

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Item No.	Group		
		First Quarter ended 30/09/15 \$'000	First Quarter ended 30/09/14 \$'000	Increase/ (Decrease) %
Revenue	8.1	29,102	29,387	(1)
Other operating income	8.2	2,962	1,953	52
Personnel expenses		(10,725)	(11,092)	(3)
Depreciation and amortisation expenses	8.3	(2,742)	(3,342)	(18)
Other operating expenses	8.4	(14,711)	(13,617)	8
Finance costs	8.5	(4,081)	(2,999)	36
Share of results of joint ventures	8.6	867	(20)	NM
Share of results of associates		(5)	18	NM
Profit before income tax		667	288	132
Income tax credit	8.7	625	174	259
Profit after tax		1,292	462	180
Items that may be reclassified subsequent to profit or loss:				
Net loss on fair value changes of available-for-sale financial assets	8.8	(526)	-	NM
Currency translation differences arising from consolidation of foreign operations	8.9	7,291	6,817	7
Total comprehensive income		8,057	7,279	11
Attributable to:				
Equity holders of the Company		867	709	22
Non-controlling interests		425	(247)	NM
Net profit		1,292	462	180
Attributable to:				
Equity holders of the Company		6,656	6,967	(4)
Non-controlling interests		1,401	312	349
Total comprehensive income		8,057	7,279	11

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 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First Quarter ended 30/09/15 \$'000	First Quarter ended 30/09/14 \$'000	Increase/ (Decrease) %
Interest income ¹	122	209	(42)
Foreign exchange gain ¹	2,343	1,658	41
Write back doubtful trade receivables ²	151	-	NM
Government grant ¹	444	-	NM
Bad trade receivables written off ²	(35)	(12)	192
Foreign exchange loss ²	(3,794)	(1,402)	171
Reversal of compensation for early termination of tenancy agreement and demolition of car park ²	56	-	NM
Rental expenses ²	(1,556)	(2,314)	(33)
Overprovision of income tax expense in prior financial periods	1,219	233	423

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

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	
		30/09/15 \$'000	30/06/15 \$'000	30/09/15 \$'000	30/06/15 \$'000
Non-current assets					
Property, plant and equipment	8.10	335,849	324,884	-	-
Investment properties	8.11	419,731	416,387	-	-
Investment in subsidiaries		-	-	426,581	426,581
Investment in joint ventures		68,863	67,863	-	-
Investment in associates		1,392	1,396	-	-
Available-for-sale financial assets		4,058	4,523	-	-
Intangible assets		114,193	114,450	108	112
Deferred tax assets		1,071	1,099	-	-
Other receivable	8.12	11,116	10,970	15,905	22,974
Restricted bank balances		3,707	2,890	-	-
		959,980	944,462	442,594	449,667
Current assets					
Inventories		116	118	-	-
Trade and other receivables	8.13	255,629	241,598	322,417	308,311
Cash and cash equivalents		99,506	80,904	9,528	14,121
		355,251	322,620	331,945	322,432
Less:					
Current liabilities					
Trade and other payables	8.14	67,532	69,295	112,141	105,463
Course and education service deferred income	8.15	50,528	15,065	-	-
Income tax payable	8.16	72,304	72,501	265	265
Borrowings	8.18	268,794	266,095	195,231	190,632
		459,158	422,956	307,637	296,360
Net current (liabilities)/assets	8.19	(103,907)	(100,336)	24,308	26,072
Less:					
Non-current liabilities					
Trade and other payables	8.17	38,716	42,105	-	-
Borrowings	8.18	135,855	124,472	79,044	78,960
Deferred tax liabilities		18,357	18,174	-	-
		192,928	184,751	79,044	78,960
Net assets		663,145	659,375	387,858	396,779
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(37,017)	(32,730)	(37,017)	(32,730)
Accumulated profits/(losses) and other reserves		123,597	116,941	(56,910)	(52,276)
Equity attributable to equity holders of the Company		568,365	565,996	387,858	396,779
Non-controlling interests	8.20	94,780	93,379	-	-
Total equity		663,145	659,375	387,858	396,779

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	30/09/15 \$'000	30/06/15 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{3,4,6}	91,563	88,963
Unsecured	177,231	177,132
	268,794	266,095
<u>Amount repayable after one year:</u>		
Secured ^{3,5,6,7}	56,811	45,512
Unsecured	79,044	78,960
	135,855	124,472
Total borrowings	404,649	390,567

Details of collateral

³ Bank borrowings of \$87,678,000 were secured by letter of guarantee by the Company and certain properties of the Group.

⁴ Bank borrowings of \$18,000,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company.

⁵ Bank borrowings of \$22,125,000 were secured by letter of guarantee by the Company, trade and other receivables and property of two subsidiaries in Australia.

⁶ Bank borrowings of \$17,009,000 were secured by rental income from the properties, restricted bank balances and certain assets of a third party.

⁷ Bank borrowings of \$3,562,000 were secured by rental income from the properties and restricted bank balances.

For more details, refer to items 8.18.

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.	First Quarter ended 30/09/15 \$'000	First Quarter ended 30/09/14 \$'000
Cash flows from operating activities			
Profit before income tax		667	288
Adjustments for:			
Amortisation of intangible assets		225	321
Bad trade receivables written off		35	12
Depreciation for property, plant and equipment		2,517	3,021
Interest expense		4,081	2,999
Interest income		(122)	(209)
Net gain on disposal of property, plant and equipment		(2)	(7)
Property, plant and equipment written off		-	2
Write back for doubtful debts		(151)	-
Share of results of joint ventures		(867)	20
Share of results of associates		5	(18)
Operating profit before working capital changes		6,388	6,429
Working capital changes:			
Trade and other receivables		(31,023)	(17,600)
Inventories		2	(13)
Course and education service deferred income		35,463	30,592
Trade and other payables		7,766	(684)
Cash generated from operations		18,596	18,724
Interest paid		(3,848)	(3,249)
Interest received		122	209
Income and withholding paid		(514)	(4,540)
Net cash from operating activities	8.21	14,356	11,144
Cash flows from investing activities			
Advance payment for development cost of new projects		-	(7,221)
Additions of development costs		-	(1)
Proceeds from sale of property, plant and equipment		2	7
Proceeds from sale of investment properties	8.22	9,610	4,124
Purchases of property, plant and equipment	8.23	(16,269)	(23,037)
Purchases of investment properties	8.23	(2,172)	(19,512)
Dividends received from associate		-	47
Net cash used in investing activities		(8,829)	(45,593)
Cash flows from financing activities			
Increase in restricted bank balances		(799)	-
Draw down of borrowings	8.22	17,124	40,590
Repayment of borrowings	8.23	(2,100)	(1,620)
Net payment for repurchase of shares	8.23	(4,287)	(431)
Net cash from financing activities		9,938	38,539
Net change in cash and cash equivalents		15,465	4,090
Cash and cash equivalents at beginning of financial period		80,904	58,061
Effect of exchange rate changes on cash and cash equivalents		3,137	1,711
Cash and cash equivalents at end of financial period	8.24	99,506	63,862

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

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company								Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Fair Value reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2016										
Balance at 1 July 2015	481,785	(32,730)	6,986	-	17,859	2,453	89,643	565,996	93,379	659,375
Total comprehensive income	-	-	-	(395)	6,184	-	867	6,656	1,401	8,057
Repurchase of shares	-	(4,287)	-	-	-	-	-	(4,287)	-	(4,287)
Balance at 30 September 2015	481,785	(37,017)	6,986	(395)	24,043	2,453	90,510	568,365	94,780	663,145
2015										
Balance at 1 July 2014	481,785	(24,065)	7,181	-	(14,791)	2,453	111,132	563,695	39,590	603,285
Total comprehensive income	-	-	-	-	6,258	-	709	6,967	312	7,279
Repurchase of shares	-	(431)	-	-	-	-	-	(431)	-	(431)
Balance at 30 September 2014	481,785	(24,496)	7,181	-	(8,533)	2,453	111,841	570,231	39,902	610,133

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2016				
Balance at 1 July 2015	481,785	(32,730)	2,453	(54,729)	396,779
Total comprehensive loss	-	-	-	(4,634)	(4,634)
Repurchase of shares	-	(4,287)	-	-	(4,287)
Balance at 30 September 2015	481,785	(37,017)	2,453	(59,363)	387,858
2015					
Balance at 1 July 2014	481,785	(24,065)	2,453	(60,721)	399,452
Total comprehensive income	-	-	-	8,360	8,360
Repurchase of shares	-	(431)	-	-	(431)
Balance at 30 September 2014	481,785	(24,496)	2,453	(52,361)	407,381

- 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 30 September 2015, 15,084,800 ordinary shares were repurchased.

Subsequent to the financial period ended 30 September 2015, 2,455,800 ordinary shares were repurchased.

During the financial period ended 30 September 2015, no ordinary shares were issued in respect of the conversion of share options.

As at 30 September 2015, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 69,218,600 treasury shares).

SHARE OPTIONS

As at 30 September 2015, there was unexercised share option for 2,860,265 unissued ordinary shares (30 September 2014: 3,126,929) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 September 2015, there were 69,218,600 treasury shares (30 June 2015: 54,133,800).

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

The total number of issued shares was 976,076,633 (excluding treasury shares) as at 30 September 2015 (30 June 2015: 991,161,433).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 September 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 2015.

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

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

Not applicable. Refer to Note 4 above.

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

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/- %
	First Quarter ended 30/09/15	First Quarter ended 30/09/14	
i) Based on the weighted average number of shares (in cents)	0.09	0.07	29
- Weighted average number of shares	1,003,946,235	1,016,261,842	
ii) On a fully diluted basis (in cents)	0.09	0.07	29
- Adjusted weighted average number of shares	1,003,946,235	1,016,261,842	

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

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	30/09/15	30/06/15		30/09/15	30/06/15	
NAV per ordinary share (in cents)	58.23	57.10	2	39.74	40.05	(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

- (1) Slight decrease in group revenue by 1% from \$29.4 million for FY2015 Q1 to \$29.1 million FY2016 Q1.
- (2) Increase in other operating income from \$2.0 million for FY2015 Q1 to \$3.0 million for FY2016 Q1 mainly due to:
 - a) \$0.4 million government incentive received for the successful listing of Oriental University City Holdings (H.K.) Limited ("OUCHK") on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited; and
 - b) foreign exchange gain.
- (3) Decrease in depreciation and amortisation expenses from \$3.3 million for FY2015 Q1 to \$2.7 million for FY2016 Q1 was mainly due to the change in the estimated useful lives of certain categories of property, plant and equipment with effect from FY2015 Q2.
- (4) Increase in other operating expenses from \$13.6 million for FY2015 Q1 to \$14.7 million for FY2016 Q1 was mainly due to:
 - a) Increase of foreign exchange loss of \$2.4 million.The increase was mainly offset by:
 - b) \$0.8 million decrease in rental expenses mainly because Raffles College Pty Ltd moved from rented premises to its premises at Parramatta, Australia; and
- (5) Increase in finance costs from \$3.0 million for FY2015 Q1 to \$4.1 million for FY2016 Q1 was mainly due to the increase in cost of borrowings and increase in borrowings.
- (6) Share of profit from joint ventures for FY2016 Q1 included share of unrealized exchange gain of \$1.3 million (FY2015 Q1: \$1.1 million) recorded by a joint venture.
- (7) Income tax credit of \$0.6 million for FY2016 Q1 was mainly due to overprovision of prior year income tax in relation to the sale of 118 mu land in Oriental University City Limited ("OUCL").
- (8) Net loss on fair value changes of available-for-sale assets was recorded by OUCHK due to mark-to-market adjustment of the quoted 14.9% equity interest in Axiom Properties Limited, a company whose shares are listed on the Australia Stock Exchange.
- (9) The Group recorded \$7.3 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) Increase in property, plant and equipment ("PPE") from \$324.9 million in FY2015 ("ended 30 June 2015") to \$335.8 million in FY2016 Q1 ("ended 30 September 2015") mainly due to:

a) additions of \$12.9 million, mainly from:

- (i) construction work in progress of \$6.0 million for Raffles American School ("RAS") in Iskandar, Malaysia;
- (ii) payment of \$3.0 million by Wanbo College for the balance purchase consideration of land for the upgrading of the college to University status;
- (iii) balance purchase consideration of \$3.7 million for land and building in Siviez, Switzerland to be used for teaching and student dormitories; and

b) reclassification of \$4.2 million advance payment from prepayment for purchase of land by Wanbo College and purchase of land and building in Siviez.

Increase was offset by:

- c) depreciation charge of \$2.5 million; and
- d) loss on foreign currency translation of \$3.7 million.

(11) Increase in investment properties from \$416.4 million in FY2015 to \$419.7 million in FY2016 Q1 was mainly due to:

- a) payment of \$1.3 million for construction of Raffles International College campus, Bangkok;
- b) payment of \$0.6 million for construction of new student dormitories by OUCHK; and
- c) foreign currency translation gain of \$1.4 million.

(12) Non-current other receivable of \$11.1 million (FY2015: \$11.0 million) mainly relates to prepayment for the purchase of land by Tianjin University of Commerce Boustead College ("BCT") to fulfill the requirements for BCT to apply for university status.

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:

	30/09/15 \$'000	30/06/15 \$'000
Trade receivables:		
Trade receivables ^(a)	19,026	3,296
Less:		
Allowance for doubtful trade receivables	-	(155)
Trade receivables, net	19,026	3,141
Other receivables:		
Third parties ^(b)	27,109	24,822
Receivable from sale of interest in subsidiary ^(c)	18,284	18,284
Receivable from sale of investment properties ^(d)	94,366	104,855
Government grant receivables ^(e)	33,401	32,959
Prepayments	18,248	14,971
Deposits	7,930	5,654
Receivable from former joint venture	286	226
Joint ventures ^(f)	35,481	35,133
Associates	223	210
Tax recoverable	974	964
Others	301	379
	236,603	238,457
Total trade and other receivables	255,629	241,598

Notes to current trade and other receivables:

- Increase in trade receivables by \$15.7 million mainly due to the annual billing cycle for the National Education System ("NES") colleges and OUC.
- Included short term loans to third parties of \$27.1 million (FY2015: \$24.5 million).
- In July 2011, the Group completed the disposal of 50% equity interest in Value Vantage Pte. Ltd. ("VVPL") for a consideration of \$46 million to an unrelated third party and has since received \$27.7 million.
- Decrease in the outstanding due from sale of investment properties in OUCL mainly due to \$8.8 million collection in FY2016 Q1.
- The corresponding liabilities were recorded in other payables and income tax payable reflected in 8.16.a) below.
- Dividend receivable of \$30 million from VVPL is included in the amounts due from joint ventures.

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

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

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

	30/09/15 \$'000	30/06/15 \$'000
Trade payables (Current):		
Third parties	3,220	3,338
Other payables (Current):		
Associates	309	357
Other accruals	17,130	17,446
Accruals for indirect taxes and property-related expenses	3,613	2,915
Accruals for management fees	2,131	3,888
Accruals for capital expenditure	8,430	6,226
Accruals for car park demolition in OUCL	-	7,444
Amount due to joint venturers	16,200	16,200
Amount due to former related parties	-	2
Advance from third party	5,558	-
Payable for land in Iskandar	8,400	9,127
Other payables	2,541	2,352
	64,312	65,957
Total trade and other payables (Current)	67,532	69,295

- (15) Increase in course and education service deferred income from \$15.1 million in FY2015 to \$50.5 million in FY2016 Q1 mainly due to annual fee collections from students in NES segment and annual education service fees from colleges in OUCL and OUCHK (collectively "OUC"). These deferred income will be recognised as revenue over the next 3 financial quarters in FY2016.

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

	30/09/15 \$'000	30/06/15 \$'000
OUC ^(a)	70,896	70,999
Others	1,408	1,502
Income tax payable	72,304	72,501

Note :

- a) Included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$32.7 million, adjusted for foreign currency translation (FY2015: \$32.3 million). There is related grant receivable as reflected in item 8.13.e) 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)

(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 \$19.8 million (FY2015: \$21.5 million); and
- b) 45 acres of land for RAS of \$18.8 million (FY2015: \$20.5 million).

(18) Increase in borrowings from \$390.6 million in FY2015 to \$404.6 million in FY2016 Q1 mainly due to:

- a) drawdown of \$6.2 million in borrowings for construction work of RAS in Iskandar, Malaysia;
- b) drawdown of \$3.6 million in borrowings to purchase land and building in Siviez, Switzerland;
- c) drawdown of \$2.8 million in borrowings for construction of Raffles International College, Bangkok; and
- d) drawdown of \$4.5 million in borrowings for working capital.

Increase was offset by:

- e) repayment of \$2.1 million in borrowings; and
- f) foreign currency translation gain of \$1.0 million.

Included in current borrowings are:

- g) Mortgage loan against 51 Merchant Road amounting to \$72.8 million which will mature in April 2016.
- h) Bonds of \$79.8 million which will be due in February 2016.

(19) Net current liabilities was mainly a result of the re-classification in FY2015 of non-current to current borrowings as stated in item 8.18.g) and h) above. Management is confident that the Group will continue to repay or re-finance its borrowings when they fall due.

(20) Non-controlling interests as at 30 September 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

(21) Net cash from operating activities amounted to \$14.4 million.

(22) Major contributor of cash inflows were:

- a) proceeds from sale of investment properties of \$9.6 million (mainly from proceeds of 118 mu land sale); and
- b) drawdown of borrowings of \$17.1 million.

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

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS (CONT'D)

(23) Major cash outflows were for:

- a) purchase of property, plant and equipment of \$16.3 million;
- b) payment on investment properties of \$2.2 million;
- c) the repayment of borrowings of \$2.1 million; and
- d) payment for repurchase of shares of \$4.3 million

(24) The Group's cash position was \$99.5 million at the end of FY2016 Q1 (FY2015: \$80.9 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial year ended 30 June 2015.

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

The current macroeconomic slow down, currency volatility and the impending global interest rate hike, have created new challenges in the markets the Group operates in.

Despite the challenging operating environment, increasing competition, higher labour costs and a more stringent regulatory environment, the Group will continue to streamline its operations and seek opportunities to achieve sustainable growth.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

11. Dividend (Cont'd)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared for the current financial period.

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

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

14. Negative assurance confirmation on first quarter financial results 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 30 September 2015 to be false or misleading in any material aspect. A statement signed by two directors is on record.

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

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

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

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

Not applicable.

17. A breakdown of sales

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

**Chew Hua Seng
Chairman
11 November 2015**