

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER
31 MARCH 2014

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/14 \$'000	9 months ended 31/03/13 \$'000	Increase/ (Decrease) %
Revenue	95,162	97,335	(2)
Other operating income	61,621	31,156	98
Personnel expenses	(41,048)	(43,345)	(5)
Depreciation and amortisation expenses	(11,772)	(11,020)	7
Other operating expenses	(45,993)	(60,243)	(24)
Fair value gain on investment properties	-	14,555	NM
Finance costs	(8,881)	(5,922)	50
Share of results of associates	63	178	(65)
Profit before income tax	49,152	22,694	117
Income tax expense	(18,933)	(6,046)	213
Profit after tax from continuing operations	30,219	16,648	82
Discontinued operations – Note A			
Profit/(loss) after tax from discontinued operations	82	(393)	NM
	30,301	16,255	86
Other comprehensive income:			
Revaluation gain on transferring owner occupied property to investment property	4,853	-	NM
Currency translation differences arising from consolidation of foreign operations	2,470	(5,823)	NM
Total comprehensive income	37,624	10,432	261
Attributable to:			
Equity holders of the Company	27,114	13,339	103
Non-controlling interests	3,187	2,916	9
Net profit	30,301	16,255	86
Attributable to:			
Equity holders of the Company	33,775	8,186	313
Non-controlling interests	3,849	2,246	71
Total comprehensive income	37,624	10,432	261

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/14 \$'000	9 months ended 31/03/13 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ^{1,2}	789	1,260	(37)
Government grant ¹	5,929	7,303	(19)
Gain on divestment of investment properties ¹	46,050	18,308	152
Gain on disposal of interests in subsidiary ¹	-	19	NM
Foreign exchange gain ¹	2,539	2,414	5
Foreign exchange loss ³	(2,511)	(3,725)	(33)
Loss on divestment of investment properties ³	-	(60)	NM
Allowance for doubtful trade receivables ³	(19)	(269)	(93)
Bad trade receivables written off ³	(144)	(264)	(45)
Rental expenses ³	(7,723)	(8,933)	(14)
Share-based payments ⁴	-	(7)	NM
Amortisation of finance charge on non-current payables ⁵	(428)	(735)	(42)
(Under)over provision of income tax expense in prior periods	(284)	240	NM

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of \$nil (9MFY2013: \$684,000)

³ included in other operating expenses

⁴ included in personnel expenses

⁵ included in finance cost

Note A :

	Group	
	9 months ended 31/03/14 \$'000	9 months ended 31/03/13 \$'000
Discontinued operations		
Revenue	-	-
Other operating income	326	311
Expenses	(244)	(704)
Gain/(loss) before tax from discontinued operations	82	(393)
Income tax expense	-	-
Net gain/(loss) from discontinued operations	82	(393)

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)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	Third Quarter ended 31/03/14 \$'000	Third Quarter ended 31/03/13 \$'000	Increase/ (Decrease) %
Revenue	31,747	31,441	1
Other operating income	47,730	9,502	402
Personnel expenses	(14,829)	(14,809)	-
Depreciation and amortisation expenses	(3,853)	(3,771)	2
Other operating expenses	(15,281)	(15,822)	(3)
Fair value gain on investment properties	-	985	NM
Finance costs	(3,032)	(2,007)	51
Share of results of associates	8	43	(81)
Profit before income tax	42,490	5,562	664
Income tax expense	(15,871)	(1,651)	861
Profit after tax from continuing operations	26,619	3,911	581
Discontinued operations – Note B (Loss)/profit after tax from discontinued operations	(2)	239	NM
	26,617	4,150	541
Other comprehensive income:			
Currency translation differences arising from consolidation of foreign operations	1,156	11,604	(90)
Total comprehensive income	27,773	15,754	76
Attributable to:			
Equity holders of the Company	23,836	4,460	434
Non-controlling interests	2,781	(310)	NM
Net profit	26,617	4,150	541
Attributable to:			
Equity holders of the Company	24,978	14,956	67
Non-controlling interests	2,795	798	250
Total comprehensive income	27,773	15,754	76

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 THIRD QUARTER CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	Third Quarter ended 31/03/14 \$'000	Third Quarter ended 31/03/13 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ^{1,2}	237	389	(39)
Government grant ¹	-	7,303	NM
Gain on divestment of investment properties ¹	46,050	-	NM
Foreign exchange gain ¹	323	1,247	(74)
Foreign exchange loss ³	(180)	(244)	(26)
Loss on divestment of investment properties ³	-	(60)	NM
Allowance for doubtful trade receivables ³	-	(267)	NM
Bad trade receivables written off ³	(39)	(143)	(73)
Rental expenses ³	(2,495)	(3,004)	(17)
Amortisation of finance charge on non-current payables ⁴	(142)	(283)	(50)
Over provision of income tax expense in prior periods	109	216	(50)

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of \$nil (FY2013Q3: \$228,000)

³ included in other operating expenses

⁴ included in finance cost

Note B:

	Group	
	Third Quarter ended 31/03/14 \$'000	Third Quarter ended 31/03/13 \$'000
Discontinued operations		
Revenue	-	-
Other operating income	38	252
Expenses	(40)	(13)
(Loss)/profit before tax from discontinued operations	(2)	239
Income tax expense	-	-
Net (loss)/profit from discontinued operations	(2)	239

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	Group		Company	
	31/03/14 \$'000	30/06/13 \$'000	31/03/14 \$'000	30/06/13 \$'000
Non-current assets				
Property, plant and equipment	325,206	304,417	-	-
Investment properties	276,341	368,006	-	-
Investment in subsidiaries	-	-	423,872	300,031
Investment in associates	1,365	1,304	-	-
Available-for-sale financial assets	621	616	-	-
Intangible assets	127,689	129,037	130	157
Deferred tax assets	841	857	-	-
	732,063	804,237	424,002	300,188
Current assets				
Inventories	107	109	-	-
Trade and other receivables	247,738	151,741	235,076	286,606
Cash and cash equivalents	103,740	70,895	10,507	8,277
	351,585	222,745	245,583	294,883
Assets classified as held for sale	41,084	41,101	-	-
	392,669	263,846	245,583	294,883
Less:				
Current liabilities				
Trade and other payables	81,754	103,705	48,252	62,173
Course and education service deferred income	28,806	16,690	-	-
Income tax payable	79,866	50,486	421	421
Borrowings	117,300	47,736	112,500	19,000
	307,726	218,617	161,173	81,594
Net current assets	84,943	45,229	84,410	213,289
Less:				
Non-current liabilities				
Trade and other payables	45,451	46,363	-	-
Borrowings	177,291	178,517	128,368	127,962
Deferred tax liabilities	8,419	21,289	-	-
	231,161	246,169	128,368	127,962
Net assets	585,845	603,297	380,044	385,515
Capital and reserves				
Share capital	481,785	481,785	481,785	481,785
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	102,570	94,016	(80,358)	(74,887)
Equity attributable to equity holders of the Company	562,972	554,418	380,044	385,515
Non-controlling interests	22,873	48,879	-	-
	585,845	603,297	380,044	385,515

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

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	31/03/14 \$'000	30/06/13 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured	22,300	4,800
Unsecured	95,000	42,936
	117,300	47,736
<u>Amount repayable after one year:</u>		
Secured	48,923	50,555
Unsecured	128,368	127,962
	177,291	178,517
Total borrowings	294,591	226,253

Details of collateral

Bank borrowings of \$53,723,000 were secured by letter of guarantee by the Company and certain properties of the Group.

Bank borrowings of \$17,500,000 were secured by a standby letter of credit issued by a bank, which is secured by letter of guarantee from the Company.

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	Third Quarter ended 31/03/14 \$'000	Third Quarter ended 31/03/13 \$'000
Cash flows from operating activities		
Profit before income tax from continuing operations	42,490	5,562
(Loss)/profit before income tax from discontinued operations	(2)	239
	42,488	5,801
Adjustments for:		
Allowance/(write back) for doubtful debts	-	267
Amortisation of intangible assets	546	661
Bad trade receivables written off	39	143
Depreciation for property, plant and equipment	3,307	3,110
Fair value gain on investment properties	-	(985)
(Gain)/loss on divestment of investment properties	(46,050)	60
Interest expense	3,032	2,007
Interest income	(237)	(389)
Net loss on disposal of property, plant and equipment	12	33
Share of results of associates	(8)	(43)
Operating profit before working capital changes	3,129	10,665
Working capital changes:		
Trade and other receivables	(423)	(10,122)
Inventories	4	(10)
Course and education service deferred income	(9,935)	(10,593)
Trade and other payables	(161)	3,794
Cash use in from operations	(7,386)	(6,266)
Interest paid	(3,217)	(1,216)
Interest received	237	161
Income and withholding tax paid	(2,110)	(1,433)
Net cash used in operating activities	(12,476)	(8,754)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1	76
Advance payment for development cost of new projects	(1)	-
Acquisition of subsidiary#	(4,774)	-
Proceeds from sale of investment properties	41,593	23,821
Purchase of property, plant and equipment	(16,419)	(8,044)
Additions of investment properties	-	(9,424)
Additions of development costs	(167)	(157)
Reductions of computer software	-	182
Dividends received from associate	-	40
Net cash from investing activities	20,233	6,494

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 (cont'd)	Third Quarter ended 31/03/14 \$'000	Third Quarter ended 31/03/13 \$'000
Cash flows from financing activities		
Net proceeds from bonds issue	-	78,893
Draw down of borrowings	446	5,735
Repayment of borrowings	(1,200)	(60,500)
Net cash (used in)/from financing activities	(754)	24,128
Net change in cash and cash equivalents	7,003	21,868
Cash and cash equivalents at beginning of financial period	96,689	58,474
Net effect of exchange rate changes	48	1,488
Cash and cash equivalents at end of financial period	103,740	81,830

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

Acquisition of subsidiary	31/03/14 \$'000	31/03/13 \$'000
Non-current assets	4,954	-
Net assets acquired	4,954	-
Goodwill arising on consolidation	16	-
Consideration payable	4,970	-
Amount outstanding to vendor	(196)	-
Net cash outflow on acquisition of subsidiary	4,774	-

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 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			
						reserve	profits		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>FY2014</u>									
Balance at 1 January 2014	481,785	(21,383)	5,762	(7,703)	2,453	77,080	537,994	20,078	558,072
Total comprehensive income	-	-	-	1,142	-	23,836	24,978	2,795	27,773
Balance at 31 March 2014	481,785	(21,383)	5,762	(6,561)	2,453	100,916	562,972	22,873	585,845
<u>FY2013</u>									
Balance at 1 January 2013	481,785	(21,383)	1,255	(28,391)	2,453	78,509	514,228	41,325	555,553
Total comprehensive income	-	-	-	10,496	-	4,460	14,956	798	15,754
Balance at 31 March 2013	481,785	(21,383)	1,255	(17,895)	2,453	82,969	529,184	42,123	571,307

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated profits/(losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2014</u>				
Balance at 1 January 2014	481,785	(21,383)	2,453	(79,672)	383,183
Total comprehensive income	-	-	-	(3,139)	(3,139)
Balance at 31 March 2014	481,785	(21,383)	2,453	(82,811)	380,044
<u>FY2013</u>					
Balance at 1 January 2013	481,785	(21,383)	2,453	(69,116)	393,739
Total comprehensive income	-	-	-	5,861	5,861
Balance at 31 March 2013	481,785	(21,383)	2,453	(63,255)	399,600

- 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 2014, no ordinary shares were issued in respect of the conversion of share options.

As at 31 March 2014, the company has 1,045,295,233 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

SHARE OPTIONS

As at 31 March 2014, there was unexercised share option for 3,121,930 unissued ordinary shares (31 March 2013: 3,785,911) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 2014, there were 19,932,000 treasury shares (30 June 2013: 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 was 1,025,363,233 (excluding treasury shares) as at 31 March 2014 and 30 June 2013.

- 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 2014.

- 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 2013.

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 2013. 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

	Group		Change +/-) %
	Third Quarter ended 31/03/14	Third Quarter ended 31/03/13	
Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group			
i) Based on the weighted average number of shares (in cents)	2.32	0.43	440
- Weighted average number of shares	1,025,363,233	1,025,363,233	
ii) On a fully diluted basis (in cents)	2.32	0.43	440
- Adjusted weighted average number of shares	1,025,363,233	1,025,363,233	

	Group		Change +/-) %
	Third Quarter ended 31/03/14	Third Quarter ended 31/03/13	
EPS based on net profit from continuing operations attributable to shareholders of the Group			
i) Based on the weighted average number of shares (in cents)	2.32	0.41	466
- Weighted average number of shares	1,025,363,233	1,025,363,233	
ii) On a fully diluted basis (in cents)	2.32	0.41	466
- Adjusted weighted average number of shares	1,025,363,233	1,025,363,233	

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)

NET ASSET VALUE (NAV)	Group		Change +/(-) %	Company		Change +/(-) %
	31/03/14	30/06/13		31/03/14	30/06/13	
NAV per ordinary share	54.90	54.07	2	37.06	37.60	(1)

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 AND LOSS AND OTHER COMPREHENSIVE INCOME

Quarter ended 31 March 2014

- (1) Group revenue increased from \$31.4 million for FY2013 Q3 to \$31.7 million for FY2014 Q3 mainly due to a slight increase in PRC revenue.
- (2) The increase in other operating income from \$9.5 million for FY2013 Q3 to \$47.7 million for FY2014 Q3 was mainly due to a gain of \$46.1 million (before taxes) on divestment of investment properties of 490 mu land and properties in Oriental University City ("OUC").
- (3) Decrease in other operating expenses from \$15.8 million for FY2013 Q3 to \$15.3 million for FY 2014 Q3 is mainly due to decrease in rental expense.
- (4) Increase in finance costs from \$2.0 million for FY2013 Q3 to \$3.0 million for FY2014 Q3 was due to higher interest expense from bonds and higher borrowings.
- (5) Increase in income tax expense from \$1.7 million in FY2013 Q3 to \$15.9 million in FY2014 Q3 was mainly from the provision of tax expense on the gain on divestment of the 490 mu land and properties in OUC.
- (6) (Loss)/profit from discontinued operations pertains to the results of subsidiaries in Vietnam. The Group has suspended operations in Vietnam since December 2011.
- (7) Non-controlling interests represent mainly the non-controlling shareholder's share of profits 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

- (8) Property, plant and equipment ("PPE") increased from \$304.4 million in FY2013 ("ended 30 June 2013") to \$325.2 million in FY2014 Q3 ("ended 31 March 2014") due to:

a) Net additions of \$23.0 million mainly from the construction of :

- (i) 5 new blocks of student accommodations in OUC amounting to \$13.1 million;
- (ii) 2 new blocks of student accommodations in Tianjin University of Commerce Boustead College amounting to \$3.9 million;
- (iii) Bangna Campus for our college in Bangkok amounting to \$1.6 million;

b) \$4.7 million reclassified from prepayment;

c) revaluation gain of \$4.9 million on transferring PPE to investment property relating to (h) below.

d) acquisition of new subsidiary with the total value of property, plant and equipment of \$5.0 million.

The increase was partially offset by:

e) depreciation charge of \$10.2 million;

f) foreign currency translation loss of \$0.9 million;

g) disposal of property, plant and equipment of \$0.3 million; and

h) reclassification from PPE to investment properties of \$5.4 million in OUC.

- (9) The decrease of investment properties from \$368.0 million in FY2013 to \$276.3 million in FY2014 Q3 was mainly due to divestment of investment properties of 490 mu land and properties in OUC of \$99.5 million.

The decrease was offset by transfer from PPE to investment properties of \$5.4 million in OUC and foreign currency translation gain of \$2.4 million mainly arising from investment properties 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 (CONT'D)

(10) Current trade and other receivables increased from \$151.7 million in FY2013 to \$247.7 million in FY2014 Q3 mainly due to:

- a) receivable of \$93.2 million (equivalent to RMB450 million) by the divestment of 490 mu land and properties in OUC;

(Note:

Proceeds of the divestment of the land and properties was RMB700 million of which RMB250 million has been received to date.)

- b) deposit of \$10.4 million paid for the purchase of land by Tianjin University of Commerce Boustead College.
- c) the receivable for compensation of \$4.1 million confirmed by Langfang City Government, PRC, in October 2013 as Oriental University City ("OUC") had assumed certain liabilities on their behalf in prior years.

The increase was partially offset by the payment received amounting to \$28.0 million relating to the divestment of 670 mu land and properties in OUC.

Included in other receivable was a government grant receivable of \$34.1 million, adjusted for foreign currency translation, (FY2013: \$33.8 million) for land restructuring. The corresponding liabilities were recorded in other payables and income tax payable reflected in paragraph 8 point (12 Note) and (14) below.

(11) Assets classified as held for sale of \$41.1 million in FY2014 Q3 relates to the underlying assets of the remaining 50% equity interests in Value Vantage Pte. Ltd. (The Company has announced the disposal of these assets on 14 May 2014, for details please refer to the announcement titled "Disposal of Value Vantage (Hangzhou) Co., Ltd.").

(12) Current trade and other payables decreased from \$103.7 million in FY2013 to \$81.8 million in FY2014 Q3 mainly due to de-recognition of contractual commitments to increase in investment in OUC of \$26.2 million, as a result of the put option exercised by Khazanah Nasional Berhad ("Khazanah").

(Note :

Included in the other payables was \$2.1 million (FY2013: \$2.0 million) of revenue tax, stamp duty and deed tax payable in relation to land restructuring in OUC. There is a related grant receivable reflected in paragraph 8 point (10) above.)

(13) Course and education service deferred income increased from \$16.7 million in FY2013 to \$28.8 million in FY2014 Q3 mainly due to annual fee collections from students in NES (National Education System) segment and annual education service fees from colleges in OUC. These deferred income will be recognized as revenue in Q4 FY2014.

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) Income tax payable increased from \$50.5 million in FY2013 to \$79.9 million in FY2014 Q3 was mainly due to provision of tax expense on the gain on divestment of the 490 mu land and properties in OUC.

(Note:

Income tax payable included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$32.0 million, adjusted for foreign currency translation, (FY2013: \$31.8 million). There is related grant receivable reflected in paragraph 8 point (10) above.)

- (15) Current borrowings increased from \$47.7 million in FY2013 to \$117.3 million in FY2014 Q3 for purchase of 10% interest in OUC from Khazanah which was completed in FY2014 Q2.
- (16) Non-current trade and other payables mainly relates to amount payable for the purchase of 65 acres of land for Raffles University Iskandar and 45 acres of land for Raffles American School in Iskandar Economic Region, Johor, Malaysia.
- (17) Non-controlling interests as at 31 March 2014 represent mainly the non-controlling shareholder's equity interests in OUC. The decrease is due to purchase of 10% interest in OUC from Khazanah.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (18) Net cash outflow from operations amounted to \$12.4 million.
- (19) Other major cash outflows were for:
- a) payment of property, plant and equipment of \$16.4 million; and
 - b) payment of acquisition of subsidiary, Suzhou GeLin Kindergarten of \$4.8 million; and
 - c) the repayment to borrowings of \$1.2 million.
- (20) Major contributor of cash inflows was the proceeds from sale of investment properties of \$41.6 million and drawdown of borrowings of \$0.4 million.
- (21) The Group's cash position is \$103.7 million at the end of FY2014 Q3 (FY2013 Q3: \$81.8 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 college revenue stabilizing and the Group continues to see positive outcomes from implementing new transformational strategies in PRC.

The Group is also continuing to see positive outcomes from its expansion strategy in the Ex-PRC region.

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/recommendeded, a statement to that effect

No dividend has been declared for the current financial period.

13. 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 2014 to be false or misleading in any material aspect. A statement signed by two directors is on record.

**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

Not applicable.

15. A breakdown of sales

Not applicable.

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

Not applicable.

17. INTERESTED PARTY TRANSACTIONS

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 did not obtain any general mandate from its shareholders for interested party transactions.

BY ORDER OF THE BOARD

**Chew Hua Seng
Chairman
14 May 2014**