

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 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 HALF YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First half ended 31/12/14 \$'000	Restated* First half ended 31/12/13 \$'000	Increase/ (Decrease) %
Revenue	59,096	61,409	(4)
Other operating income	4,191	13,740	(69)
Personnel expenses	(22,322)	(24,473)	(9)
Depreciation and amortisation expenses^	(4,979)	(7,131)	(30)
Other operating expenses	(31,393)	(29,133)	8
Fair value loss on investment properties	(92)	-	NM
Finance costs	(6,165)	(5,849)	5
Share of results of joint ventures	3,204	(1,956)	NM
Share of results of associates	28	55	(49)
Profit before income tax	1,568	6,662	(76)
Income tax expense	(756)	(3,062)	(75)
Profit after tax from continuing operations	812	3,600	(77)
Discontinued operations – Note A			
Profit after tax from discontinued operations	-	84	NM
	812	3,684	(78)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Revaluation gain on transferring owner occupied property to investment property	-	4,853	NM
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	26,286	1,314	1900
Total comprehensive income	27,098	9,851	175
Attributable to:			
Equity holders of the Company	1,140	3,278	(65)
Non-controlling interests	(328)	406	NM
Net profit	812	3,684	(78)
Attributable to:			
Equity holders of the Company	25,425	8,797	189
Non-controlling interests	1,673	1,054	59
Total comprehensive income	27,098	9,851	175

NM – Not meaningful

* Refer to item 5.1

^ Refer to item 5.2

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 HALF YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First half ended 31/12/14 \$'000	Restated* First half ended 31/12/13 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ¹	484	566	(14)
Government grant ¹	-	5,929	NM
Compensation income ¹	-	4,048	NM
Foreign exchange gain ¹	2,792	2,215	26
Foreign exchange loss ²	(3,323)	(2,326)	43
Allowance for doubtful trade receivables ²	-	(19)	NM
Bad trade receivables written off ²	(105)	(103)	2
Rental expenses ²	(4,686)	(4,591)	2
Amortisation of finance charge on non-current payables ³	-	(286)	NM
Over/(under) provision of income tax expense in prior periods	577	(393)	NM

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in finance cost

Note A :

	Group	
	First half ended 31/12/14 \$'000	First half ended 31/12/13 \$'000
Discontinued operations		
Revenue	-	-
Other operating income	-	288
Expenses	-	(204)
Profit before tax from discontinued operations	-	84
Income tax expense	-	-
Net profit from discontinued operations	-	84

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	Item No.	Group		
		Second Quarter ended 31/12/14 \$'000	Restated* Second Quarter ended 31/12/13 \$'000	Increase/ (Decrease) %
Revenue	8.1	29,985	30,710	(2)
Other operating income	8.2	1,962	12,142	(84)
Personnel expenses		(11,230)	(11,511)	(2)
Depreciation and amortisation expenses^	8.3	(1,637)	(3,333)	(51)
Other operating expenses	8.4	(17,776)	(15,157)	17
Fair value loss on investment properties		(92)	-	NM
Finance costs		(3,166)	(3,105)	2
Share of results of joint ventures	8.5	3,224	(841)	NM
Share of results of associates		10	22	(55)
Profit before income tax		1,280	8,927	(86)
Income tax expense	8.6	(930)	(2,600)	(64)
Profit after tax from continuing operations		350	6,327	(94)
Discontinued operations – Note B				
Profit after tax from discontinued operations	8.7	-	282	NM
		350	6,609	(95)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.8	19,469	7,075	175
Total comprehensive income		19,819	13,684	45
Attributable to:				
Equity holders of the Company		431	5,844	(93)
Non-controlling interests		(81)	765	NM
Net profit		350	6,609	(95)
Attributable to:				
Equity holders of the Company		18,458	12,650	46
Non-controlling interests		1,361	1,034	32
Total comprehensive income		19,819	13,684	45

NM – Not meaningful

* Refer to item 5.1

^ Refer to item 5.2

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 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	Second Quarter ended 31/12/14 \$'000	Restated* Second Quarter ended 31/12/13 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ¹	275	252	9
Government grant ¹	-	5,929	NM
Compensation income ¹	-	4,048	NM
Foreign exchange gain ¹	1,134	1,376	(18)
Foreign exchange loss ²	(1,921)	(670)	187
Write back for doubtful trade receivables ²	-	40	NM
Bad trade receivables written off ²	(93)	(86)	8
Rental expenses ²	(2,372)	(2,292)	3
Amortisation of finance charge on non-current payables ³	-	(143)	NM
Over/(under) provision of income tax expense in prior periods	344	(393)	NM

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in finance cost

Note B:

Discontinued operations	Group	
	Second Quarter ended 31/12/14 \$'000	Second Quarter ended 31/12/13 \$'000
Revenue	-	-
Other operating income	-	282
Expenses	-	-
Profit before tax from discontinued operations	-	282
Income tax expense	-	-
Net profit from discontinued operations	-	282

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	
		31/12/14 \$'000	Restated* 30/06/14 \$'000	31/12/14 \$'000	30/06/14 \$'000
Non-current assets					
Property, plant and equipment	8.9	307,850	290,157	-	-
Investment properties	8.10	344,553	301,943	-	-
Investment in subsidiaries		-	-	426,554	426,549
Investment in joint ventures		69,932	66,828	-	-
Investment in associates		1,413	1,432	-	-
Available-for-sale financial assets		643	610	-	-
Intangible assets		115,107	115,755	120	128
Deferred tax assets		554	755	-	-
Other receivable	8.11	10,720	10,160	8,192	4,854
		850,772	787,640	434,866	431,531
Current assets					
Inventories		218	119	-	-
Trade and other receivables	8.12	284,432	247,752	300,367	272,756
Cash and cash equivalents		70,253	58,061	7,426	1,099
		354,903	305,932	307,793	273,855
Less:					
Current liabilities					
Trade and other payables	8.13	76,343	75,315	107,089	102,361
Course and education service deferred income	8.14	35,507	16,569	-	-
Income tax payable	8.15	75,756	76,966	265	265
Borrowings	8.17	119,788	81,280	111,388	74,800
		307,394	250,130	218,742	177,426
Net current assets		47,509	55,802	89,051	96,429
Less:					
Non-current liabilities					
Trade and other payables	8.16	44,696	46,003	-	-
Borrowings	8.17	223,109	184,411	128,795	128,508
Deferred tax liabilities		10,724	9,743	-	-
		278,529	240,157	128,795	128,508
Net assets		619,752	603,285	395,122	399,452
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(24,496)	(24,065)	(24,496)	(24,065)
Accumulated profits/(losses) and other reserves		121,238	105,975	(62,167)	(58,268)
Equity attributable to equity holders of the Company		578,527	563,695	395,122	399,452
Non-controlling interests	8.18	41,225	39,590	-	-
Total equity		619,752	603,285	395,122	399,452

* Refer to item 5.1

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

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	31/12/14 \$'000	30/06/14 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ⁴	21,900	6,480
Unsecured	97,888	74,800
	119,788	81,280
<u>Amount repayable after one year:</u>		
Secured ^{4,5}	94,314	55,903
Unsecured	128,795	128,508
	223,109	184,411
Total borrowings	342,897	265,691

Details of collateral

⁴ Bank borrowings of \$79,143,000 were secured by letter of guarantee by the Company and certain properties of the Group.

⁴ Bank borrowings of \$13,500,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company.

⁵ Bank borrowings of \$23,571,000 were secured by letter of guarantee by the Company, trade and other receivables and property of two subsidiaries in Australia.

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.	Second Quarter ended 31/12/14 \$'000	Restated* Second Quarter ended 31/12/13 \$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		1,280	8,927
Profit before income tax from discontinued operations		-	282
		1,280	9,209
Adjustments for:			
Write back for doubtful debts		-	(40)
Amortisation of intangible assets		320	438
Bad trade receivables written off		93	86
Depreciation for property, plant and equipment		1,317	2,895
Property, plant and equipment written off		1	-
Fair value loss on investment properties		92	-
Compensation income		-	(4,048)
Interest expense		3,166	3,105
Interest income		(275)	(252)
Net loss/(gain) on disposal of property, plant and equipment		4	(11)
Share of results of joint ventures		(3,224)	841
Share of results of associates		(10)	(22)
Operating profit before working capital changes		2,764	12,201
Working capital changes:			
Trade and other receivables		(3,437)	2,810
Inventories		(87)	5
Course and education service deferred income		(11,654)	(12,166)
Trade and other payables		6,020	(1,138)
Cash (used in)/generated from operations		(6,394)	1,712
Interest paid		(2,603)	(2,408)
Interest received		275	252
Income and withholding tax paid		(640)	(478)
Net cash used in operating activities	8.19	(9,362)	(922)
Cash flows from investing activities			
Proceeds from sale of investment properties	8.20	18,224	-
Proceeds from sale of property, plant and equipment		86	12
Advance payment for development cost of new projects	8.21	(20,300)	(792)
Purchase of property, plant and equipment	8.21	(7,219)	(5,801)
Acquisition of non-controlling interests		-	(81,273)
Addition of investment properties		(132)	-
Additions of trademarks		-	(1)
Capital contributions to joint ventures		-	(1,430)
Net cash used in investing activities		(9,341)	(89,285)

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)	Item No.	Second Quarter ended 31/12/14 \$'000	Restated* Second Quarter ended 31/12/13 \$'000
Cash flows from financing activities			
Draw down of borrowings	8.20	37,350	98,282
Repayment of borrowings	8.21	(11,620)	(14,200)
Dividends payments to non-controlling interests		(38)	-
Dividends payments to equity holders of the Company	8.21	(10,162)	-
Net cash from financing activities		15,530	84,082
Net change in cash and cash equivalents		(3,173)	(6,125)
Cash and cash equivalents at beginning of financial period		63,862	100,010
Effect of exchange rate changes on cash and cash equivalents		9,564	1,367
Cash and cash equivalents at end of financial period	8.22	70,253	95,252

* Refer to item 5.1

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	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<u>FY2015</u>									
Balance at 1 October 2014	481,785	(24,496)	7,181	(8,533)	2,453	111,841	570,231	39,902	610,133
Total comprehensive income	-	-	-	18,027	-	431	18,458	1,361	19,819
Dividends	-	-	-	-	-	(10,162)	(10,162)	(38)	(10,200)
Balance at 31 December 2014	481,785	(24,496)	7,181	9,494	2,453	102,110	578,527	41,225	619,752
<u>FY2014</u>									
Balance at 1 October 2013	481,785	(21,383)	5,186	(14,353)	2,453	96,877	550,565	48,899	599,464
Total comprehensive income	-	-	-	6,806	-	5,844	12,650	1,034	13,684
Acquisition of non-controlling interests	-	-	576	(156)	-	(25,641)	(25,221)	(29,855)	(55,076)
Balance at 31 December 2013	481,785	(21,383)	5,762	(7,703)	2,453	77,080	537,994	20,078	558,072

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated profits/(losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2015</u>				
Balance at 1 October 2014	481,785	(24,496)	2,453	(52,361)	407,381
Total comprehensive loss	-	-	-	(2,097)	(2,097)
Dividends	-	-	-	(10,162)	(10,162)
Balance at 31 December 2014	481,785	(24,496)	2,453	(64,620)	395,122
<u>FY2014</u>					
Balance at 1 October 2013	481,785	(21,383)	2,453	(78,315)	384,540
Total comprehensive loss	-	-	-	(1,357)	(1,357)
Balance at 31 December 2013	481,785	(21,383)	2,453	(79,672)	383,183

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

As at 31 December 2014, the company has 1,045,295,233 issued and fully paid ordinary shares (including 29,090,000 treasury shares).

SHARE OPTIONS

As at 31 December 2014, there was unexercised share option for 2,860,265 unissued ordinary shares (31 December 2013: 3,271,593) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 2014, there were 29,090,000 treasury shares (30 June 2014: 27,896,000).

- 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 1,016,205,233 (excluding treasury shares) as at as at 31 December 2014 (30 June 2014: 1,017,399,233).

- 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 December 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 2014, except as stated in Note 5 below.

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 2014. Except as stated in Note 5 below, 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

- (1) On 1 July 2014, the Group adopted the FRS 111 – *Joint Arrangements* and FRS 28 (Revised) - *Investments in Associates and Joint Ventures* that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the FRS.

FRS 111 supersedes FRS 31, Interest in Joint Ventures, and INT FRS 13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. Under FRS 111 all joint ventures must be accounted for under the equity method, as described in the revised FRS 28, with proportionate consolidation prohibited.

The Group previously proportionate consolidated the joint ventures. Upon adoption of FRS 111, the Group will now recognise its investment in joint ventures using the equity method, resulting in aggregation of the group's proportionate share of the joint ventures' net assets and items of profit and loss into a single line item which will be presented in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income as "investment in joint ventures" and "share of results of joint ventures" respectively. There is no material effect to the "Equity attributable to equity holders of the Company" and "Net profit/(loss) and Total comprehensive income/(loss) attributable to the equity holders of the Company".

The change in accounting policy has been applied retrospectively and comparatives have been restated accordingly.

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 (Cont'd)

(Group)	First half ended 31/12/13 (as restated) \$'000	First half ended 31/12/13 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	61,409	63,415
Other operating income	13,740	13,891
Personnel expenses	(24,473)	(26,219)
Depreciation and amortisation expenses	(7,131)	(7,919)
Other operating expenses	(29,133)	(30,712)
Finance costs	(5,849)	(5,849)
Share of results of joint ventures	(1,956)	-
Share of results of associates	55	55
Profit before income tax	6,662	6,662

(Group)	Second Quarter ended 31/12/13 (as restated) \$'000	Second Quarter ended 31/12/13 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	30,710	31,625
Other operating income	12,142	12,217
Personnel expenses	(11,511)	(12,254)
Depreciation and amortisation expenses	(3,333)	(3,723)
Other operating expenses	(15,157)	(15,855)
Finance costs	(3,105)	(3,105)
Share of results of joint ventures	(841)	-
Share of results of associates	22	22
Profit before income tax	8,927	8,927

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 (Cont'd)

(Group)	30/06/14 (as restated) \$'000	30/06/14 (as previously reported) \$'000
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Non-current assets		
Property, plant and equipment	290,157	301,420
Investment in joint ventures	66,828	-
Intangible assets	115,755	127,829
Other non-currents assets	314,900	314,900
	787,640	744,149
Current assets		
Inventories	119	119
Trade and other receivables	247,752	320,070
Cash and cash equivalents	58,061	58,540
	305,932	378,729
Less:		
Current liabilities		
Trade and other payables	75,315	97,259
Course and education service deferred income	16,569	17,068
Income tax payable	76,966	83,820
Borrowings	81,280	81,280
	250,130	279,427
Net current assets	55,802	99,302
Less:		
Non-current liabilities		
Trade and other payables	46,003	46,012
Other non-current liabilities	194,154	194,154
	240,157	240,166
Net assets	603,285	603,285

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 (Cont'd)**

UNAUDITED	3 months ended 31/12/13 (as restated) \$'000	3 months ended 31/12/13 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF CASH FLOWS		
Cash flows from operating activities		
Profit before income tax from continuing operations	8,927	8,927
Profit before income tax from discontinued operations	282	282
	9,209	9,209
Adjustments for:		
Write back for doubtful debts	(40)	(40)
Amortisation of intangible assets	438	546
Bad trade receivables written off	86	87
Depreciation for property, plant and equipment	2,895	3,177
Compensation income	(4,048)	(4,048)
Interest expense	3,105	3,105
Interest income	(252)	(246)
Net gain on disposal of property, plant and equipment	(11)	(20)
Share of results of joint ventures	841	-
Share of results of associates	(22)	(22)
Operating profit before working capital changes	12,201	11,748
Working capital changes:		
Trade and other receivables	2,810	1,726
Inventories	5	5
Course and education service deferred income	(12,166)	(11,942)
Trade and other payables	(1,138)	(957)
Cash generated from operations	1,712	580
Interest paid	(2,408)	(2,408)
Interest received	252	246
Income and withholding tax paid	(478)	(481)
Net cash used in operating activities	(922)	(2,063)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	12	24
Advance payment for development cost of new projects	(792)	(785)
Purchase of property, plant and equipment	(5,801)	(6,146)
Acquisition of non-controlling interests	(81,273)	(81,273)
Additions of trademarks	(1)	(1)
Capital contributions to joint ventures	(1,430)	-
Net cash used in investing activities	(89,285)	(88,181)
Cash flows from financing activities		
Net cash from financing activities	84,082	84,082
Net change in cash and cash equivalents	(6,125)	(6,162)
Cash and cash equivalents at beginning of financial period	100,010	101,367
Effect of exchange rate changes on cash and cash equivalents	1,367	1,484
Cash and cash equivalents at end of financial period	95,252	96,689

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 (Cont'd)

- (2) The Group has revised the estimated useful lives of certain categories of property, plant and equipment ("PPE"). Previously under the Group's asset-light strategy, the Group expects the useful lives of the PPE to be constraint by the lease period of the various colleges and estimated a shorter time period in which the future economic benefits of the assets were expected to be consumed. Over the years, the Group has transformed from an asset-light education model to an asset-backed education, education management and education-linked investment and development model which includes investing properties for its colleges. Thus, the management expects use of its assets over longer period.

Following the review, the estimated useful lives of these categories of assets have been revised and are shown in the table below.

	<u>As at</u> <u>30 June 2014</u>	<u>With effect from</u> <u>1 July 2014</u>
Leasehold land, buildings and improvements [#]	3 - 50 years	3 - 50 years
Plant and equipment	10 years	10 years
Furniture, fittings and equipment	3 – 5 years	7 - 10 years
Computer equipment	3 – 5 years	4 – 5 years
Motor vehicle	1 – 7 years	10 years

[#] The estimated useful lives of certain properties have been revised from 20 years to 50 years

The change in estimate has been applied prospectively from 1 July 2014.

Accordingly, the revision of the estimated useful lives of these assets has resulted in \$1.7 million decrease in depreciation expense charged to the Group's income statement for the financial period ended 31 December 2014. Without the revision of the estimated useful lives of these assets, the depreciation expense for financial period ended 31 Dec 2014 would have been \$3.0 million.

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 +/- %
	Second Quarter ended 31/12/14	Second Quarter ended 31/12/13	
i) Based on the weighted average number of shares (in cents)	0.04	0.57	(93)
- Weighted average number of shares	1,016,205,233	1,025,363,233	
ii) On a fully diluted basis (in cents)	0.04	0.57	(93)
- Adjusted weighted average number of shares	1,016,205,233	1,025,363,233	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	Second Quarter ended 31/12/14	Second Quarter ended 31/12/13	
i) Based on the weighted average number of shares (in cents)	0.04	0.54	(93)
- Weighted average number of shares	1,016,205,233	1,025,363,233	
ii) On a fully diluted basis (in cents)	0.04	0.54	(93)
- Adjusted weighted average number of shares	1,016,205,233	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 +/- %
	31/12/14	30/06/14		31/12/14	30/06/14	
NAV per ordinary share (in cents)	56.93	55.41	3	38.88	39.26	(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 OR LOSS AND OTHER COMPREHENSIVE INCOME

Quarter ended 31 December 2014

- (1) Group revenue for FY2014 Q2 was \$30.7 million which included \$1.6 million from Langfang Oriental Institute of Technology ("LOIT"). Due to equity interests swap arrangement in June 2014, the Group has ceased consolidating the operational results of LOIT since FY2015 Q1. Excluding the above \$1.6 million revenue for FY 2014 Q2, the revenue for FY2015 Q2 increased by \$0.9 million.
- (2) The decrease in other operating income from \$12.1 million for FY2014 Q2 to \$2.0 million for FY2015 Q2 was mainly due to the following incomes in FY2014 Q2:
 - a) compensation income of \$4.0 million confirmed by Langfang City Government, PRC, in October 2013 as Oriental University City Limited ("OUCL") had assumed certain liabilities on their behalf in prior years.
 - b) government grant of \$5.9 million received by OUCL and Oriental University City Holdings (H.K.) Limited ("OUCHK") (collectively "OUC") from Langfang Development Zone Treasury Authority as fund for education development during FY2014 Q2.
- (3) The decrease in depreciation and amortisation expenses from \$3.3 million for FY2014 Q2 to \$1.6 million for FY2015 Q2 was mainly due to the change in the estimated useful lives of certain categories of property, plant and equipment (refer to item 5.2).
- (4) Increase in other operating expenses from \$15.2 million for FY2014 Q2 to \$17.8 million for FY 2015 Q2 mainly due to the following:
 - a) Increase in foreign exchange losses of \$1.3 million.
 - b) Increase in professional fees of \$1.5 million primarily related to the Initial Public Offering of shares of OUCHK on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (refer to item 10).
- (5) Share of profit from joint ventures of \$3.2 million for FY2015 Q2 was mainly due to share of unrealized exchange gain of \$3.0 million recorded by a joint venture.
- (6) Income tax expense for FY2015 Q2 included \$0.9 million deferred tax expense by OUCHK resulting from the reassessment of deferred tax assets and deferred tax liabilities as at 31 December 2014 as a result of adopting the accounting book method for the PRC corporate income tax computation by OUCHK after its listing on GEM.
- (7) Loss from discontinued operations in FY2014 Q2 pertained to subsidiaries in Vietnam which the Group had discontinued operations since December 2011.
- (8) The Group recorded \$19.5 million in currency translation gain arising from consolidation of foreign operations.

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

(9) Property, plant and equipment ("PPE") increased from \$290.2 million in FY2014 ("ended 30 June 2014") to \$307.9 million in FY2015 Q2 ("ended 31 December 2014") mainly due to:

- a) additions of \$24.7 million, mainly from the purchase of property in Parramatta, Australia, for the part of the property intended for the Group's use. The remaining part of the property intended for leasing out is recorded as Investment Properties (refer item 8.10.a);
- b) \$6.6 million advance payment reclassified from prepayment; and
- c) foreign currency translation gain of \$4.3 million.

The increase was partially offset by:

- d) depreciation charge of \$4.3 million; and
- e) reclassification from PPE to investment properties of \$13.4 million (refer to item 8.10.b).

(10) The increase of investment properties from \$301.9 million in FY2014 to \$344.6 million in FY2015 Q2 was mainly due to:

- a) purchase of \$19.5 million property in Parramatta, Australia in FY2015 Q1;
- b) transfer from PPE to investment properties of \$13.4 million (refer to item 8.9.e); and
- c) foreign currency translation gain of \$12.9 million mainly from the appreciation of Chinese Renminbi from OUC.

The above increase was partially offset by a decrease in investment properties resulting from the exchange of \$3.3 million of investment properties for the settlement of certain compensation liabilities. Compensation liabilities arose from the early termination of tenancy agreement incurred in prior years in OUCL.

(11) Non-current other receivable of \$10.7 million in FY2015 Q2 (FY2014: \$10.2 million) relates to prepayment for the purchase of land by Tianjin University of Commerce Boustead College.

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)

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

	31/12/14 \$'000	Restated 30/06/14 \$'000
Trade receivables:		
Trade receivables	10,651	3,953
Less:		
Allowance for doubtful trade receivables	(1,430)	(1,356)
Trade receivables, net^(a)	9,221	2,597
Other receivables:		
Third parties ^(b)	27,071	11,695
Prepayments ^(c)	36,211	8,974
Receivable from sale of investment properties ^(d)	102,767	118,735
Receivable from sale of interest in subsidiary ^(e)	34,900	34,900
Government grant receivables ^(f)	32,614	30,911
Deposits	5,517	5,113
Receivable from former joint venture	324	209
Joint ventures ^(g)	33,342	32,700
Associates	183	7
Tax recoverable	998	1,236
Others	1,284	675
	275,211	245,155
Total trade and other receivables	284,432	247,752

Current trade and other receivables increased from \$247.8 million in FY2014 to \$284.4 million in FY2015 Q2 mainly due to:

- a) the increase of trade receivables of \$6.6 million from the annual billing cycle for the National Education System ("NES") colleges and OUCHK;
- b) increase of short term loans from a third party of \$14.6 million; and
- c) the advance payment of \$20.9 million for the purchase of hotel property and commercial units in Switzerland.

The above increase was offset by:

- d) \$18.2 million collection from the outstanding due from sale of investment properties in OUCL.

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

Notes to Current trade and other receivables:

- e) In July 2011, the Group completed the disposal of 50% equity interest in Value Vantage Pte Ltd for a consideration of \$46 million to an unrelated third party. The Group has since received \$11.1 million.
- f) The corresponding liabilities were recorded in other payables and income tax payable reflected in item 8.13.b) and 8.15.a) below.
- g) The amounts due from joint ventures include a \$30 million dividend receivable. The dividend is expected to be received upon the receipt of the proceeds from the disposal of Value Vantage Investment and Management (Hangzhou) Co., Ltd by the joint venture.

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

	31/12/14 \$'000	Restated 30/06/14 \$'000
Trade payables (Current):		
Third parties	2,562	2,357
Other payables (Current):		
Joint ventures	284	269
Associates	115	31
Loan from a Director	3,186	-
Accruals ^(a)	38,284	40,003
Accruals for indirect taxes and property-related expenses ^(b)	3,730	5,139
Purchase consideration payable	204	193
Amount due to joint venturers	16,200	16,200
Amount due to former related parties	429	-
Others	11,349	11,123
	73,781	72,958
Total trade and other payables (Current)	76,343	75,315

Notes to Current trade and other payables :

- a) Decrease in accruals mainly due to settlement of payables.
- b) Included \$1.0 million (FY2014: \$1.0 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 item 8.12.f) above.

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) Course and education service deferred income increased from \$16.6 million in FY2014 to \$35.5 million in FY2015 Q2 mainly due to annual fee collections from students in NES segment and annual education service fees from colleges in OUCHK. These deferred income will be recognized as revenue over the next 2 financial quarters in FY2015.

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

	31/12/14 \$'000	Restated 30/06/14 \$'000
OUC ^(a)	75,197	76,258
Others	559	708
Income tax payable	75,756	76,966

Note :

- a) Included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$31.6 million, adjusted for foreign currency translation (FY2014: \$29.9 million). There is related grant receivable as reflected in item 8.12.f) above.
- (16) 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 \$22.8 million (FY2014: \$23.5 million); and
- b) 45 acres of land for Raffles American School in Iskandar, Malaysia of \$21.7 million (FY2014: \$22.3 million).
- (17) Breakdown of borrowings as follows:

	31/12/14 \$'000	30/06/14 \$'000
Borrowings:		
- Secured bank borrowings	116,214	62,383
- Unsecured bank borrowings	75,000	64,800
- Unsecured third party interest-free borrowings	22,888	10,000
- Unsecured Notes	128,795	128,508
	342,897	265,691
Repayable:		
- within 1 financial year	119,788	81,280
- from 2 to 5 financial years	223,109	184,411
	342,897	265,691

- 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) Borrowings increased from \$265.7 million in FY2014 to \$342.9 million in FY2015 Q2 mainly due to borrowings for purchase of the property in Parramatta, Australia and advance payment for purchase of hotel property and commercial units in Nendaz, Switzerland.
- (18) Non-controlling interests as at 31 December 2014 represent mainly the non-controlling shareholders' equity interests of one of the subsidiary in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (19) Net cash used in operating activities amounted to \$9.4 million.
- (20) Major contributor of cash inflows were:
- a) the proceeds from sale of 118mu investment properties of \$5.4 million;
 - b) the proceeds from sale of 499mu investment properties of \$12.8 million; and
 - c) drawdown of borrowings of \$37.4 million.
- (21) Major cash outflows were:
- a) advance payment for the development of new projects of \$20.3 million;
 - b) purchase of property, plant and equipment of \$7.2 million;
 - c) the repayment of borrowings of \$11.6 million; and
 - d) the payment of dividends to equity holders of the Company of \$10.2 million.
- (22) The Group's cash position was \$70.3 million at the end of FY2015 Q2 (FY2014 Q2: \$95.3 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 is seeing its overall operations improving. Our expansion strategy outside of People's Republic of China (PRC) is yielding positive outcomes.

The Group also continues to look at opportunities in other education related investments to achieve sustainable growth.

On 16 January 2015, the Company's subsidiary, Oriental University City Holdings (H.K.) Limited ("OUCHK") listed its shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Subsequent to the listing, the Company owns 75% of OUCHK.

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 December 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
12 February 2015