

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER 31 MARCH 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

UNAUDITED NINE MONTHS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/16 \$'000	9 months ended 31/03/15 \$'000	Increase/ (Decrease) %
Revenue	85,012	90,752	(6)
Other operating income	8,829	6,271	41
Personnel expenses	(33,346)	(33,805)	(1)
Depreciation and amortisation expenses	(8,277)	(7,566)	9
Other operating expenses	(42,849)	(44,489)	(4)
Fair value loss on investment properties	-	(92)	NM
Finance costs	(12,382)	(9,513)	30
Share of results of joint ventures	(2,510)	5,917	NM
Share of results of associates	(189)	18	NM
(Loss)/profit before income tax	(5,712)	7,493	NM
Income tax credit/(expense)	141	(1,691)	NM
(Loss)/profit after tax	(5,571)	5,802	NM
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on transferring owner occupied property to investment property	28	-	NM
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	(25,156)	51,402	NM
Total comprehensive (loss)/income	(30,699)	57,204	NM
Attributable to:			
Equity holders of the Company	(6,535)	5,876	NM
Non-controlling interests	964	(74)	NM
Net (loss)/profit	(5,571)	5,802	NM
Attributable to:			
Equity holders of the Company	(27,832)	51,421	NM
Non-controlling interests	(2,867)	5,783	NM
Total comprehensive (loss)/income	(30,699)	57,204	NM

NM – Not meaningful

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

NOTES TO THE UNAUDITED NINE MONTHS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/16 \$'000	9 months ended 31/03/15 \$'000	Increase/ (Decrease) %
Interest income ¹	748	702	7
Foreign exchange gain ¹	5,953	5,118	16
Government grant ¹	466	-	NM
Fair value gain on re-measurement of pre-existing equity interest in an associate ¹	1,397	-	NM
Allowance for doubtful trade receivables ²	(74)	(53)	40
Bad trade receivables written off ²	(253)	(165)	53
Foreign exchange loss ²	(7,051)	(3,662)	93
Reversal of compensation for early termination of tenancy agreement and demolition of car park ²	56	-	NM
Rental expenses ²	(4,591)	(6,606)	(31)
Overprovision of income tax expense in prior financial periods	1,225	736	66

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

ADJUSTED EBITDA	Group	
	9 months ended 31/03/16 \$'000	9 months ended 31/03/15 \$'000
(Loss)/profit after tax	(5,571)	5,802
<u>Add/(less):</u>		
Fair value gain on re-measurement of pre-existing equity interest in an associate	(1,397)	-
Government grant	(466)	-
Finance costs	12,382	9,513
Income tax (credit)/expenses	(141)	1,691
Depreciation and amortisation	8,277	7,566
Net foreign exchange loss/(gain)	1,098	(1,456)
Share of results of joint ventures	2,510	(5,917)
Share of results of associates	189	(18)
Adjusted EBITDA	16,881	17,181

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Item No.	Group		
		Third Quarter ended 31/03/16 \$'000	Third Quarter ended 31/03/15 \$'000	Increase/ (Decrease) %
Revenue	8.1	26,373	31,168	(15)
Other operating income	8.2	4,050	2,568	58
Personnel expenses		(11,228)	(11,483)	(2)
Depreciation and amortisation expenses		(2,633)	(2,587)	2
Other operating expenses		(13,143)	(13,096)	-
Finance costs	8.3	(4,081)	(3,348)	22
Share of results of joint ventures	8.4	(1,182)	2,713	NM
Share of results of associates		65	(10)	NM
(Loss)/profit before income tax		(1,779)	5,925	NM
Income tax expense	8.5	(95)	(935)	(90)
(Loss)/profit after tax		(1,874)	4,990	NM
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gain on transferring owner occupied property to investment property		28	-	NM
Items that will be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.6	(18,154)	25,116	NM
Total comprehensive (loss)/income		(20,000)	30,106	NM
Attributable to:				
Equity holders of the Company		(2,234)	4,736	NM
Non-controlling interests		360	254	42
Net (loss)/profit		(1,874)	4,990	NM
Attributable to:				
Equity holders of the Company		(17,677)	25,996	NM
Non-controlling interests		(2,323)	4,110	NM
Total comprehensive (loss)/income		(20,000)	30,106	NM

NM – Not meaningful

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	Third Quarter ended 31/03/16 \$'000	Third Quarter ended 31/03/15 \$'000	Increase/ (Decrease) %
Interest income ¹	246	218	13
Foreign exchange gain ¹	2,251	2,326	(3)
Fair value gain on re-measurement of pre-existing equity interest in an associate ¹ (refer to item 8.2)	1,397	-	NM
Allowance for doubtful trade receivables ²	(29)	(53)	(45)
Bad trade receivables written off ²	(105)	(60)	75
Foreign exchange loss ²	(1,280)	(339)	278
Rental expenses ²	(1,485)	(1,920)	(23)
Overprovision of income tax expense in prior financial periods	223	159	40

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

ADJUSTED EBITDA	Group	
	Third Quarter ended 31/03/16 \$'000	Third Quarter ended 31/03/15 \$'000
(Loss)/profit after tax	(1,874)	4,990
<u>Add/(less):</u>		
Fair value gain on re-measurement of pre-existing equity interest in an associate	(1,397)	-
Finance costs	4,081	3,348
Income tax expenses	95	935
Depreciation and amortisation	2,633	2,587
Net foreign exchange gain	(971)	(1,987)
Share of results of joint ventures	1,182	(2,713)
Share of results of associates	(65)	10
Adjusted EBITDA	3,684	7,170

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		31/03/16 \$'000	30/06/15 \$'000	31/03/16 \$'000	30/06/15 \$'000
Non-current assets					
Property, plant and equipment	8.7	372,246	324,884	-	-
Investment properties	8.8	388,031	416,387	-	-
Investment in subsidiaries		-	-	454,512	426,581
Investment in joint ventures		53,623	67,863	-	-
Investment in associates	8.9	5,775	1,396	-	-
Available-for-sale financial assets	8.9	630	4,523	-	-
Intangible assets		117,561	114,450	98	112
Deferred tax assets		1,083	1,099	-	-
Other receivable	8.10	-	10,970	9,547	22,974
Restricted bank balances		3,571	2,890	-	-
		942,520	944,462	464,157	449,667
Current assets					
Inventories		89	118	-	-
Trade and other receivables	8.11	168,025	241,598	269,970	308,311
Cash and cash equivalents		77,332	80,904	1,322	14,121
		245,446	322,620	271,292	322,432
Less:					
Current liabilities					
Trade and other payables	8.12	49,438	69,295	148,923	105,463
Course and education service deferred income	8.13	22,644	15,065	-	-
Income tax payable	8.14	67,338	72,501	265	265
Borrowings	8.16	210,449	266,095	136,388	190,632
		349,869	422,956	285,576	296,360
Net current (liabilities)/assets	8.17	(104,423)	(100,336)	(14,284)	26,072
Less:					
Non-current liabilities					
Trade and other payables	8.15	40,207	42,105	-	-
Borrowings	8.16	168,240	124,472	79,217	78,960
Deferred tax liabilities		17,641	18,174	-	-
		226,088	184,751	79,217	78,960
Net assets		612,009	659,375	370,656	396,779
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(39,683)	(32,730)	(39,683)	(32,730)
Accumulated profits/(losses) and other reserves		79,372	116,941	(71,446)	(52,276)
Equity attributable to equity holders of the Company		521,474	565,996	370,656	396,779
Non-controlling interests	8.18	90,535	93,379	-	-
Total equity		612,009	659,375	370,656	396,779

1(b)(ii) Aggregate amount of group's borrowings and debt securities

GROUP BORROWINGS AND DEDT SECURITIES	Group	
	31/03/16 \$'000	30/06/15 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{3,4,5,6,8,9,10}	178,061	88,963
Unsecured	32,388	177,132
	210,449	266,095
<u>Amount repayable after one year:</u>		
Secured ^{4,5,7,8,9}	89,023	45,512
Unsecured	79,217	78,960
	168,240	124,472
Total borrowings	378,689	390,567

Details of collateral

- ³ Bank borrowings of \$65,000,000 were secured by letter of guarantee by a subsidiary.
- ⁴ Bank borrowings of \$117,008,000 were secured by a letter of guarantee by the Company and certain properties of the Group.
- ⁵ Bank borrowings of \$18,000,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company.
- ⁶ Bank borrowings of \$21,000,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company. The standby letter of credit were secured by pledged bank deposit of \$23,121,000.
- ⁷ Bank borrowings of \$22,772,000 were secured by letter of guarantee by the Company, trade and other receivables and property of two subsidiaries in Australia.
- ⁸ Bank borrowings of \$15,879,000 were secured by letter of guarantee by the Company, certain properties of a subsidiary in Switzerland, rental income from the properties, restricted bank balances and certain assets of a third party.
- ⁹ Bank borrowings of \$3,431,000 were secured by letter of guarantee by the Company, certain property of a subsidiary in Switzerland, rental income from the properties and restricted bank balances.
- ¹⁰ Bank borrowings of \$3,994,000 were secured by pledged bank deposit of \$4,204,000.

For more details, refer to items 8.16.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	Third Quarter ended 31/03/16 \$'000	Third Quarter ended 31/03/15 \$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(1,779)	5,925
Adjustments for:			
Amortisation of intangible assets		227	317
Allowance for doubtful debts		29	53
Bad trade receivables written off		105	60
Depreciation for property, plant and equipment		2,406	2,270
Interest expense		4,081	3,348
Interest income		(246)	(218)
Net gain/(loss) on disposal of property, plant and equipment		1	(5)
Share of results of joint ventures		1,182	(2,713)
Share of results of associates		(65)	10
Fair value gain on re-measurement of pre-existing equity interest in an associate	8.2	(1,397)	-
Operating profit before working capital changes		4,544	9,047
Working capital changes:			
Trade and other receivables		(1,465)	(2,498)
Inventories		29	95
Course and education service deferred income		(11,144)	(9,319)
Trade and other payables		592	(5,525)
Cash used in operations		(7,444)	(8,200)
Interest paid		(4,435)	(3,667)
Interest received		246	218
Income and withholding taxes (paid)/refunded		(674)	79
Net cash used in operating activities	8.19	(12,307)	(11,570)
Cash flows from investing activities			
Additions of development costs		(12)	-
Additions of trademarks		(1)	-
Additions of computer software		(44)	-
Acquisition of subsidiary, net of cash acquire ¹²		(35)	-
Cash proceeds from disposal of interest in former subsidiary	8.20	2,083	16,616
Deposit for acquisition of additional shares in joint venture		-	(2,402)
Proceeds from sale of property, plant and equipment		1	12
Proceeds from sale of investment properties	8.20	21,694	-
Purchases of property, plant and equipment	8.21	(16,615)	(12,034)
Expenditure on investment properties		(888)	(27)
Payment of remaining purchase consideration for acquisition of subsidiary		-	(209)
Dividends received from joint venture	8.20	41,400	-
Dividends received from associate		32	18
Net cash from investing activities		47,615	1,974

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	Third Quarter ended 31/03/16 \$'000	Third Quarter ended 31/03/15 \$'000
Cash flows from financing activities			
Drawdown of borrowings	8.20	60,328	-
Investment in subsidiary by non-controlling interest		-	17,160
Repayment of borrowings	8.21	(97,459)	(1,940)
Net payment for repurchase of shares	8.21	(1,970)	(4,517)
Net cash (used in)/from financing activities		(39,101)	10,703
Net change in cash and cash equivalents		(3,793)	1,107
Cash and cash equivalents at beginning of financial period		84,924	70,253
Effect of exchange rate changes on cash and cash equivalents		(3,799)	2,060
Cash and cash equivalents¹¹	8.22	77,332	73,420

¹¹ Cash and cash equivalents include pledged bank deposit of \$27,325,000.

¹² The fair value of the identifiable assets and liabilities of the business acquired as at the date of acquisition were as follows:

	31/03/16 \$'000	31/03/15 \$'000
Acquisition of subsidiary		
Property, plant and equipment	2,169	-
Trade and other receivables	157	-
Cash and cash equivalents	65	-
Trade and other payables	(418)	-
Income tax receivable	80	-
Deferred tax liabilities	(131)	-
Net identifiable assets	1,922	-
Add: Goodwill arising on consolidation	3,780	-
Less: Non-controlling interest	(980)	-
Less: Amount previously accounted for as associate	(530)	-
Less: Fair value gain on re-measurement of pre-existing equity interest in an associate	(1,397)	-
Consideration payable	2,795	-
Cash and cash equivalents in subsidiary acquired	(65)	-
Amount outstanding to vendor	(2,695)	-
Net cash outflow on acquisition of subsidiary	35	-

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company							Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<u>FY2016</u>									
Balance at 1 January 2016	481,785	(37,713)	6,986	12,005	2,453	75,606	541,122	92,194	633,316
Total comprehensive income	-	-	28	(15,471)	-	(2,234)	(17,677)	(2,323)	(20,000)
Repurchase of shares	-	(1,970)	-	-	-	-	(1,970)	-	(1,970)
Dividends	-	-	-	-	-	-	-	(317)	(317)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	980	980
Investment in subsidiary by non-controlling interest	-	-	-	11	-	(12)	(1)	1	-
Balance at 31 March 2016	481,785	(39,683)	7,014	(3,455)	2,453	73,360	521,474	90,535	612,009
<u>FY2015</u>									
Balance at 1 January 2015	481,785	(24,496)	7,181	9,494	2,453	102,110	578,527	41,225	619,752
Total comprehensive income	-	-	-	21,260	-	4,736	25,996	4,110	30,106
Repurchase of shares	-	(4,517)	-	-	-	-	(4,517)	-	(4,517)
Investment in subsidiary by non-controlling interest	-	-	(195)	(1,778)	-	(28,310)	(30,283)	47,443	17,160
Balance at 31 March 2015	481,785	(29,013)	6,986	28,976	2,453	78,536	569,723	92,778	662,501

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2016</u>				
Balance at 1 January 2016	481,785	(37,713)	2,453	(71,961)	374,564
Total comprehensive loss	-	-	-	(1,938)	(1,938)
Repurchase of shares	-	(1,970)	-	-	(1,970)
Balance at 31 March 2016	481,785	(39,683)	2,453	(73,899)	370,656
<u>FY2015</u>					
Balance at 1 January 2015	481,785	(24,496)	2,453	(64,620)	395,122
Total comprehensive loss	-	-	-	(1,543)	(1,543)
Repurchase of shares	-	(4,517)	-	-	(4,517)
Balance at 31 March 2015	481,785	(29,013)	2,453	(66,163)	389,062

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

SHARE CAPITAL

During the financial period ended 31 March 2016, 8,115,700 ordinary shares were repurchased.

During the financial period ended 31 March 2016, no ordinary shares were issued in respect of the conversion of share options.

As at 31 March 2016, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 March 2016, there was unexercised share option for 2,429,600 unissued ordinary shares (31 March 2015: 2,860,265) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 2016, there were 79,790,100 treasury shares (30 June 2015: 54,133,800).

- 1(d)(iii) To show total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

The total number of issued shares was 965,505,133 (excluding treasury shares) as at 31 March 2016 (30 June 2015: 991,161,433).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 31 March 2016.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagements (SSRE) 2400, or an equivalent standard)**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2015.

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") and Interpretation of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2015. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable. Refer to Note 4 above.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/- %
	Third Quarter ended 31/03/16	Third Quarter ended 31/03/15	
i) Based on the weighted average number of shares (in cents)	-0.23	0.47	NM
- Weighted average number of shares	967,465,870	1,007,275,227	
ii) On a fully diluted basis (in cents)	-0.23	0.47	NM
- Adjusted weighted average number of shares	967,465,870	1,007,275,227	

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	31/03/16	30/06/15		31/03/16	30/06/15	
NAV per ordinary share (in cents)	54.01	57.10	(5)	38.39	40.05	(4)

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

COMMENTARY ON THE GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

- (1) Decrease in group revenue by 15% from \$31.2 million for FY2015 Q3 to \$26.4 million for FY2016 Q3 mainly due to:
- a) Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$1.5 million in FY2016 Q3 from FY2015 Q3; and
 - b) Reduction in foreign student intake in Raffles Sydney and Raffles Singapore has resulted in the decrease of revenue by \$3.2 million in FY2016 Q3 from FY2015 Q3.
- (2) Increase in other operating income from \$2.6 million for FY2015 Q3 to \$4.1 million for FY2016 Q3 was mainly due to fair value gain of \$1.4 million on re-measurement of its acquisition from 20% to 49% in Raffles College of Higher Education Sdn. Bhd. ("RKL"). The effect of this acquisition has been disclosed on page 8 item 1(c). note 12.

The Company has the right to appoint majority of the directors on the board of directors in RKL, therefore RKL has been accounted for as a subsidiary.

The conditional purchase of additional 21% shareholding in RKL is still subject to approval from the Ministry of Education of Malaysia (Refer to the announcement "The acquisition of up to an additional 50% of the issued share capital in Raffles College of Higher Education Sdn. Bhd." on 4 February 2016).

- (3) Increase in finance costs from \$3.3 million for FY2015 Q3 to \$4.1 million for FY2016 Q3 was due to the increase in borrowings and higher interest rates.
- (4) Share of loss from joint ventures for FY2016 Q3 included share of unrealised exchange loss of \$0.7 million recorded by Value Vantage Pte Ltd ("VVPL") (FY2015 Q3: gain of \$3.4 million).

In FY2014, VVPL entered into an equity transfer agreement to dispose all of the equity interest in the registered capital of Value Vantage Investment and Management (Hangzhou) Co., Ltd. The sales consideration receivable outstanding as at 31 March 2015 and 31 March 2016 was RMB682 million and RMB382 million respectively. The significant unrealised exchange loss/gain was mainly due to the revaluation of this foreign currency receivable into VVPL's functional currency of Singapore dollars and Renminbi ("RMB") having depreciated about 2.0% during FY2016 Q3 (FY2015 Q3: appreciated about 4.4%).

- (5) Decrease in income tax expense from \$0.9 million in FY2015 Q3 to \$0.1 million in FY2016 Q3 was mainly due to reduction in provision of income tax.
- (6) The Group recorded \$18.2 million in currency translation loss arising from consolidation of foreign operations.

The currency translation loss arose mainly from the translation of Oriental University City Limited ("OUCL") and OUCHK (collectively "OUC") RMB2.2 billion net asset value as at 31 March 2016. RMB has depreciated about 2.0% during FY2016 Q3 resulting in OUC's translation loss of \$14.9 million.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION

- (7) Increase in property, plant and equipment ("PPE") from \$324.9 million in FY2015 ("ended 30 June 2015") to \$372.2 million in FY2016 Q3 ("ended 31 March 2016") was mainly due to:

- a) additions of \$40.3 million, mainly from:
- (i) construction work in progress of \$31.7 million for Raffles American School ("RAS") in Iskandar, Malaysia;
 - (ii) payment of \$3.0 million by Wanbo College for the balance purchase consideration of land for the upgrading of the college to University status;
 - (iii) balance purchase consideration of \$3.8 million for land and building in Siviez, Switzerland to be used for teaching and student dormitories; and
- b) increase in PPE as a result of the acquisition of RKL by \$2.2 million (refer to item 8.2).
- c) reclassification of \$5.0 million advance payment mainly from prepayment for purchase of land by Wanbo College and purchase of land and building in Siviez.
- d) reclassification from investment properties ("IP") to owner occupied property of \$21.2 million used by Raffles Bangkok (refer to item 8.8.b).

Increase was mainly offset by:

- e) depreciation charge of \$7.6 million;
- f) reclassification from PPE to IP of \$5.2 million (refer to item 8.8.c) relating to the land in Sri Lanka which is pending development; and
- g) loss on foreign currency translation of \$8.4 million.

- (8) Decrease in IP from \$416.4 million in FY2015 to \$388.0 million in FY2016 Q3 was mainly due to:

- a) loss on foreign currency translation of \$15.6 million; and
- b) reclassification from IP to PPE of \$21.2 million (refer to item 8.7.d).

Decrease was partially offset by:

- c) reclassification from PPE to IP of \$5.2 million (refer to item 8.7.f);
- d) payment of \$2.6 million for construction of Raffles International College campus, Bangkok; and
- e) payment of \$0.6 million for construction of new student dormitories by OUCHK.

- (9) The increase in investment in associates and decrease in available-for-sale financial assets in FY2016 Q3 was due to reclassification of OUCHK's 19.9% equity interest in Axiom Properties Limited ("Axiom") from available-for-sale financial assets to investment in associates. OUCHK increased its equity interest in Axiom from 14.9% to 19.9% in FY2016 Q2 and was granted a board seat and can exercise significant influence over the finance and operating policy of Axiom. As such, Axiom has been accounted as associate.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

- (10) Non-current other receivable of \$11.0 million in FY2015 reclassified to current receivable in FY2016 Q2:

This relates to prepayment for the purchase of land by Tianjin University of Commerce Boustead College ("BCT"). Both BCT and seller have mutually agreed to cancel the purchase and the seller will refund the prepayment (refer to item 8.11.a).

- (11) Breakdown of current trade and other receivables as follows:

	31/03/16 \$'000	30/06/15 \$'000
Trade receivables:		
Trade receivables	4,312	3,296
Less:		
Allowance for doubtful trade receivables	(149)	(155)
Trade receivables, net	4,163	3,141
Other receivables:		
Third parties ^(a)	36,532	24,822
Receivable from sale of interest in subsidiary ^(b)	-	18,284
Receivable from sale of investment properties ^(c)	57,685	104,855
Government grant receivables ^(d)	31,577	32,959
Prepayments	22,183	14,971
Deposits	7,541	5,654
Receivable from former joint venture	320	226
Joint ventures ^(e)	5,695	35,133
Associates	-	210
Tax recoverable	967	964
Others	1,362	379
	163,862	238,457
Total trade and other receivables	168,025	241,598

Notes to current trade and other receivables:

- a) Included short term loans to third parties of \$25.5 million (FY2015: \$24.5 million) and the refund receivable for the cancellation of purchase of land by BCT of \$11.0 million (refer to item 8.10).
- b) In July 2011, the Group completed the disposal of 50% equity interest in VVPL for a consideration of \$46 million to an unrelated third party and has since received the full amount.
- c) Decrease in the outstanding due from sale of investment properties in OUCL mainly due to \$41.5 million collection during this 9 months.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

Notes to current trade and other receivables (cont'd):

- d) The corresponding liabilities were recorded in other payables and income tax payable reflected in item 8.14.a) below.
- e) Decrease in amounts due from joint ventures mainly due to \$30 million dividend received from VVPL.

(12) Breakdown of current trade and other payables as follows:

	31/03/16 \$'000	30/06/15 \$'000
Trade payables (Current):		
Third parties	3,441	3,338
Other payables (Current):		
Associates	-	357
Other accruals	13,896	17,446
Accruals for indirect taxes and property-related expenses	2,997	2,915
Accruals for management fees	2,637	3,888
Accruals for capital expenditure	4,297	6,226
Accruals for car park demolition in OUCL	-	7,444
Amount due to joint venturers	-	16,200
Amount due to former related parties	-	2
Advance from third party	8,138	-
Purchase consideration for acquisition of subsidiary	2,695	-
Payable for land in Iskandar	8,710	9,127
Dividend payable to non-controlling interest in OUCHK	317	-
Other payables	2,310	2,352
	45,997	65,957
Total trade and other payables (Current)	49,438	69,295

- (13) Increase in course and education service deferred income from \$15.1 million in FY2015 to \$22.6 million in FY2016 Q3 mainly due to annual fee collections from students in NES segment and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue in FY2016 Q4.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

(14) Breakdown of income tax payable by entities as follows:

	31/03/16 \$'000	30/06/15 \$'000
OUC ^(a)	66,918	70,999
Others	420	1,502
Income tax payable	67,338	72,501

Note :

a) Provisions for income tax and other taxes in relation to land restructuring in OUC amounting to \$30.9 million, adjusted for foreign currency translation (FY2015: \$32.3 million). There is related grant receivable as reflected in item 8.11.d) above.

(15) Non-current trade and other payables mainly relates to amount payable for the purchase of:

- a) 65 acres of land for Raffles University Iskandar of \$20.6 million (FY2015: \$21.5 million); and
- b) 45 acres of land for RAS of \$19.5 million (FY2015: \$20.5 million).

(16) Decrease in borrowings from \$390.6 million in FY2015 to \$378.7 million in FY2016 Q3 mainly due to:

- a) repayment of \$80.0 million bonds;
- b) repayment of \$21.7 million in borrowings; and
- c) foreign currency translation gain of \$0.5 million.

Decrease was offset by:

- d) drawdown of \$28.5 million in borrowings for construction work of RAS in Iskandar, Malaysia;
- e) drawdown of \$3.6 million in borrowings to purchase land and building in Siviez, Switzerland;
- f) drawdown of \$18.1 million in borrowings for construction of Raffles International College, Bangkok;
- g) drawdown of \$31.0 million in borrowings for the payment of \$80.0 million bonds; and
- h) drawdown of \$8.6 million in borrowings for working capital.

Included in current borrowings are:

- i) Mortgage loan against 51 Merchant Road amounting to \$68.6 million which will mature in April 2016 (refer to item 8.17.a).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

- (17) Net current liabilities was mainly a result of the re-classification in FY2015 of non-current to current borrowings.

The Group:

- a) has refinanced the entire \$68.6 million mortgage loan in April 2016 and the aforementioned loan will be reclassified to non-current borrowings in FY2016 Q4 (refer to item 8.16.i).
- b) will also refinance a \$30.0 million revolving loan with a 3 year term loan on 17 May 2016 and the loan will be reclassified to non-current borrowings in FY2016 Q4.

Total refinance amounts above is \$98.6 million.

- (18) Non-controlling interests as at 31 March 2016 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (19) Net cash used in operating activities amounted to \$12.3 million.

- (20) Major contributors of cash inflows were:

- a) proceeds from disposal of 50% equity interest in VVPL of \$2.1 million;
- b) proceeds from sale of investment properties of \$21.7 million (partial proceeds of 499 mu land sale);
- c) dividend received from joint venture of \$41.4 million; and
- d) drawdown of borrowings of \$60.3 million.

- (21) Major cash outflows were for:

- a) purchase of property, plant and equipment of \$16.6 million of which RAS accounts for \$16 million;
- b) the repayment of borrowings of \$97.5 million consisting mainly of:
 - (i) \$80.0 million bonds;
 - (ii) \$12.1 million of Mortgage loan against 51 Merchant Road; and
 - (iii) \$4.9 million borrowings for the construction of Raffles International College, Bangkok.
- c) repurchase of shares of \$2.0 million pursuant to the Share Purchase Mandate.

- (22) The Group's cash position was \$77.3 million at the end of FY2016 Q3 (FY2015: \$80.9 million).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 31 December 2015.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The unfavorable macroeconomic conditions in the world, especially in the region and PRC, currency volatility and uncertain global interest rate movements are creating new challenges for the Group.

The Group is facing an increasingly challenging operating environment from keen competition, higher manpower costs, a more stringent regulatory environment which are expected to have an adverse effect on the Group's operations.

The Group will also seek opportunities in new territories.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the current financial period.

13. If the Company has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual. If no IPT mandate has been obtained, a statement to that effect

Not applicable as The Group does not have in place a general mandate for interested person transactions.

14. Negative assurance confirmation pursuant to Rule 705(5) of the Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the three months ended 31 March 2016 to be false or misleading in any material aspect. A statement signed by two directors is on record.

15. Confirmation that the company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual

The Board confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

17. A breakdown of sales

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

BY ORDER OF THE BOARD

**Chew Hua Seng
Chairman
11 May 2016**