

RafflesEducation Corporation

(Incorporated in the Republic of Singapore)

Company Registration No. 199400712N

RESPONSE TO QUERIES BY SGX-ST ON FIRST QUARTER RESULTS FOR FY2016 ("FY2016 Q1") ANNOUNCED ON 11 NOVEMBER 2015

1. SGX-ST Query

In paragraph 8 of the Company's First Quarter 2016 Results Announcement ("Announcement"), the Company disclosed that "decrease in depreciation and amortisation expenses from \$3.3 million for FY2015 Q1 to \$2.7 million for FY2016 Q1 was mainly due to the change in the estimated useful lives of certain categories of property, plant and equipment with effect from FY2015 Q2".

Please provide details on the reasons for the change in estimated useful lives and qualify the financial effects due to this change.

Company's Response

As disclosed in Note 2.5 of the audited financial statements for FY 2015, the Group had revised the estimated useful lives of certain categories of property, plant and equipment ("PPE") during FY2015. Previously under the Group's asset-light strategy, the Group expected the useful lives of the PPE to be constrained by the respective lease period of the various properties of the colleges and estimated a shorter time period in which the future economic benefits of the assets were expected to be consumed. Over the years, the Group has transformed from an asset-light education model to an asset-backed education, education management and education-linked investment and development model which includes investing in and owning the properties for its colleges. Thus, the management expects use of its assets over longer periods.

The effect of the change in estimated useful lives was not accounted in FY2015 Q1 because management's assessment was finalised after the FY2015 Q1 Announcement. If the revision of the estimated useful lives was finalised in FY2015 Q1, the depreciation expense for the financial period ended 30 September 2014 would have been \$2.5 million.

2. SGX-ST Query

In paragraph 8 of the Company's Announcement, the Company disclosed that there is an "increase of foreign exchange loss of \$2.4 million". Please disclose the nature of underlying item and factors which led to the increase in foreign exchange loss of S\$2.4 million.

Company's Response

The foreign currency denominated intercompany receivables and payables are translated at the rates prevailing on the reporting date in the respective books of the Group's entities. Increase in foreign exchange loss was mainly due to:

- a) Depreciation of Australia Dollar ("AUD") to Singapore Dollar by 2.7% which affected entities that had AUD denominated foreign currency receivables.
- b) Appreciation of Renminbi ("RMB") and United State Dollar ("USD") to Singapore Dollar by 1.3% and 4.8% respectively which affected entities that had RMB and USD denominated foreign currency payables.

3. SGX-ST Query

In paragraph 8 of the Company's Announcement, the Company disclosed that the "Group recorded \$7.3 million in currency translation gain arising from consolidation of foreign operations". Please provide details on the factors which resulted in a currency translation gain of \$7.3 million.

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") RMB2.2 billion net asset value as at 30 September 2015. RMB has appreciated about 1.3% during FY2016 Q1 resulting in OUC's translation gain of \$6.5 million.

On behalf of the Board

Chew Hua Seng
Chairman and Group Chief Executive Officer

27 November 2015