

Financial Statements for the Financial Year Ended 30 June 2012

**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 FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2012 \$'000	2011 \$'000	Increase/ (Decrease) %
Revenue	131,135	146,353	(10)
Other operating income	126,581	5,072	2396
Personnel expenses	(54,758)	(57,764)	(5)
Depreciation and amortisation expenses	(19,521)	(16,181)	21
Other operating expenses	(120,184)	(67,906)	77
Fair value (loss)/gain on investment properties	(6,327)	76,795	NM
Impairment of goodwill	(51,634)	(4,648)	1011
Finance costs	(16,008)	(11,382)	41
Share of results of associates	361	360	-
(Loss)/profit before income tax	(10,355)	70,699	NM
Income tax expense	(61,508)	(25,006)	146
(Loss)/profit after tax from continuing operations	(71,863)	45,693	NM
Discontinued operations			
(Loss)/profit after tax from discontinued operations	(12,955)	5,578	NM
Net loss/(profit)	(84,818)	51,271	NM
Other comprehensive income:			
Revaluation gain on transferring owner occupied property to investment property	1,549	-	NM
Currency translation differences arising from consolidation of foreign operations	18,547	(31,988)	NM
Total comprehensive (loss)/income	(64,722)	19,283	NM
Attributable to:			
Equity holders of the Company	(76,756)	41,917	NM
Non-controlling interests	(8,062)	9,354	NM
Net (loss)/profit	(84,818)	51,271	NM
Attributable to:			
Equity holders of the Company	(59,286)	13,201	NM
Non-controlling interests	(5,436)	6,082	NM
Total comprehensive (loss)/income	(64,722)	19,283	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 UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2012 \$'000	2011 \$'000	Increase/ (Decrease) %
<u>Continuing operations</u>			
Interest income ^{1,2}	1,736	880	97
Government grant ¹	90,140	-	NM
Gain on disposal of available-for sale financial assets ¹	8,856	-	NM
Gain on disposal of interests in subsidiaries ¹	15,964	131	12086
Write back / (allowance) for doubtful trade receivables ³	(306)	2,749	NM
Bad trade receivables written off ³	(229)	(554)	(59)
Foreign exchange gain/(loss), net	2,412	(3,885)	NM
Rental expenses ³	(12,019)	(12,327)	(2)
Share-based payments ⁴	(357)	(293)	22
Amortisation of finance charge on non-current payables ⁵	(10,359)	(4,970)	108
Deferred tax (reversal) provision for fair value gain on investment properties ⁶	17,463	(19,199)	NM
Under provision of income tax expense in prior financial years ⁶	(10,408)	(540)	1827

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of \$889,000 (FY2011: Nil)

³ included in other operating expenses

⁴ included in personnel expenses

⁵ included in finance cost

⁶ included in income tax expense, see commentary in note 8 on page 10

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 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Non-current assets				
Property, plant and equipment	169,379	163,147	-	-
Investment properties	411,821	592,548	-	-
Investment in subsidiaries	-	-	301,152	363,932
Investment in associates	1,262	1,242	-	-
Investment in available-for-sale financial assets	609	4,411	-	-
Intangible assets	131,609	205,161	172	191
Other receivable	21,888			
	736,568	966,509	301,324	364,123
Current assets				
Inventories	128	122	-	-
Trade and other receivables	135,239	77,068	274,391	238,913
Cash and cash equivalents	42,143	64,768	111	1,227
	177,510	141,958	274,502	240,140
Assets classified as held for sale	255,847	27,391	-	-
	433,357	169,349	274,502	240,140
Less:				
Current liabilities				
Trade and other payables	289,508	69,557	67,934	54,237
Course and education service deferred income	15,405	11,583	-	-
Income tax payable	79,687	10,989	1,543	708
Borrowings	167,960	164,370	140,000	132,000
	552,560	256,499	209,477	186,945
Net current (liabilities)/assets	(119,203)	(87,150)	65,025	53,195
Less:				
Non-current liabilities				
Trade and other payables	24,613	185,458	-	-
Borrowings	47,450	66,394	-	-
Deferred tax liabilities	3,975	20,758	-	-
	76,038	272,610	-	-
Net assets	541,327	606,749	366,349	417,318
Capital and reserves				
Share capital	458,079	458,079	458,079	458,079
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	63,713	125,198	(70,347)	(19,378)
Equity attributable to equity holders of the Company	500,409	561,894	366,349	417,318
Non-controlling interests	40,918	44,855	-	-
	541,327	606,749	366,349	417,318

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

GROUP BORROWINGS AND DEBT SECURITIES AS AT 30 JUNE	Group	
	2012 \$'000	2011 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured	3,600	9,354
Unsecured	164,360	155,016
	167,960	164,370
<u>Amount repayable after one year:</u>		
Secured	47,450	66,394
Total borrowings	215,410	230,764

Details of collateral

The bank borrowings were secured by letter of guarantee by the Group and certain properties in the Group.

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 FOR YEAR ENDED 30 JUNE	2012 \$'000	2011 \$'000
Cash flows from operating activities		
(Loss)/profit before income tax from continuing operations	(10,355)	70,699
(Loss)/profit before income tax from discontinued operations	(12,985)	5,910
	(23,340)	76,609
Adjustments for:		
Allowance/(write back) for doubtful trade receivables	306	(2,749)
Bad trade receivables written off	353	554
Amortisation of intangible assets	2,619	1,869
Depreciation for property, plant and equipment	17,108	14,557
Gain on disposal of interest in subsidiaries#	(15,964)	(131)
Gain on disposal of available-for-sale financial assets	(8,856)	-
Fair value loss/(gain) on investment properties	6,327	(76,795)
Impairment on investment properties	-	51
Loss on exchange of land	-	170
Net loss on disposal of plant and equipment	174	15
Property, plant and equipment written down	46	-
Impairment of goodwill	58,978	4,648
Interest expense	16,008	11,382
Interest income	(1,864)	(1,332)
Share of results of associates	(361)	(360)
Share-based payments	357	293
Operating profit before working capital changes	51,891	28,781
Working capital changes:		
Trade and other receivables	(94,326)	9,292
Inventories	(6)	402
Course fees and management fees received in advance	3,823	2,568
Trade and other payables	69,076	1,220
Cash generated from operations	30,458	42,263
Interest paid	(5,648)	(5,015)
Interest received	975	1,332
Income and withholding tax paid	(12,017)	(9,031)
Net cash from operating activities	13,768	29,549
Cash flows from investing activities		
Proceeds from sale of plant and equipment	234	28
Proceeds from sale of available-for-sale financial assets	12,836	-
Deposit from disposal of interest in subsidiaries	-	9,590
Disposal of interest in subsidiaries, net of cash disposed off #	(1,629)	3,783
Advance payment for development cost of new projects	(751)	-
Deposits from disposal of investment properties	17,507	-
Purchases of property, plant and equipment	(19,673)	(29,133)
Payment of remaining purchase consideration for acquisition of subsidiaries	(20,895)	(25,716)
Acquisition of investment properties	-	(68,140)
Acquisition of non-controlling interest	(43)	-
Additions of development costs	(2,474)	(1,987)
Additions of computer software	(428)	(500)
Additions of trademarks	(35)	(64)
Investment in available-for-sale financial asset	(1)	(9)
Investment in subsidiary by non-controlling interests	2,172	42
Dividends received from associate	341	362
Net cash used in investing activities	(12,839)	(111,744)

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 FOR YEAR ENDED 30 JUNE (CONT'D)	2012 \$'000	2011 \$'000
Cash flows from financing activities		
Purchase of treasury shares	-	(4,585)
Draw down of borrowings	18,000	54,920
Draw down of long term mortgage borrowing facility for investment properties financing	-	54,650
Repayment of borrowings	(35,490)	(46,680)
Dividend payments to non-controlling interests	-	(2,527)
Dividend payments to equity holders of the Company	(3,845)	(3,845)
Scrip dividends to equity holders of the Company	-	-
Net cash (used in)/ from financing activities	(21,335)	51,933
Net change in cash and cash equivalents	(20,406)	(30,262)
Cash and cash equivalents at beginning of financial year	64,768	101,638
Effect of exchange rate changes on cash and cash equivalents	(2,219)	(6,608)
Cash and cash equivalents at end of financial year	42,143	64,768

The carrying amount of the identifiable assets and liabilities of the subsidiaries as at the date of disposal were as follows:

Disposal of subsidiaries	2012 \$'000	2011 \$'000
Non-current assets	26,796	6,095
Current assets	6,971	6,621
Current liabilities	(1,550)	(2,397)
Non-controlling interests	(596)	-
Reserves	1,254	(30)
Net assets disposed	32,875	10,289
Purchase consideration outstanding to vendor waived	-	(4,912)
	32,875	5,377
Gain on disposal	15,964	131
Proceeds receivable from buyer	(48,161)	-
Cash received	575	-
Cash disposed	(2,882)	(1,725)
Disposal of interest in subsidiaries, net of cash disposed	(1,629)	3,783

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	Share options	Accumulated profits	Total		
				currency translation reserve					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2012									
Balance at 1 July 2011	458,079	(21,383)	-	(30,332)	2,089	153,441	561,894	44,855	606,749
Total comprehensive income	-	-	1,255	16,215	-	(76,756)	(59,286)	(5,436)	(64,722)
Share-based payments	-	-	-	-	357	-	357	-	357
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	-	-	(42)	(42)
Acquisition interest by NCI	-	-	-	104	-	(69)	35	2,137	2,172
Disposal of subsidiary	-	-	-	1,254	-	-	1,254	(596)	658
Dividends	-	-	-	-	-	(3,845)	(3,845)	-	(3,845)
Balance at 30 June 2012	458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
2011									
Balance at 1 July 2010	458,079	(16,798)	-	(1,628)	1,796	110,425	551,874	46,244	598,118
Total comprehensive income	-	-	-	(28,716)	-	41,917	13,201	6,082	19,283
Share-based payments	-	-	-	-	293	-	293	-	293
Repurchase of shares	-	(4,585)	-	-	-	-	(4,585)	-	(4,585)
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	4,986	4,986	(4,986)	-
Investment in subsidiary	-	-	-	-	-	-	-	42	42
Disposal of subsidiary	-	-	-	(30)	-	-	(30)	-	(30)
Transfer	-	-	-	42	-	(42)	-	-	-
Dividends	-	-	-	-	-	(3,845)	(3,845)	(2,527)	(6,372)
Balance at 30 June 2011	458,079	(21,383)	-	(30,332)	2,089	153,441	561,894	44,855	606,749

COMPANY	Share capital	Treasury shares	Share options	Accumulated losses	Total
	reserves	reserves	reserves	reserves	reserves
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	458,079	(21,383)	2,089	(21,467)	417,318
Total comprehensive income	-	-	-	(47,481)	(47,481)
Share-based payments	-	-	357	-	357
Repurchase of shares	-	-	-	-	-
Dividends	-	-	-	(3,845)	(3,845)
Balance at 30 June 2012	458,079	(21,383)	2,446	(72,793)	366,349
Balance at 1 July 2010	458,079	(16,798)	1,796	(22,116)	420,961
Total comprehensive income	-	-	-	4,494	4,494
Share-based payments	-	-	293	-	293
Repurchase of shares	-	(4,585)	-	-	(4,585)
Dividends	-	-	-	(3,845)	(3,845)
Balance at 30 June 2011	458,079	(21,383)	2,089	(21,467)	417,318

- 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 year ended 30 June 2012, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2012, the company has 874,401,361 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

SHARE OPTIONS

As at 30 June 2012, there was unexercised share option for 4,197,893 (30 June 2011: 4,940,865) unissued ordinary shares under the Raffles Education Corp Employees' Share Option Scheme.

TREASURY SHARES

As at 30 June 2012, there were 19,932,000 treasury shares (30 June 2011: 19,932,000).

- 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 (excluding treasury shares) was 854,469,361 as at 30 June 2012 and 30 June 2011.

- 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 year ended 30 June 2012.

- 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 2011.

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 or after 1 July 2011. 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)

EPS based on net profit attributable to shareholders of the Group for financial year ended 30 June	Group		Change +/- %
	2012	2011	
(i) Based on the weighted average number of shares (in cents)	-8.98	4.89	NM
- Weighted average number of shares	854,469,361	856,666,348	
(ii) On a fully diluted basis (in cents)	-8.98	4.89	NM
- Adjusted weighted average number of shares	854,470,916	856,700,155	

EPS based on net profit from continuing operations attributable to shareholders of the Group for financial year ended 30 June	Group		Change +/- %
	2012	2011	
(i) Based on the weighted average number of shares (in cents)	-7.47	4.24	NM
- Weighted average number of shares	854,469,361	856,666,348	
(ii) On a fully diluted basis (in cents)	-7.47	4.24	NM
- Adjusted weighted average number of shares	854,470,916	856,700,155	

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)

For financial year ended 30 June (in cents)	Group		Change +/- %	Company		Change +/- %
	2012	2011		2012	2011	
NAV per ordinary share	58.56	65.76	(10.9)	42.87	48.84	(12.2)

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 COMPREHENSIVE INCOME

1. Group's revenue decreased by 10% from \$146.4 million in FY2011 to \$131.1 million in FY2012 taking into account the following:
 - A) Increase in Asia Pacific (Ex-People's Republic China "PRC") revenue by \$5.7 million from \$47.3 in FY2011 to \$53.0 million in FY2012.
 - B) Decrease in People's Republic of China ("PRC") revenue by \$20.9 million from \$99.1 million in FY2011 to \$78.2 million in FY2012 mainly due to:
 - i) Absence of contribution by Shaanxi Electronic Information Institute and 50% contribution from Zhongfa College following the disposal of 50% interest in Value Vantage Pte. Ltd. ("VVPL"); These two colleges contributed \$8.8 million in FY2011 and \$2.0 million in FY2012
 - ii) Lower enrolments in PRC's Private Education System ("PES") institutions due to:
 - a. the continuing decline in university-going students as a result of demographic changes because of the one-child policy;
 - b. increase in the overall acceptance rate into National Education System ("NES") universities and institutions; and
 - c. increasing number of students choosing to pursue higher education overseas.
 - C) The revenue from the colleges in Vietnam has been excluded in both the comparative and current year amounting to \$6.9 million (FY2011: \$11.2 million). The loss from discontinued operations has been reflected in paragraph 8 item 9.
2. The increase in other operating income from \$5.1 million for FY2011 to \$126.6 million for FY2012 was mainly due to:
 - A) Government grant receivable of \$90.1 million from Langfang Development Zone Treasury Authority to offset the cost arising from the restructuring of land according to the town planning requirements of the local government in Oriental University City ("OUC"). The cost was recorded in other operating expenses and income tax expenses as discussed in paragraph 8 item 4A) below;
 - B) Gain of \$16.0 million on sale of 50% equity interest in Value Vantage Pte. Ltd., and 50% equity interest in Raffles-Wuhan Design Institute during the year; and
 - C) Gain of \$8.9 million on disposal of an available-for-sale financial assets in an unquoted equity interests acquired as part of the previous acquisition of OUC.
3. Personnel expenses decreased from \$57.8 million in FY2011 to \$54.8 million in FY2012.

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 COMPREHENSIVE INCOME
(CONT'D)**

4. Increase in other operating expenses from \$67.9 million for FY2011 to \$120.2 million for FY 2012 is due to the following:
- A) Provision for land restructuring cost in OUC which include revenue tax, stamp duty and deed tax amounting to \$39.7 million; a further provision of \$50.4 million was recorded in income tax expense in paragraph 8 item 8. The total of these is \$90.1 million which will be recoverable from the Langfang Development Zone Treasury Authority as reflected in paragraph 8 item 2A) above; and
 - B) Compensation to tenants in OUC amounting to \$6.9 million for early termination of tenancy agreement, in relation to the sale of 670mu land and properties thereon, as announced previously.
5. Fair value net loss of \$6.3 million (FY2011: \$76.8 million gain) was recognized in FY 2012 and includes :
- A) the fair value loss of \$50.6 million in relation to the proposed disposal of 670 mu land and properties thereon which OUC has agreed to sell to Langfang Fenghe International Golf Club Co., Ltd, subject to shareholders' approval during the Extraordinary General Meeting to be convened on 31 August 2012;

The proposed disposal of 670 mu land and properties thereon are non-core assets of the Group, and the divestment of which is in line with the Group's intention to streamline its assets and realise returns on investments in the Oriental University City for redeployment into the core education business of the Group.

This transaction is also expected to significantly strengthen the Group's financial position as :

- i) the outstanding balance of purchase consideration payable for OUC amounting to \$130.9 million will be fully settled during the financial year ending 30 June 2013;
 - ii) the Group has received \$24.6 million as reflected in paragraph 8 item 19C) below; and
 - iii) the Group will also realise cash amounting to \$59.3 million during the financial year ending 30 June 2013, which the Group can re-invest into its education business.
- B) \$33.6 million gain from the other investment properties in OUC;
 - C) \$2.8 million gain from the land in Iskandar; and
 - D) \$7.9 million gain from Merchant Square in Singapore.

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 COMPREHENSIVE INCOME
(CONT'D)**

6. Impairment of goodwill consists mainly of goodwill arising from previous acquisition of Hartford Education Corporation Pte. Ltd. of \$43.1 million (a \$7.3 million goodwill impairment was included under loss from discontinued operations in relation to our college in Hanoi, Vietnam.
7. Increases in finance costs from \$11.4 million for FY2011 to \$16.0 million for FY2012 was mainly due to provision of the remaining amortization of finance charge for non-current purchase consideration in OUC.
8. The increase in income tax expense from \$25.0 million in FY2011 to \$61.5 million in FY2012 is mainly attributable to the :
- A) provision of tax amounting to \$50.4 million on land restructuring in OUC; and
 - B) provision of taxes for prior periods amounting to \$7.5 million relating to foreign sourced dividends as assessed by the Inland Revenue Authority of Singapore ("IRAS") during the year. Despite this provision, the Company is continuing to engage IRAS on this matter with assistance from its tax lawyers.
9. Loss from discontinued operations pertains to the results of subsidiaries in Vietnam ("Raffles Vietnam"). The current year loss includes goodwill impairment of \$7.3 million as discussed in paragraph 8 item 6. As disclosed in the Group's announcement on 16 March 2012, the Group has suspended operations in Vietnam.
10. The Group enjoyed a gain of \$18.5 million in currency translation differences arising from consolidation of foreign operations mainly due to the strengthening of Renminbi against Singapore Dollar as the presentation currency of the Group is in Singapore dollar.
11. Non-controlling interests represent mainly the non-controlling shareholders' share of loss in OUC.

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

12. Property, plant and equipment ("PPE") increased from \$163.1 million in FY2011 ("ended 30 June 2011") to \$169.4 million in FY2012 ("ended 30 June 2012") mainly due to:

- A) reclassification from investment property of \$31.4 million ;
- B) net addition of PPE of \$46.1 million for the financial year;
- C) foreign currency translation gain of \$4.8 million.

The increase was partially offset by reclassification to investment properties of \$15.3 million in OUC and \$17.9 million in Raffles Iskandar, reclassification to assets held for sale of \$26.8 million by VVPL and depreciation charge of \$17.1 million.

13. The decrease for investment properties from \$592.5 million in FY2011 to \$411.8 million in FY2012 was mainly due to:

- A) reclassification to assets held for sale of \$214.8 million by OUC;
- B) transfer to PPE from investment properties of \$31.4 million; and
- C) fair value net loss to investment properties of \$6.3 million, refer paragraph 8 item 5 for breakdown.

The decrease was partially offset by the reclassification from PPE to investment properties of \$33.2 million, foreign currency translation gain of \$29.1 million and reclassification from prepayment to investment property of the land in Thailand for \$9.5 million.

14. Available-for-sale financial assets decreased from \$4.4 million to \$0.6 million as a result of the disposal of the unquoted equity interests acquired as part of the previous acquisition of OUC.

15. Intangible assets decreased from \$205.2 million in FY2011 to \$131.6 million mainly due to impairment of goodwill of \$59.0 million as explained in paragraph 8 item 6.

16. Non-current other receivable of \$21.9 million relates to receivable on sale of 50% equity interest in VVPL which is due in FY 2014. Another \$13.4 million which is due in FY2013 was recorded in the current other receivable.

17. Current trade and other receivables increased from \$77.1 million in FY2011 to \$135.2 million in FY2012 mainly due to:

- a) government grant receivable of \$92.0 million from Langfang Development Zone Treasury Authority to offset the cost arising from the restructuring of land according to the town planning requirements of the local government in OUC;
- b) \$13.4 million receivable in relation to sale of 50% equity interest in VVPL; and
- c) reduction of \$25.5 million by offsetting the receivable from the previous owner of OUC with the outstanding purchase consideration due to them.

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)

18. Assets classified as held for sale of \$255.8 million in FY2012 mainly relates to the 670 mu land and properties thereon in OUC, currently pending for shareholder's approval.
19. Trade and other payables increased from \$69.6 million in FY2011 to \$289.5 million in FY2012 mainly due to:
- a) reclassification of \$130.9 million from non-current portion of the outstanding balance of purchase consideration payable for OUC,
 - b) provision for land restructuring cost in OUC which include revenue tax, stamp duty and deed tax amounting to \$40.5 million; and
 - c) \$24.6 million of deposit received from Langfang International Golf Club for the proposed disposal of 670 mu land and properties thereon in OUC.
20. Income tax payable increased from \$11.0 million in FY2011 to \$79.7 million in FY2012 mainly due to the provision of income tax in relation to land restructuring in OUC.
21. Current borrowings increased from \$164.3 million in FY2011 to \$168.0 million in FY2012 mainly due to draw down of \$18.0 million, partially offset by repayment of \$16.0 million and translation loss of \$1.6 million.
22. The decrease in non-current trade and other payables from \$185.5 million in FY2011 to \$24.6 million in FY2012 was mainly due to the repayment of \$20.9 million and reclassification of \$130.9 million to current trade and other payables for the remaining balance of purchase consideration of OUC.
23. The decrease in non-current borrowings from \$66.4 million in FY2011 to \$47.5 million in FY2012 was mainly due to the \$19.5 million repayment during the year.
24. Deferred tax liabilities decreased to \$4.0 million in FY2012 as compared to \$20.8 million in FY2011, mainly due to movement of deferred tax arising from the fair value on investment properties in OUC.
25. Non-controlling interests as at 30 June 2012 represent mainly the non-controlling shareholders' equity interests in OUC.

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 CASHFLOWS

26. Net cash from operating activities amounted to \$13.8 million.
27. Major cash outflows were for the repayment of borrowings \$35.5 million, payment of purchase consideration for previous acquisition of subsidiaries of \$20.9 million, purchase of property, plant and equipment of \$19.6 million, and dividend payments to shareholders of \$3.8 million.
28. Major cash inflows came from the draw down of borrowings of \$18.0 million, deposit of \$17.5 million received in relation to the sale of land and properties in Langfang, and proceeds from sale of available-for-sale assets of \$12.8 million.

Subject to shareholders' approval during the Extraordinary General Meeting to be convened on 31 August 2012, the Group will realise cash amounting to \$59.3 million from the sale of 670mu land during the financial year ending 30 June 2013, which the Group can re-invest into its education business. Refer to paragraph 8 item 5A).

29. The Group's cash position is \$42.1 million at the end of FY2012 (FY2011: \$64.8 million).

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

Not applicable.

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 Group has seen its PRC revenue declining and is expected to continue to be affected by the challenging operating conditions in PRC.

Following the suspension of operations in Vietnam, the Group has processed the transfer of over 400 students to the Group's other colleges in Singapore, Sydney and Phnom Penh.

Despite these, the Group is seeing some positive outcome of its expansion strategy in the Asia Pacific (Ex-PRC) region.

The launch of Raffles University Iskandar ("RUI") and Raffles American School ("RAS") in July 2012 demonstrate the Group's focused efforts to grow its education business. RUI as a full-fledged university, raises the profile of the Group. The formation of RAS marks the Group's entry into the international school business and opens a new demographic market for the Group.

As and when the opportunity arises, the Group will continue to divest its non-core assets to realize returns on investments for redeployment into our core education business.

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?

Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	0.45 cents per ordinary share under one-tier system
Tax Rate	Tax exempt

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPT), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained any general mandate from its shareholders for interested party transactions.

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

14. 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

14 (a)(i) Business Segments

2012

	Private Education System \$'000	National Education System \$'000	OUC Assets & Education Management \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	77,967	26,812	24,948	1,408	131,135
Inter-segment revenue	3,712	73	-	55,299	59,084
Interest income	323	501	20	892	1,736
Fair value (loss)/gain on investment properties	-	-	(16,976)	10,649	(6,327)
Finance cost	(7)	-	(10,915)	(5,086)	(16,008)
Depreciation and Amortization	(5,579)	(3,640)	(7,676)	(2,626)	(19,521)
Impairment of goodwill	(49,652)	-	(1,977)	(5)	(51,634)
Reportable segment profit/(loss) before income tax	(37,550)	8,516	8,166	10,513	(10,355)
Share of results from Associates	(22)	-	-	383	361
Net profit/(loss) from continuing operations for the financial year	(41,462)	8,460	(41,507)	2,646	(71,863)
<u>Other information:</u>					
Additions to property, plant and equipment	14,540	26,546	906	4,127	46,119
Additions to investment Properties	-	-	-	9,474	9,474
Additions to intangibles	300	-	-	2,636	2,936
Additions to goodwill	-	-	-	-	-
Investment in associates	1,002	-	-	260	1,262
Segment assets	32,962	124,018	675,367	161,864	994,211
Segment liabilities	(44,596)	(4,731)	(243,702)	(251,908)	(544,937)

14. 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 (Cont'd)

14 (a)(i) Business Segments (Cont'd)

2011	Private Education System \$'000	National Education System \$'000	OUC Assets & Education Management \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external customers	87,263	32,681	25,786	623	146,353
Inter-segment revenue	5,949	12,401	-	58,990	77,340
Interest income	354	526	-	-	880
Fair value gain on investment properties	-	-	76,795	-	76,795
Finance cost	(37)	-	(8,367)	(2,978)	(11,382)
Depreciation and amortisation	(4,527)	(4,600)	(5,264)	(1,790)	(16,181)
Impairment of goodwill	(3,461)	(1,187)	-	-	(4,648)
Impairment of property, plant and equipment	-	-	-	-	-
Reportable segment profit/(loss) before income tax	9,533	9,343	69,117	(17,294)	70,699
Share of results from associates	(45)	-	-	405	360
Net profit/(loss) from continuing operations for the financial year	7,082	8,255	49,454	(19,098)	45,693
Other information:					
Additions to property, plant and equipment	4,510	3,232	9,394	36,140	53,276
Additions to investment properties	-	-	28,135	67,118	95,253
Additions to intangibles	465	-	-	2,544	3,009
Additions to goodwill	-	-	-	-	-
Investment in associates	1,025	-	-	217	1,242
Segment assets	46,179	110,674	598,898	108,343	864,094
Segment liabilities	(30,672)	(3,785)	(214,577)	(248,328)	(497,362)

14 (a)(ii) Geographical segments

	Asean S\$'000	North Asia S\$'000	South Asia S\$'000	Australasia S\$'000	Total S\$'000
2012					
Total revenue from external customers	29,453	79,736	6,459	15,487	131,135
Non-current assets	156,984	543,766	23,919	11,290	735,959
2011					
Total revenue from external customers	25,827	100,477	5,069	14,980	146,353
Non-current assets	170,301	765,850	14,914	11,033	962,098

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

The percentage of turnover in FY2012 for Private Education System (“PES”), National Education System (“NES”) and OUC is approximately 60.1% (FY2011: 60.0%), 20.7% (FY2011: 22.4%) and 19.2% (FY2011: 17.6) respectively.

Earnings for PES and OUC segments suffered a loss in FY2012 mainly due to impairment of goodwill and fair value loss on investment properties respectively. NES segment earning has remained stable.

Turnover from Asean, South Asia and Australasia increased in FY2012 as compared to FY2011 despite the overall drop for the group due to higher student enrollment.

16. A breakdown of sales

	Group		Increase/ (Decrease) %
	30/06/12	30/06/11	
	S\$'000	S\$'000	
(a) Sales reported for first half year	65,220	77,550	(16)
(b) Profit after tax reported for first half year	20,881	5,517	278
(c) Sales reported for second half year	65,915	68,803	(4)
(d) (Loss)/profit after tax reported for second half year	(105,699)	45,754	NM

NM – Not meaningful

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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	4,272	7,690
Preference	0	0
Total:	4,272	7,690

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	43	Wife of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Education Corporation Limited ("REC")	Director of Operation of Raffles Design Institute Pte Ltd and Raffles School of Business Pte Ltd since 2009:	Nil

BY ORDER OF THE BOARD

**Chew Hua Seng
Chairman
24 August 2012**