

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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 COMPREHENSIVE INCOME	Group		
	First half ended 31/12/15 \$'000	First half ended 31/12/14 \$'000	Increase/ (Decrease) %
Revenue	58,639	59,584	(2)
Other operating income	4,779	3,703	29
Personnel expenses	(22,118)	(22,322)	(1)
Depreciation and amortisation expenses	(5,644)	(4,979)	13
Other operating expenses	(29,706)	(31,393)	(5)
Fair value loss on investment properties	-	(92)	NM
Finance costs	(8,301)	(6,165)	35
Share of results of joint ventures	(1,328)	3,204	NM
Share of results of associates	(254)	28	NM
<b>(Loss)/profit before income tax</b>	<b>(3,933)</b>	<b>1,568</b>	<b>NM</b>
Income tax credit/(expense)	236	(756)	NM
(Loss)/profit after tax	(3,697)	812	NM
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net loss on fair value changes of available-for-sale financial assets	-	-	NM
Currency translation differences arising from consolidation of foreign operations	(7,002)	26,286	NM
<b>Total comprehensive (loss)/income</b>	<b>(10,699)</b>	<b>27,098</b>	<b>NM</b>
Attributable to:			
<b>Equity holders of the Company</b>	<b>(4,301)</b>	<b>1,140</b>	<b>NM</b>
Non-controlling interests	604	(328)	NM
<b>Net (loss)/profit</b>	<b>(3,697)</b>	<b>812</b>	<b>NM</b>
Attributable to:			
<b>Equity holders of the Company</b>	<b>(10,155)</b>	<b>25,425</b>	<b>NM</b>
Non-controlling interests	(544)	1,673	NM
<b>Total comprehensive (loss)/income</b>	<b>(10,699)</b>	<b>27,098</b>	<b>NM</b>

NM – Not meaningful

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

NOTES TO THE UNAUDITED HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First half ended 31/12/15 \$'000	First half ended 31/12/14 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	502	484	4
Foreign exchange gain <sup>1</sup>	3,702	2,792	33
Government grant <sup>1</sup>	466	-	NM
Allowance for doubtful trade receivables <sup>2</sup>	(45)	-	NM
Bad trade receivables written off <sup>2</sup>	(148)	(105)	41
Foreign exchange loss <sup>2</sup>	(5,771)	(3,323)	74
Reversal of compensation for early termination of tenancy agreement and demolition of car park <sup>2</sup>	56	-	NM
Rental expenses <sup>2</sup>	(3,106)	(4,686)	(34)
Overprovision of income tax expense in prior financial periods	1,002	577	74

NM – Not meaningful

<sup>1</sup> included in other operating income

<sup>2</sup> included in other operating expenses

**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		
		Second Quarter ended 31/12/15 \$'000	Second Quarter ended 31/12/14 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	8.1	29,537	30,197	(2)
Other operating income		1,817	1,750	4
Personnel expenses		(11,393)	(11,230)	1
Depreciation and amortisation expenses	8.2	(2,902)	(1,637)	77
Other operating expenses	8.3	(14,995)	(17,776)	(16)
Fair value loss on investment properties		-	(92)	NM
Finance costs	8.4	(4,220)	(3,166)	33
Share of results of joint ventures	8.5	(2,195)	3,224	NM
Share of results of associates		(249)	10	NM
<b>(Loss)/profit before income tax</b>		(4,600)	1,280	NM
Income tax expense	8.6	(389)	(930)	(58)
(Loss)/profit after tax		(4,989)	350	NM
<b>Items that may be reclassified subsequent to profit or loss:</b>				
Reclassification of fair value changes of available-for-sale financial assets	8.7	526	-	NM
Currency translation differences arising from consolidation of foreign operations	8.8	(14,293)	19,469	NM
<b>Total comprehensive (loss)/income</b>		(18,756)	19,819	NM
Attributable to:				
<b>Equity holders of the Company</b>		(5,168)	431	NM
Non-controlling interests		179	(81)	NM
<b>Net (loss)/profit</b>		(4,989)	350	NM
Attributable to:				
<b>Equity holders of the Company</b>		(16,811)	18,458	NM
Non-controlling interests		(1,945)	1,361	NM
<b>Total comprehensive (loss)/income</b>		(18,756)	19,819	NM

NM – Not meaningful

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	Second Quarter ended 31/12/15 \$'000	Second Quarter ended 31/12/14 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	380	275	38
Foreign exchange gain <sup>1</sup>	1,359	1,134	20
Government grant <sup>1</sup>	22	-	NM
Allowance for doubtful trade receivables <sup>2</sup>	(196)	-	NM
Bad trade receivables written off <sup>2</sup>	(113)	(93)	22
Foreign exchange loss <sup>2</sup>	(1,977)	(1,921)	3
Rental expenses <sup>2</sup>	(1,550)	(2,372)	(35)
(Under)/overprovision of income tax expense in prior financial periods	(217)	344	NM

NM – Not meaningful

<sup>1</sup> included in other operating income

<sup>2</sup> 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	
		31/12/15 \$'000	30/06/15 \$'000	31/12/15 \$'000	30/06/15 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	8.9	363,592	324,884	-	-
Investment properties	8.10	390,458	416,387	-	-
Investment in subsidiaries		-	-	426,587	426,581
Investment in joint ventures		66,553	67,863	-	-
Investment in associates	8.11	6,339	1,396	-	-
Available-for-sale financial assets	8.11	651	4,523	-	-
Intangible assets		113,956	114,450	104	112
Deferred tax assets		1,079	1,099	-	-
Other receivable	8.12	-	10,970	15,573	22,974
Restricted bank balances		3,617	2,890	-	-
		946,245	944,462	442,264	449,667
<b>Current assets</b>					
Inventories		118	118	-	-
Trade and other receivables	8.13	240,689	241,598	319,351	308,311
Cash and cash equivalents		84,924	80,904	236	14,121
		325,731	322,620	319,587	322,432
Less:					
<b>Current liabilities</b>					
Trade and other payables	8.14	63,766	69,295	112,561	105,463
Course and education service deferred income	8.15	33,789	15,065	-	-
Income tax payable	8.16	70,170	72,501	265	265
Borrowings	8.18	266,973	266,095	195,330	190,632
		434,698	422,956	308,156	296,360
<b>Net current (liabilities)/assets</b>	8.19	(108,967)	(100,336)	11,431	26,072
Less:					
<b>Non-current liabilities</b>					
Trade and other payables	8.17	38,433	42,105	-	-
Borrowings	8.18	147,563	124,472	79,131	78,960
Deferred tax liabilities		17,966	18,174	-	-
		203,962	184,751	79,131	78,960
<b>Net assets</b>		633,316	659,375	374,564	396,779
<b>Capital and reserves</b>					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(37,713)	(32,730)	(37,713)	(32,730)
Accumulated profits/(losses) and other reserves		97,050	116,941	(69,508)	(52,276)
Equity attributable to equity holders of the Company		541,122	565,996	374,564	396,779
Non-controlling interests	8.20	92,194	93,379	-	-
<b>Total equity</b>		633,316	659,375	374,564	396,779

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

<b>GROUP BORROWINGS AND DEBT SECURITIES</b>	<b>Group</b>	
	<b>31/12/15 \$'000</b>	<b>30/06/15 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured <sup>3,4,6</sup>	89,642	88,963
Unsecured	177,331	177,132
	266,973	266,095
<b><u>Amount repayable after one year:</u></b>		
Secured <sup>3,5,6,7</sup>	68,432	45,512
Unsecured	79,131	78,960
	147,563	124,472
<b>Total borrowings</b>	<b>414,536</b>	<b>390,567</b>

**Details of collateral**

<sup>3</sup> Bank borrowings of \$97,679,000 were secured by letter of guarantee by the Company and certain properties of the Group.

<sup>4</sup> 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.

<sup>5</sup> Bank borrowings of \$22,326,000 were secured by letter of guarantee by the Company, trade and other receivables and property of two subsidiaries in Australia.

<sup>6</sup> Bank borrowings of \$16,594,000 were secured by rental income from the properties, restricted bank balances and certain assets of a third party.

<sup>7</sup> Bank borrowings of \$3,475,000 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.	Second Quarter ended 31/12/15 \$'000	Second Quarter ended 31/12/14 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax		(4,600)	1,280
Adjustments for:			
Amortisation of intangible assets		223	320
Allowance for doubtful debts		196	-
Bad trade receivables written off		113	93
Depreciation for property, plant and equipment		2,679	1,317
Interest expense		4,220	3,166
Interest income		(380)	(275)
Net loss on disposal of property, plant and equipment		-	4
Property, plant and equipment written off		36	1
Fair value loss on investment properties		-	92
Share of results of joint ventures		2,195	(3,224)
Share of results of associates		249	(10)
Operating profit before working capital changes		4,931	2,764
Working capital changes:			
Trade and other receivables		10,251	(3,437)
Inventories		(3)	(87)
Course and education service deferred income		(16,739)	(11,654)
Trade and other payables		(1,155)	6,020
Cash generated used in operations		(2,715)	(6,394)
Interest paid		(4,060)	(2,603)
Interest received		380	275
Income and withholding taxes paid		(804)	(640)
Net cash used in operating activities	8.21	(7,199)	(9,362)
<b>Cash flows from investing activities</b>			
Advance payment for development cost of new projects		-	(20,300)
Proceeds from sale of property, plant and equipment		78	86
Proceeds from sale of investment properties	8.22	10,933	18,224
Purchases of property, plant and equipment	8.23	(15,082)	(7,219)
Purchases of investment properties	8.23	(1,153)	(132)
Purchase of additional equity interest in an associate	8.23	(1,261)	-
Net cash used in investing activities		(6,485)	(9,341)
<b>Cash flows from financing activities</b>			
Draw down of borrowings	8.22	12,297	37,350
Repayment of borrowings	8.23	(2,100)	(11,620)
Dividends payment to non-controlling interests		(641)	(38)
Dividends payment to equity holders of the Company	8.23	(9,736)	(10,162)
Net payment for repurchase of shares		(696)	-
Net cash (used in)/from financing activities		(876)	15,530
Net change in cash and cash equivalents		(14,560)	(3,173)
Cash and cash equivalents at beginning of financial period		99,506	63,862
Effect of exchange rate changes on cash and cash equivalents		(22)	9,564
<b>Cash and cash equivalents at end of financial period</b>	8.24	<b>84,924</b>	<b>70,253</b>

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		
<b>FY2016</b>										
Balance at 1 October 2015	481,785	(37,017)	6,986	(395)	24,043	2,453	90,510	568,365	94,780	663,145
Total comprehensive loss	-	-	-	395	(12,038)	-	(5,168)	(16,811)	(1,945)	(18,756)
Dividends	-	-	-	-	-	-	(9,736)	(9,736)	(641)	(10,377)
Repurchase of shares	-	(696)	-	-	-	-	-	(696)	-	(696)
<b>Balance at 31 December 2015</b>	<b>481,785</b>	<b>(37,713)</b>	<b>6,986</b>	<b>-</b>	<b>12,005</b>	<b>2,453</b>	<b>75,606</b>	<b>541,122</b>	<b>92,194</b>	<b>633,316</b>
<b>FY2015</b>										
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)
<b>Balance at 31 December 2014</b>	<b>481,785</b>	<b>(24,496)</b>	<b>7,181</b>	<b>-</b>	<b>9,494</b>	<b>2,453</b>	<b>102,110</b>	<b>578,527</b>	<b>41,225</b>	<b>619,752</b>

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>FY2016</b>				
Balance at 1 October 2015	481,785	(37,017)	2,453	(59,363)	387,858
Total comprehensive loss	-	-	-	(2,862)	(2,862)
Dividends	-	-	-	(9,736)	(9,736)
Repurchase of shares	-	(696)	-	-	(696)
<b>Balance at 31 December 2015</b>	<b>481,785</b>	<b>(37,713)</b>	<b>2,453</b>	<b>(71,961)</b>	<b>374,564</b>
<b>FY2015</b>					
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)
<b>Balance at 31 December 2014</b>	<b>481,785</b>	<b>(24,496)</b>	<b>2,453</b>	<b>(64,620)</b>	<b>395,122</b>



- 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 2015, 2,455,800 ordinary shares were repurchased.

Subsequent to the financial period ended 31 December 2015, 6,176,800 ordinary shares were repurchased.

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

As at 31 December 2015, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 71,674,400 treasury shares).

#### **SHARE OPTIONS**

As at 31 December 2015, there was unexercised share option for 2,697,600 unissued ordinary shares (31 December 2014: 2,860,265) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 31 December 2015, there were 71,674,400 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 973,620,833 (excluding treasury shares) as at 31 December 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 31 December 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 +/- %
	Second Quarter ended 31/12/15	Second Quarter ended 31/12/14	
i) Based on the weighted average number of shares (in cents)	-0.53	0.04	NM
- Weighted average number of shares	973,885,220	1,016,205,233	
ii) On a fully diluted basis (in cents)	-0.53	0.04	NM
- Adjusted weighted average number of shares	973,885,220	1,016,205,233	

**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)	Group		Change +/- %	Company		Change +/- %
	31/12/15	30/06/15		31/12/15	30/06/15	
NAV per ordinary share (in cents)	55.58	57.10	(3)	38.47	40.05	(4)

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) Group revenue decreased by 2.2% from \$30.2 million for FY2015 Q2 to \$29.5 million for FY2016 Q2.
- (2) Depreciation and amortisation expenses increased from \$1.6 million for FY2015 Q2 to \$2.9 million for FY2016 Q2 was mainly due to the change in the estimated useful lives of certain categories of property, plant and equipment with effect from FY2015 Q2.

The change in estimate has been applied prospectively from 1 July 2014 and the effect of the change for FY2015 Q1 was accounted in FY2015 Q2. Excluding the aforementioned effect, the depreciation and amortisation expense for FY2015 Q2 would have been \$2.4 million.

- (3) Decrease in other operating expenses from \$17.8 million for FY2015 Q2 to \$15.0 million for FY2016 Q2 was mainly due to:
- a) absence of \$1.8 million professional fees primarily related to the Initial Public Offering of shares of Oriental University City Holdings (H.K.) Limited ("OUCHK") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited in FY2015 Q2; and
  - b) \$0.8 million decrease in rental expenses mainly because Raffles College Pty Ltd moved from rented premises to its premises at Parramatta, Australia.
- (4) Increase in finance costs from \$3.2 million for FY2015 Q2 to \$4.2 million for FY2016 Q2 was mainly due to the increase in cost of borrowings and increase in borrowings.
- (5) Share of loss from joint ventures for FY2016 Q2 included share of unrealized exchange loss of \$1.8 million recorded by Value Vantage Pte Ltd ("VVPL") (FY2015 Q2: gain of \$3.0 million).

In FY2014, VVPL entered into an equity transfer agreement to dispose all of the equity interest in the registered capital of Value Vantage Investment and Management (Hangzhou) Co., Ltd. The sales consideration receivable outstanding as at 31 December 2015 and 31 December 2014 was RMB682 million. The significant unrealised exchange loss/gain was mainly due to the revaluation of this foreign currency receivable of RMB682 million into VVPL's functional currency of Singapore dollars and Renminbi ("RMB") having depreciated about 2.4% during FY2016 Q2 (FY2015 Q2: appreciated about 4.0%).

- (6) Decrease in income tax expense from \$0.9 million in FY2015 Q2 to \$0.4 million in FY2016 Q2 was mainly due to adjustment of overprovision of income tax in prior year.
- (7) Reclassification of fair value changes of available-for-sale assets was due to OUCHK reclassified its 19.9% equity interest in Axiom Properties Limited ("Axiom") from available-for-sale assets to investment in associate. OUCHK increased its equity interest in Axiom from 14.9% to 19.9% during the quarter, was granted a board seat and thus, OUCHK can exert significant influence over finance and operating policy of Axiom. As such Axiom become an associate.
- (8) The Group recorded \$14.3 million in currency translation loss arising from consolidation of foreign operations (refer to item 8.9.e and item 8.10.a).

The currency translation loss arose mainly from the translation of Oriental University City Limited ("OUCL") and OUCHK (collectively "OUC") RMB2.2 billion net asset value as at 31 December 2015. RMB has depreciated about 2.4% during FY2016 Q2 resulting in OUC's translation loss of \$12.1 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 FINANCIAL POSITION**

- (9) Increase in property, plant and equipment ("PPE") from \$324.9 million in FY2015 ("ended 30 June 2015") to \$363.6 million in FY2016 Q2 ("ended 31 December 2015") mainly due to:

a) additions of \$25.7 million, mainly from:

- (i) construction work in progress of \$17.8 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 \$3.8 million for land and building in Siviez, Switzerland to be used for teaching and student dormitories;

b) reclassification of \$5.0 million advance payment mainly from prepayment for purchase of land by Wanbo College and purchase of land and building in Siviez.

c) reclassification from investment properties to owner occupied property of \$21.2 million (refer to item 8.10.b).

Increase was offset by:

d) depreciation charge of \$5.2 million; and

e) loss on foreign currency translation of \$7.9 million (refer to item 8.8).

- (10) Decrease in investment properties from \$416.4 million in FY2015 to \$390.5 million in FY2016 Q2 was mainly due to:

a) loss on foreign currency translation of \$7.0 million (refer to item 8.8); and

b) reclassification from investment properties to PPE of \$21.2 million (refer to item 8.9.c).

Decrease was partially offset by:

c) payment of \$1.7 million for construction of Raffles International College campus, Bangkok; and

d) payment of \$0.6 million for construction of new student dormitories by OUCHK.

- (11) The increase in investment in associates and decrease in available-for-sale financial assets in FY2016 Q2 are due to reclassification of OUCHK's 19.9% equity interest in Axiom from available-for-sale assets to investment in associate (refer to item 8.7).

- (12) Non-current other receivable of \$11.0 million in FY2015 reclassified to current receivable in FY2016 Q2:

This relates to prepayment for the purchase of land by Tianjin University of Commerce Boustead College ("BCT"). Both BCT and seller have mutually agreed to cancel the purchase and the seller will refund the prepayment (refer to item 8.13.b).

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:

	31/12/15 \$'000	30/06/15 \$'000
<b>Trade receivables:</b>		
Trade receivables <sup>(a)</sup>	5,442	3,296
Less:		
Allowance for doubtful trade receivables	(194)	(155)
<b>Trade receivables, net</b>	<b>5,248</b>	<b>3,141</b>
<b>Other receivables:</b>		
Third parties <sup>(b)</sup>	37,309	24,822
Receivable from sale of interest in subsidiary <sup>(c)</sup>	18,284	18,284
Receivable from sale of investment properties <sup>(d)</sup>	81,231	104,855
Government grant receivables <sup>(e)</sup>	32,591	32,959
Prepayments	20,351	14,971
Deposits	7,729	5,654
Receivable from former joint venture	313	226
Joint ventures <sup>(f)</sup>	35,696	35,133
Associates	566	210
Tax recoverable	964	964
Others	407	379
	<b>235,441</b>	<b>238,457</b>
<b>Total trade and other receivables</b>	<b>240,689</b>	<b>241,598</b>

Notes to current trade and other receivables:

- a) Increase in trade receivables by \$2.1 million mainly due to the annual billing cycle for the National Education System ("NES") colleges and OUCHK.
- b) Included short term loans to third parties of \$26.3 million (FY2015: \$24.5 million) and the refund receivable for the cancellation of purchase of land by BCT of \$11.0 million (refer to item 8.12).
- c) In July 2011, the Group completed the disposal of 50% equity interest in VVPL for a consideration of \$46 million to an unrelated third party and has since received \$27.7 million.
- d) Decrease in the outstanding due from sale of investment properties in OUCL mainly due to \$19.8 million collection in FY2016 Q1 and Q2.
- e) The corresponding liabilities were recorded in other payables and income tax payable reflected in 8.16.a) below.
- f) Dividend receivable of \$30 million from VVPL is included in the amounts due from joint ventures.

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

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

	31/12/15 \$'000	30/06/15 \$'000
<b>Trade payables (Current):</b>		
Third parties	3,059	3,338
<b>Other payables (Current):</b>		
Associates	21	357
Other accruals	16,173	17,446
Accruals for indirect taxes and property-related expenses	4,029	2,915
Accruals for management fees	1,970	3,888
Accruals for capital expenditure	6,066	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	5,424	-
Payable for land in Iskandar	8,339	9,127
Other payables	2,485	2,352
	60,707	65,957
<b>Total trade and other payables (Current)</b>	<b>63,766</b>	<b>69,295</b>

- (15) Increase in course and education service deferred income from \$15.1 million in FY2015 to \$33.8 million in FY2016 Q2 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 2 financial quarters in FY2016.

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

	31/12/15 \$'000	30/06/15 \$'000
OUC <sup>(a)</sup>	69,304	70,999
Others	866	1,502
<b>Income tax payable</b>	<b>70,170</b>	<b>72,501</b>

Note :

- a) Included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$31.9 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 \$19.7 million (FY2015: \$21.5 million); and
- b) 45 acres of land for RAS of \$18.7 million (FY2015: \$20.5 million).

(18) Increase in borrowings from \$390.6 million in FY2015 to \$414.5 million in FY2016 Q2 mainly due to:

- a) drawdown of \$18.4 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 \$3.0 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 \$4.2 million in borrowings; and
- f) foreign currency translation gain of \$1.6 million.

Included in current borrowings are:

- g) Mortgage loan against 51 Merchant Road amounting to \$70.7 million which will mature in April 2016.
- h) Bonds of \$79.9 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 31 December 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 used in operating activities amounted to \$7.2 million.

(22) Major contributor of cash inflows were:

- a) proceeds from sale of investment properties of \$10.9 million (partial proceeds of 499 mu land sale); and
- b) drawdown of borrowings of \$12.3 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 \$15.1 million;
- b) payment on investment properties of \$1.2 million;
- c) purchase of additional 5% equity interest in Axiom of \$1.3 million;
- d) the repayment of borrowings of \$2.1 million; and
- e) payment of dividends to equity holders of the Company of \$9.7 million.

(24) The Group's cash position was \$84.9 million at the end of FY2016 Q2 (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 period ended 30 September 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, especially in the PRC, currency volatility, recent increase in US interest rates and the uncertain global interest rate movements are creating new challenges for the Group.

The Group is facing a challenging operating environment with increasing competition, higher manpower costs and a more stringent regulatory environment which are expected to have an adverse effect on the Group's operations.

The Group will also seek opportunities in new territories.

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



**11. Dividend (Cont'd)**

**(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 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 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 February 2016**