Oriental University Ltd – Net Asset      | 1,324,411,004             | 260,829,503       | 0.19694                     | 11,127,972   |
|  |                           |                   |                             |  |
| <b>FY2020</b>                            |                           |                   |                             |  |
| Oriental University (HK) Ltd – Net Asset | 1,204,981,740             | 237,746,434       | 0.19680                     | (577,240)  |
| Oriental University Ltd – Net Asset      | 1,318,854,522             | 259,550,570       | 0.19680                     | 183,466  |

There was another currency translation gain of \$2.5 million in FY2020 from translation of the Swiss Franc denominated net assets of CHF29,631,632. Year end exchange rates of CHF to SGD for FY2020 and FY2019 were 1.46864 and 1.38429 respectively.

**Q5.** We note that the investment in joint ventures decreased significantly from \$14.046 million in 2019 to \$0.976 million in 2020. Please disclose the material items that contributed to this decrease.

Company's Response

Investment in joint ventures decreased as Educomp-Raffles Higher Education Limited (“ERHEL”) became a subsidiary in FY2020 but was previously a joint venture. The Company’s interest in Educomp-Raffles Higher Education Limited (“ERHEL”) increased from 58% to 99% following the completion of registration of its increase in shareholding and control over the board of ERHEL during FY2020.

**Q6.** We noted the reclassification of the receivables of \$57.192 million from non-current to current in FY2020 in relation to the disposal of subsidiary, Langfang Development Zone Oreintal University City Sino-Singapore Education Investment Co., Ltd. Please disclose when is this payment expected to be received and whether it will be payable in cash.

Company's Response

The disposal consideration of subsidiary was RMB420 million, collection of cash till date was RMB126 million and this receivables balance of RMB294 million (\$57.192 million) is expected to be received in cash by 30 September 2020.

**Q7.** We note that receivables from joint ventures increased significantly from \$9.003 million in 2019 to \$21.780 million in 2020. Please explain the material items that contributed to the increase.

Company's Response

The material items that contributed to the increase in receivables from joint ventures were a result of ERHEL becoming a subsidiary in FY2020 as mentioned in Q5 above :

- 1) Included a receivable of \$17.4 million from ERHEL's joint venture in FY2020 whereas in the past years, this receivable was not required to be included as ERHEL was itself a joint venture.
- 2) The increase in receivables from joint ventures mentioned in point 1) above was reduced by the absence of the Group's receivables from ERHEL in FY2019 of \$4.4 million because these balances were intercompany balances with ERHEL as a subsidiary in FY2020 and thus, eliminated at consolidation.

On Behalf Of The Board  
Chew Hua Seng  
Chairman & CEO