

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER 31 MARCH 2015

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 31/03/15 \$'000	Restated* 9 months ended 31/03/14 \$'000	Increase/ (Decrease) %
Revenue	90,752	93,279	(3)
Other operating income	6,271	60,384	(90)
Personnel expenses	(33,805)	(38,657)	(13)
Depreciation and amortisation expenses^	(7,566)	(10,540)	(28)
Other operating expenses	(44,489)	(43,792)	2
Fair value loss on investment properties	(92)	-	NM
Finance costs	(9,513)	(8,881)	7
Share of results of joint ventures	5,917	(2,707)	NM
Share of results of associates	18	63	(71)
Profit before income tax	7,493	49,149	(85)
Income tax expense	(1,691)	(18,930)	(91)
Profit after tax from continuing operations	5,802	30,219	(81)
Discontinued operations – Note A			
Profit after tax from discontinued operations	-	82	NM
	5,802	30,301	(81)
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	51,402	2,470	1,981
Total comprehensive income	57,204	37,624	52
Attributable to:			
Equity holders of the Company	5,876	27,114	(78)
Non-controlling interests	(74)	3,187	NM
Net profit	5,802	30,301	(81)
Attributable to:			
Equity holders of the Company	51,421	33,775	52
Non-controlling interests	5,783	3,849	50
Total comprehensive income	57,204	37,624	52

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 NINE MONTHS CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/15 \$'000	Restated* 9 months ended 31/03/14 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ¹	702	812	(14)
Government grant ¹	-	5,929	NM
Compensation income ¹	-	4,048	NM
Gain on divestment of investment properties ¹	-	46,050	NM
Foreign exchange gain ¹	5,118	2,538	102
Foreign exchange loss ²	(3,662)	(2,506)	46
Allowance for doubtful trade receivables ²	(53)	(19)	179
Bad trade receivables written off ²	(165)	(140)	18
Rental expenses ²	(6,606)	(6,881)	(4)
Amortisation of finance charge on non-current payables ³	-	(428)	NM
Over/(under) provision of income tax expense in prior periods	736	(284)	NM

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in finance cost

Note A :

	Group	
	9 months ended 31/03/15 \$'000	9 months ended 31/03/14 \$'000
Discontinued operations		
Revenue	-	-
Other operating income	-	326
Expenses	-	(244)
Profit before tax from discontinued operations	-	82
Income tax expense	-	-
Net profit from discontinued operations	-	82

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		
		Third Quarter ended 31/03/15 \$'000	Restated* Third Quarter ended 31/03/14 \$'000	Increase/ (Decrease) %
Revenue	8.1	31,168	31,140	-
Other operating income	8.2	2,568	47,374	(95)
Personnel expenses	8.3	(11,483)	(14,184)	(19)
Depreciation and amortisation expenses^	8.4	(2,587)	(3,409)	(24)
Other operating expenses	8.5	(13,096)	(14,659)	(11)
Finance costs		(3,348)	(3,032)	10
Share of results of joint ventures	8.6	2,713	(751)	NM
Share of results of associates		(10)	8	NM
Profit before income tax		5,925	42,487	(86)
Income tax expense	8.7	(935)	(15,868)	(94)
Profit after tax from continuing operations		4,990	26,619	(81)
Discontinued operations – Note B				
Loss after tax from discontinued operations	8.8	-	(2)	NM
		4,990	26,617	(81)
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	8.9	25,116	1,156	2,073
Total comprehensive income		30,106	27,773	8
Attributable to:				
Equity holders of the Company		4,736	23,836	(80)
Non-controlling interests		254	2,781	(91)
Net profit		4,990	26,617	(81)
Attributable to:				
Equity holders of the Company		25,996	24,978	4
Non-controlling interests		4,110	2,795	47
Total comprehensive income		30,106	27,773	8

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		
	Third Quarter ended 31/03/15 \$'000	Restated* Third Quarter ended 31/03/14 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ¹	218	246	(11)
Gain on divestment of investment properties ¹	-	46,050	NM
Foreign exchange gain ¹	2,326	323	620
Foreign exchange loss ²	(339)	(180)	88
Allowance for doubtful trade receivables ²	(53)	-	NM
Bad trade receivables written off ²	(60)	(37)	62
Rental expenses ²	(1,920)	(2,290)	(16)
Amortisation of finance charge on non-current payables ³	-	(142)	NM
Over provision of income tax expense in prior periods	159	109	46

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	
	Third Quarter ended 31/03/15 \$'000	Third Quarter ended 31/03/14 \$'000
Revenue	-	-
Other operating income	-	38
Expenses	-	(40)
Loss before tax from discontinued operations	-	(2)
Income tax expense	-	-
Net loss from discontinued operations	-	(2)

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

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		31/03/15 \$'000	Restated* 30/06/14 \$'000	31/03/15 \$'000	30/06/14 \$'000
Non-current assets					
Property, plant and equipment	8.10	324,624	290,157	-	-
Investment properties	8.11	398,906	301,943	-	-
Investment in subsidiaries		-	-	426,573	426,549
Investment in joint ventures		73,351	66,828	-	-
Investment in associates		1,384	1,432	-	-
Available-for-sale financial assets		672	610	-	-
Intangible assets		114,793	115,755	116	128
Deferred tax assets		555	755	-	-
Other receivable	8.12	11,200	10,160	34,428	4,854
		925,485	787,640	461,117	431,531
Current assets					
Inventories		123	119	-	-
Trade and other receivables	8.13	253,822	247,752	273,450	272,756
Cash and cash equivalents		73,420	58,061	173	1,099
		327,365	305,932	273,623	273,855
Less:					
Current liabilities					
Trade and other payables	8.14	88,038	75,315	105,086	102,361
Course and education service deferred income	8.15	26,188	16,569	-	-
Income tax payable	8.16	79,992	76,966	264	265
Borrowings	8.18	199,595	81,280	191,035	74,800
		393,813	250,130	296,385	177,426
Net current (liabilities)/assets		(66,448)	55,802	(22,762)	96,429
Less:					
Non-current liabilities					
Trade and other payables	8.17	43,781	46,003	-	-
Borrowings	8.18	141,469	184,411	49,293	128,508
Deferred tax liabilities		11,286	9,743	-	-
		196,536	240,157	49,293	128,508
Net assets		662,501	603,285	389,062	399,452
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(29,013)	(24,065)	(29,013)	(24,065)
Accumulated profits/(losses) and other reserves		116,951	105,975	(63,710)	(58,268)
Equity attributable to equity holders of the Company		569,723	563,695	389,062	399,452
Non-controlling interests	8.19	92,778	39,590	-	-
Total equity		662,501	603,285	389,062	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	
	31/03/15 \$'000	30/06/14 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ⁴	22,060	6,480
Unsecured	177,535	74,800
	199,595	81,280
<u>Amount repayable after one year:</u>		
Secured ^{4,5}	92,177	55,903
Unsecured	49,292	128,508
	141,469	184,411
Total borrowings	341,064	265,691

Details of collateral

⁴ Bank borrowings of \$77,203,000 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 \$23,534,000 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.	Third Quarter ended 31/03/15 \$'000	Restated* Third Quarter ended 31/03/14 \$'000
Cash flows from operating activities			
Profit before income tax from continuing operations		5,925	42,487
Loss before income tax from discontinued operations		-	(2)
		5,925	42,485
Adjustments for:			
Amortisation of intangible assets		317	432
Allowance for doubtful debts		53	-
Bad trade receivables written off		60	37
Depreciation for property, plant and equipment		2,270	2,977
Gain on divestment of investment properties		-	(46,050)
Interest expense		3,348	3,032
Interest income		(218)	(246)
Net (gain)/loss on disposal of property, plant and equipment		(5)	1
Share of results of joint ventures		(2,713)	751
Share of results of associates		10	(8)
Operating profit before working capital changes		9,047	3,411
Working capital changes:			
Trade and other receivables		(2,498)	(974)
Inventories		95	3
Course and education service deferred income		(9,319)	(9,410)
Trade and other payables		(5,525)	(231)
Cash used in operations		(8,200)	(7,201)
Interest paid	8.22	(3,667)	(3,217)
Interest received		218	246
Income and withholding tax refunded/(paid)		79	(2,107)
Net cash used in operating activities	8.20	(11,570)	(12,279)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12	1
Purchase of investment properties		(27)	-
Purchase of property, plant and equipment	8.22	(12,034)	(16,329)
Proceeds from sale of investment properties		-	41,593
Dividends received from associate		18	-
Acquisition of subsidiary [#]		-	(4,774)
Payment of remaining purchase consideration for acquisition of subsidiary		(209)	-
Deposit for acquisition of additional shares in joint venture	8.22	(2,402)	-
Cash proceeds from disposal of interest in former subsidiary	8.21	16,616	-
Net cash from investing activities		1,974	20,491

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.	Third Quarter ended 31/03/15 \$'000	Restated* Third Quarter ended 31/03/14 \$'000
Cash flows from financing activities			
Investment in subsidiary by non-controlling interest	8.21	17,160	-
Net payment for repurchase of shares	8.22	(4,517)	-
Draw down of borrowings		-	446
Repayment of borrowings		(1,940)	(1,200)
Net cash from/(used in) financing activities		10,703	(754)
Net change in cash and cash equivalents		1,107	7,458
Cash and cash equivalents at beginning of financial period		70,253	95,252
Effect of exchange rate changes on cash and cash equivalents		2,060	(62)
Cash and cash equivalents at end of financial period	8.23	73,420	102,648

* Refer to item 5.1

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	31/03/15 \$'000	31/03/14 \$'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	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<u>FY2015</u>									
Balance at 1 January 2015	481,785	(24,496)	7,181	9,494	2,453	102,110	578,527	41,225	619,752
Total comprehensive income	-	-	-	21,260	-	4,736	25,996	4,110	30,106
Repurchase of shares	-	(4,517)	-	-	-	-	(4,517)	-	(4,517)
Investment in subsidiary by non-controlling interest	-	-	(195)	(1,778)	-	(28,310)	(30,283)	47,443	17,160
Balance at 31 March 2015	481,785	(29,013)	6,986	28,976	2,453	78,536	569,723	92,778	662,501
<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

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2015</u>				
Balance at 1 January 2015	481,785	(24,496)	2,453	(64,620)	395,122
Total comprehensive loss	-	-	-	(1,543)	(1,543)
Repurchase of shares	-	(4,517)	-	-	(4,517)
Balance at 31 March 2015	481,785	(29,013)	2,453	(66,163)	389,062
<u>FY2014</u>					
Balance at 1 January 2014	481,785	(21,383)	2,453	(79,672)	383,183
Total comprehensive loss	-	-	-	(3,139)	(3,139)
Balance at 31 March 2014	481,785	(21,383)	2,453	(82,811)	380,044

- 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 2015, 13,176,100 ordinary shares were repurchased.

During the financial period ended 31 March 2015, no ordinary shares were issued in respect of the conversion of share options.

As at 31 March 2015, the company has 1,045,295,233 issued and fully paid ordinary shares (including 42,266,100 treasury shares).

SHARE OPTIONS

As at 31 March 2015, there was unexercised share option for 2,860,265 unissued ordinary shares (31 March 2014: 3,121,930) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 2015, there were 42,266,100 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 1,003,029,133 (excluding treasury shares) as at as at 31 March 2015 (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 March 2015.

- 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)	9 months ended 31/03/14 (as restated) \$'000	9 months ended 31/03/14 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	93,279	95,162
Other operating income	60,384	61,621
Personnel expenses	(38,657)	(41,048)
Depreciation and amortisation expenses	(10,540)	(11,772)
Other operating expenses	(43,792)	(45,993)
Finance costs	(8,881)	(8,881)
Share of results of joint ventures	(2,707)	-
Share of results of associates	63	63
Profit before income tax	49,149	49,152
Income tax expense	(18,930)	(18,933)
Profit after tax from continuing operations	30,219	30,219

(Group)	Third Quarter ended 31/03/14 (as restated) \$'000	Third Quarter ended 31/03/14 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	31,140	31,747
Other operating income	47,374	47,730
Personnel expenses	(14,184)	(14,829)
Depreciation and amortisation expenses	(3,409)	(3,853)
Other operating expenses	(14,659)	(15,281)
Finance costs	(3,032)	(3,032)
Share of results of joint ventures	(751)	-
Share of results of associates	8	8
Profit before income tax	42,487	42,490
Income tax expense	(15,868)	(15,871)
Profit after tax from continuing operations	26,619	26,619

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 31/03/14 (as restated) \$'000	3 months ended 31/03/14 (as previously reported) \$'000
CONSOLIDATED STATEMENT OF CASH FLOWS		
Cash flows from operating activities		
Profit before income tax from continuing operations	42,487	42,490
Loss before income tax from discontinued operations	(2)	(2)
	42,485	42,488
Adjustments for:		
Amortisation of intangible assets	432	546
Bad trade receivables written off	37	39
Depreciation for property, plant and equipment	2,977	3,307
Gain on divestment of investment properties	(46,050)	(46,050)
Interest expense	3,032	3,032
Interest income	(246)	(237)
Net loss on disposal of property, plant and equipment	1	12
Share of results of joint ventures	751	-
Share of results of associates	(8)	(8)
Operating profit before working capital changes	3,411	3,129
Working capital changes:		
Trade and other receivables	(974)	(423)
Inventories	3	4
Course and education service deferred income	(9,410)	(9,935)
Trade and other payables	(231)	(161)
Cash used in operations	(7,201)	(7,386)
Interest paid	(3,217)	(3,217)
Interest received	246	237
Income and withholding tax paid	(2,107)	(2,110)
Net cash used in operating activities	(12,279)	(12,476)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1	1
Advance payment for development cost of new projects	-	(1)
Acquisition of subsidiary	(4,774)	(4,774)
Proceeds from sale of investment properties	41,593	41,593
Purchase of property, plant and equipment	(16,329)	(16,419)
Additions of development costs	-	(167)
Net cash from investing activities	20,491	20,233
Cash flows from financing activities		
Net cash used in financing activities	(754)	(754)
Net change in cash and cash equivalents	7,458	7,003
Cash and cash equivalents at beginning of financial period	95,252	96,689
Effect of exchange rate changes on cash and cash equivalents	(62)	48
Cash and cash equivalents at end of financial period	102,648	103,740

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 \$0.8 million decrease in depreciation expense charged to the Group's income statement for the three months financial period ended 31 March 2015. Without the revision of the estimated useful lives of these assets, the depreciation expense for the three months financial period ended 31 March 2015 would have been \$3.1 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 +/- %
	Third Quarter ended 31/03/15	Third Quarter ended 31/03/14	
i) Based on the weighted average number of shares (in cents)	0.47	2.32	(80)
- Weighted average number of shares	1,007,275,227	1,025,363,233	
ii) On a fully diluted basis (in cents)	0.47	2.32	(80)
- Adjusted weighted average number of shares	1,007,275,227	1,025,363,233	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	Third Quarter ended 31/03/15	Third Quarter ended 31/03/14	
i) Based on the weighted average number of shares (in cents)	0.47	2.32	(80)
- Weighted average number of shares	1,007,275,227	1,025,363,233	
ii) On a fully diluted basis (in cents)	0.47	2.32	(80)
- Adjusted weighted average number of shares	1,007,275,227	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 +/- %
	31/03/15	30/06/14		31/03/15	30/06/14	
NAV per ordinary share (in cents)	56.80	55.41	3	38.79	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 March 2015

- (1) Revenue for FY2014 Q3 and FY2015 Q3 were comparable. Revenue would have increased by 6.8% if the revenue of Langfang Oriental Institute of Technology ("LOIT") of \$1.9 million in FY2014 Q3 was excluded. The Group ceased consolidating the operational results of LOIT since FY2015 Q1.
- (2) The decrease in other operating income from \$47.4 million for FY2014 Q3 to \$2.6 million for FY2015 Q3 was mainly due to gain of \$46.1 million (before taxes) on divestment of investment properties of 490 mu land and properties in Oriental University City Limited ("OUCL") for FY2014 Q3.
- (3) The decrease in personnel expense from \$14.2 million for FY2014 Q3 to \$11.5 million for FY2015 Q3 was mainly due to decrease in headcount and profit sharing component.
- (4) The decrease in depreciation and amortisation expenses from \$3.4 million for FY2014 Q3 to \$2.6 million for FY2015 Q3 was mainly due to the change in the estimated useful lives of certain categories of property, plant and equipment (refer to item 5.2).
- (5) Decrease in other operating expenses from \$14.7 million for FY2014 Q3 to \$13.1 million for FY 2015 Q3 mainly due to absence of provision of deed tax for disposal of 490 mu land and buildings in OUCL amounting to \$1.9 million in FY2014 Q3.
- (6) Share of profit from joint ventures of \$2.7 million for FY2015 Q3 was mainly due to share of unrealized exchange gain of \$3.4 million recorded by a joint venture.
- (7) Decrease in income tax expense from \$15.9 million in FY2014 Q3 to \$0.9 million in FY2015 Q3 was mainly from the provision of tax expense on the gain on divestment of the 490 mu land and properties in OUCL for FY2014 Q3.
- (8) Loss from discontinued operations in FY2014 Q3 pertained to subsidiaries in Vietnam which the Group had discontinued operations since December 2011.
- (9) The Group recorded \$25.1 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

(10) Property, plant and equipment ("PPE") increased from \$290.2 million in FY2014 ("ended 30 June 2014") to \$324.6 million in FY2015 Q3 ("ended 31 March 2015") mainly due to:

- a) additions of \$38.7 million, mainly from the purchase of:
 - (i) 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 8.11.a); and
 - (ii) land in Bangkok, Thailand.
- b) \$9.2 million advance payment reclassified from prepayment; and
- c) foreign currency translation gain of \$9.3 million.

The increase was partially offset by:

- d) depreciation charge of \$6.6 million; and
- e) reclassification from PPE to investment properties of \$16.0 million (refer to item 8.11.c).

(11) The increase of investment properties from \$301.9 million in FY2014 to \$398.9 million in FY2015 Q3 was mainly due to:

- a) purchase of \$19.5 million property in Parramatta, Australia in FY2015 Q1;
- b) purchase of \$40.0 million hotel & facilities and 7 commercial units in Nendaz, Switzerland;
- c) transfer from PPE to investment properties of \$16.0 million (refer to item 8.10.e) as the building used previously was vacated for rental; and
- d) foreign currency translation gain of \$24.8 million mainly from the appreciation of Chinese Renminbi from OUCL and Oriental University City Holdings (H.K.) Limited ("OUCHK") (collectively "OUC").

The above increase was offset by 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 OUC.

(12) Non-current other receivable of \$11.2 million in FY2015 Q3 (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)

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

	31/03/15 \$'000	Restated 30/06/14 \$'000
Trade receivables:		
Trade receivables	9,169	3,953
Less:		
Allowance for doubtful trade receivables	(1,548)	(1,356)
Trade receivables, net^(a)	7,621	2,597
Other receivables:		
Third parties ^(b)	29,350	11,695
Receivable from sale of interest in subsidiary ^(c)	18,284	34,900
Receivable from sale of investment properties ^(d)	107,371	118,735
Government grant receivables ^(e)	34,075	30,911
Prepayments ^(f)	13,758	8,974
Deposits	5,767	5,113
Receivable from former joint venture	357	209
Joint ventures ^(g)	33,636	32,700
Associates	204	7
Tax recoverable	1,149	1,236
Others	2,250	675
	246,201	245,155
Total trade and other receivables	253,822	247,752

Notes to current trade and other receivables:

- the increase of trade receivables of \$5.0 million was from the annual billing cycle for the National Education System ("NES") colleges and OUCHK.
- included short term loans from a third party of \$27.2 million (FY2014: \$11.4 million).
- \$16.6 million was received in FY2015 Q3 from outstanding due from the disposal of 50% equity interest in Value Vantage Pte Ltd. 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. Including the aforementioned \$16.6 million, the Group has since received \$27.7 million.
- the decrease in the outstanding due from sale of investment properties in OUCL mainly due to \$18.2 million collection during this 9 months.

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

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

- e) The corresponding liabilities were recorded in other payables and income tax payable reflected in item 8.14.b) and 8.16.a) below.
- f) The increase in prepayment was mainly due to 10% deposit to acquire a total of 41.82 per cent equity in Educomp-Raffles Higher Education Limited ("ERHEL").
- 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.

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

	31/03/15 \$'000	Restated 30/06/14 \$'000
Trade payables (Current):		
Third parties	3,656	2,357
Other payables (Current):		
Joint ventures	103	269
Associates	374	31
Accruals ^(a)	34,463	40,003
Accruals for indirect taxes and property-related expenses ^(b)	3,959	5,139
Purchase consideration payable ^(c)	17,208	193
Amount due to joint venturers	16,200	16,200
Amount due to former related parties	426	-
Others	11,649	11,123
	84,382	72,958
Total trade and other payables (Current)	88,038	75,315

Notes to Current trade and other payables:

- a) Decrease in accruals mainly due to settlement of payables.
- b) Included \$1.1 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 8.13.e) above.
- c) Balance purchase consideration payable for the purchase of hotel property and commercial units in Nendaz, Switzerland.

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)

- (15) Course and education service deferred income increased from \$16.6 million in FY2014 to \$26.2 million in FY2015 Q3 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 in FY2015 Q4.

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

	31/03/15 \$'000	Restated 30/06/14 \$'000
OUC ^(a)	78,422	76,258
Others	1,570	708
Income tax payable	79,992	76,966

Note :

- a) Included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$33.0 million, adjusted for foreign currency translation (FY2014: \$29.9 million). There is related grant receivable as reflected in item 8.13.e) above.
- (17) 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 \$22.4 million (FY2014: \$23.5 million); and
- b) 45 acres of land for Raffles American School in Iskandar, Malaysia of \$21.3 million (FY2014: \$22.3 million).
- (18) Breakdown of borrowings as follows:

	31/03/15 \$'000	30/06/14 \$'000
Borrowings:		
- Secured bank borrowings	114,237	62,383
- Unsecured bank borrowings	75,000	64,800
- Unsecured third party interest-free borrowings	22,888	10,000
- Unsecured Notes	128,939	128,508
	341,064	265,691
Repayable:		
- within 1 financial year	199,595	81,280
- from 2 to 5 financial years	141,469	184,411
	341,064	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)

(18) Borrowings increased from \$265.7 million in FY2014 to \$341.1 million in FY2015 Q3 mainly due to additional borrowings for purchase of the property in Parramatta, Australia and purchase of hotel property and commercial units in Nendaz, Switzerland.

(19) On 16 January 2015, the Company's subsidiary, 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.

Non-controlling interests as at 31 March 2015 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(20) Net cash used in operating activities amounted to \$11.6 million.

(21) Major contributor of cash inflows were:

- a) \$16.6 million received from the disposal of 50% equity interest in Value Vantage Pte Ltd; and
- b) the proceeds from listing OUCHK on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited of \$17.2 million;

(22) Major cash outflows were:

- a) interest payment of \$3.7 million;
- b) purchase of property, plant and equipment of \$12.0 million;
- c) deposit for additional equity in joint venture of \$2.4 million ; and
- d) payment for repurchase of shares of \$4.5 million.

(23) The Group's cash position was \$73.4 million at the end of FY2015 Q3 (FY2014 Q3: \$102.6 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's 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.

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 2015 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 2015**