
Issuer & Securities

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RAFFLES EDUCATION CORPORATION LIMITED

Securities

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No

RESPONSE TO SGX QUERIES::

Announcement Title

Response to SGX Queries

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Supplementary Title

On Financial Statements

Announcement Reference

SG210219OTHRKQUB

Submitted By (Co./ Ind. Name)

Chew Hua Seng

Designation

Chairman & CEO

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

Please refer to attachment.

Attachments

[RE Announcement - Response to SGX-ST Queries on the financial statements announcement .pdf](#)

Total size =171K MB

RESPONSE TO QUERIES BY SGX-ST ON FINANCIAL STATEMENTS ANNOUNCEMENT FOR HALF YEAR ENDED 31 DECEMBER 2020

Q1. We note that the Increase in other operating income is mainly due to the gain on disposal of land in Hefei City in PRC of \$28 million where the Group had to compulsorily sell the land to the Hefei City Authority. In the Company's announcement on 12 June 2020, it was disclosed that a gain of approximately \$61.8 million was expected. Please clarify the reason for the difference.

Company's Response

Referring to the Company's announcement on 12 June 2020, there are 2 parcels of land owned by Wanbo Institute of Science & Technology Ltd ("WIST") and Hefei Lanjing Science and Trade Co., Ltd. ("HLST"). As stated on page 11 of the financial statements announcement clause 8.(2).(a), the gain on disposal of land of \$28 million pertains only to the land parcel of HLST. The gain on disposal of WIST's land parcel will be recognised upon the transfer of land parcel, which is expected to be fully completed by end of 2021.

Q2. We note that the gross fair value gain on investment properties was due to a revaluation gain on OUCHK. Please explain why there was a revaluation gain recognized despite a reduction in revenue contribution of \$7.2 million in 1H FY2020 to \$5.6 million in 1H FY2021 from OUCHK attributed mainly to reduced leasing space and leasing period.

Company's Response

The investment properties of OUCHK were valued in accordance with the requirements set out in Chapter 8 of the GEM Listing Rules, Chapter 5 and the Practice Note 12 of the Main Board Listing Rules published by The Stock Exchange of the Hong Kong Limited and HKIS Valuation Standards 2020, in conjunction with application for the transfer of OUCHK's shares from GEM to the Main Board of the Hong Kong Stock Exchange, which was submitted on 10 February 2021. The investment properties were required to be valued with an effective date within 3 months prior to the said submission. The gross value gain were mainly contributed by the higher valuation of the investment properties that located at Oriental University City in Langfang city, the People's Republic of China (the "PRC"), which formed the majority investment properties of OUCHK. The investment properties in Langfang, the PRC were revalued higher due to improved long-term income capitalization profiles, taking into account the generally improved property market profile in Langfang. While the 1H FY2020 results had seen a reduction in revenue contribution, nonetheless the fair value of the Langfang's investment properties had improved due to aforementioned factor.

Q3. We note that the significant increase in share of result of joint ventures is mainly due to a one-off compensation of \$6.1 million from the buyer of VVPL's subsidiary. Please elaborate what the one-off compensation was for, and how it was determined.

Company's Response

In 2014, Value Vantage Pte Ltd ("VVPL") entered into an Equity Transfer Agreement ("the Agreement") with Shanghai Jin Hui Investment & Management Co. Ltd. ("Jin Hui") for the disposal of 100% equity interest of VVPL's subsidiary for RMB 850 million ("the Consideration"). The Consideration was to be paid in two cash instalments and within certain timeframes under the Agreement.

VVPL initiated a suit against Jin Hui as Jin Hui did not pay the second cash instalment within the timeframe and full payment was only completed in December 2019.

The Court in Shanghai awarded VVPL compensation of RMB35 million for the late payment of the second cash instalment. VVPL received the compensation less the expenses incurred of RMB31.2 million in October 2020.

BY ORDER OF THE BOARD
Raffles Education Corporation Limited
19 February 2021