

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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 FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	Group		
		2016 \$'000	2015 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	8.1	111,030	119,895	(7)
Other operating income	8.2	9,745	7,914	23
Personnel expenses		(43,487)	(45,605)	(5)
Depreciation and amortisation expenses		(11,151)	(11,040)	1
Other operating expenses		(56,329)	(59,353)	(5)
Loss on de-recognition of an available-for-sale financial asset	8.3	(407)	-	NM
Net fair value gain on investment properties	8.4	37,136	23,031	61
Finance costs	8.5	(15,091)	(13,456)	12
Share of results of joint ventures	8.6	(4,000)	901	NM
Share of results of associates	8.7	224	52	331
<b>Profit before income tax</b>		27,670	22,339	24
Income tax expense	8.8	(7,981)	(2,968)	169
Profit after tax		19,689	19,371	2
<b>Other comprehensive income, net of tax</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Revaluation gain on transferring owner occupied property to investment property		34	-	NM
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Net loss on fair value changes of an available-for-sale financial assets	8.9	(407)	-	NM
Reclassification adjustments on de-recognition of an available-for-sale financial asset	8.3	407	-	NM
Currency translation differences arising from consolidation of foreign operations	8.10	(43,520)	38,423	NM
<b>Total comprehensive (loss)/income</b>		(23,797)	57,794	NM
Attributable to:				
<b>Equity holders of the Company</b>		15,818	16,983	(7)
Non-controlling interests		3,871	2,388	62
<b>Net profit</b>		19,689	19,371	2
Attributable to:				
<b>Equity holders of the Company</b>		(21,103)	51,411	NM
Non-controlling interests		(2,694)	6,383	NM
<b>Total comprehensive (loss)/income</b>		(23,797)	57,794	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 FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2016 \$'000	2015 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	1,114	1,241	(10)
Government grant <sup>1</sup>	1,099	-	NM
Fair value gain on re-measurement of pre-existing equity interest in an associate <sup>1</sup>	1,397	-	NM
Net reversal on provision for land restructuring costs in OUC <sup>1</sup>	-	403	NM
Foreign exchange gain <sup>1</sup>	5,590	5,541	1
Foreign exchange loss <sup>2</sup>	(7,257)	(5,754)	26
Write back/(allowance) for doubtful trade receivables <sup>2</sup>	72	(180)	NM
Bad trade receivables written off <sup>2</sup>	(536)	(203)	164
Net reversal of government grant receivable for OUC land restructuring <sup>2</sup>	-	(403)	NM
Reversal of compensation for early termination of tenancy agreement and demolition of car park <sup>2</sup>	55	-	NM
Compensation for early termination of tenancy agreement and demolition of car park <sup>2</sup>	-	(1,003)	NM
Rental expenses <sup>2</sup>	(6,127)	(8,221)	(25)
Overprovision of income tax expense in prior periods	2,534	6,276	(60)

NM – Not meaningful

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

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

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

Net fair value gain on investment properties was included in the Adjusted EBITDA as the real estate investment and development segment is part of our core business.

ADJUSTED EBITDA	Group	
	2016 \$'000	2015 \$'000
Profit after tax	19,689	19,371
<u>Add/(less):</u>		
Fair value gain on re-measurement of pre-existing equity interest in an associate	(1,397)	-
Loss on de-recognition of an available-for-sale financial asset	407	-
Net reversal on provision for land restructuring costs in OUC	-	(403)
Net reversal of government grant receivable for OUC land restructuring	-	403
Government grant	(1,099)	-
Finance costs	15,091	13,456
Income tax expenses	7,981	2,968
Depreciation and amortisation	11,151	11,040
Net foreign exchange loss	1,667	213
Share of results of joint ventures	4,000	(901)
Share of results of associates	(224)	(52)
Adjusted EBITDA	57,266	46,095

**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 AS AT 30 JUNE	Item No.	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	8.11	362,649	324,884	-	-
Investment properties	8.12	437,028	416,387	-	-
Investment in subsidiaries		-	-	463,858	426,581
Investment in joint ventures	8.13	41,665	67,863	-	-
Investment in associates	8.14	5,991	1,396	-	-
Available-for-sale financial assets	8.14	612	4,523	-	-
Intangible assets		118,751	114,450	94	112
Deferred tax assets		1,074	1,099	-	-
Other receivable	8.15	-	10,970	9,615	22,974
Restricted bank balances		3,511	2,890	-	-
		971,281	944,462	473,567	449,667
<b>Current assets</b>					
Inventories		89	118	-	-
Trade and other receivables	8.16	156,695	241,598	270,991	308,311
Cash and bank balances		61,266	80,904	1,810	14,121
		218,050	322,620	272,801	322,432
Less:					
<b>Current liabilities</b>					
Trade and other payables	8.17	44,945	69,295	159,947	105,463
Course and education service deferred income		11,765	15,065	-	-
Income tax payable	8.18	37,775	72,501	83	265
Borrowings	8.20	87,418	266,095	80,568	190,632
		181,903	422,956	240,598	296,360
<b>Net current assets/(liabilities)</b>		36,147	(100,336)	32,203	26,072
Less:					
<b>Non-current liabilities</b>					
Trade and other payables	8.19	56,566	42,105	59,638	-
Borrowings	8.20	278,901	124,472	79,305	78,960
Deferred tax liabilities	8.21	53,002	18,174	-	-
		388,469	184,751	138,943	78,960
<b>Net assets</b>		618,959	659,375	366,827	396,779
<b>Capital and reserves</b>					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(39,683)	(32,730)	(39,683)	(32,730)
Accumulated profits/(losses) and other reserves		86,101	116,941	(75,275)	(52,276)
Equity attributable to equity holders of the Company		528,203	565,996	366,827	396,779
Non-controlling interests	8.22	90,756	93,379	-	-
<b>Total equity</b>		618,959	659,375	366,827	396,779

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

<b>GROUP BORROWINGS AND DEBTS SECURITIES</b>	<b>Group</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured <sup>3,4,5,6,8,9</sup>	72,321	88,963
Unsecured	15,097	177,132
	87,418	266,095
<b><u>Amount repayable after one year:</u></b>		
Secured <sup>4,7,8,9,10</sup>	199,596	45,512
Unsecured	79,305	78,960
	278,901	124,472
<b>Total borrowings</b>	<b>366,319</b>	<b>390,567</b>

**Details of collateral**

- <sup>3</sup> Bank borrowings of \$32,568,000 were secured by letter of guarantee by a subsidiary.
- <sup>4</sup> Bank borrowings of \$155,387,000 were secured by a letter of guarantee by the Company and certain properties of the Group.
- <sup>5</sup> Bank borrowings of \$17,000,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company.
- <sup>6</sup> Bank borrowings of \$21,000,000 were secured by a standby letter of credit issued by a bank, which is secured by a letter of guarantee from the Company. The standby letter of credit were secured by pledged bank deposit of \$22,427,000.
- <sup>7</sup> Bank borrowings of \$22,027,000 were secured by letter of guarantee by the Company, trade and other receivables and property of two subsidiaries in Australia.
- <sup>8</sup> Bank borrowings of \$15,614,000 were secured by letter of guarantee by the Company, certain properties of a subsidiary in Switzerland, rental income from the properties and restricted bank balances.
- <sup>9</sup> Bank borrowings of \$3,373,000 were secured by letter of guarantee by the Company, certain property of a subsidiary in Switzerland, rental income from the properties and restricted bank balances.
- <sup>10</sup> Bank borrowings of \$4,948,000 were secured by letter of guarantee by the Company, certain property of a subsidiary in Italy and rental income from the property.

For more details, refer to items 8.20.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE</b>	<b>Item No.</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		27,670	22,339
Adjustments for:			
Depreciation for property, plant and equipment		10,132	9,766
Fair value gain on investment properties, net		(37,136)	(23,031)
(Write back)/allowance for doubtful trade receivables		(72)	180
Amortisation of intangible assets		1,019	1,274
Bad trade receivables written off		536	203
Interest expense		15,091	13,456
Interest income		(1,114)	(1,241)
Gain on disposal of property, plant and equipment, net		(2)	(19)
Property, plant and equipment written off		36	4
Share of results of joint ventures		4,000	(901)
Share of results of associates		(224)	(52)
Loss on de-recognition of an available-for-sale financial asset		407	-
Fair value gain on re-measurement of pre-existing equity interest in an associate		(1,397)	-
Operating profit before working capital changes		18,946	21,978
Working capital changes:			
Trade and other receivables		(1,766)	(2,802)
Inventories		29	1
Course and education service deferred income		(3,299)	(1,505)
Trade and other payables		3,465	3,639
Cash generated from operations		17,375	21,311
Interest paid		(16,144)	(12,572)
Interest received		1,114	1,241
Income and withholding tax paid, net		(1,530)	(5,813)
Net cash generated from operating activities	8.23	815	4,167
<b>Cash flows from investing activities</b>			
Additions of development costs and computer software		(1,627)	(1)
Additions of trademarks		(1)	(1)
Acquisition of subsidiaries, net of cash acquired <sup>11</sup>	8.25	(2,730)	-
Acquisitions of investment properties	8.25	(15,567)	(71,269)
Additions to property, plant and equipment	8.25	(55,143)	(55,738)
Cash proceeds from disposal of interest in former subsidiary	8.24	2,084	16,616
Deposit for acquisition of additional shares in joint venture		-	(2,401)
Proceeds from disposal of property, plant and equipment		86	118
Proceeds from disposal of investment properties	8.24	29,989	22,418
Purchases of available-for-sale financial assets		-	(3,761)
Purchase of additional equity interest in an associate		(1,243)	-
Payment of remaining purchase consideration for acquisition of subsidiary		-	(203)
Dividends received from joint venture	8.24	51,685	-
Dividends received from associate		32	88
Net cash from/(used in) investing activities		7,565	(94,134)

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)**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE</b>	<b>Item No.</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Cash flows from financing activities</b>			
Increase in restricted bank balances pledged		(757)	(2,890)
Increase in short-term deposits pledged		(22,427)	-
Investment in subsidiary by non-controlling interest		-	17,160
Net proceeds from issue of medium term notes		-	29,595
Drawdown of borrowings	8.24	109,164	99,752
Repayment of borrowings	8.25	(109,163)	(15,837)
Net payment for repurchase of shares	8.25	(6,953)	(8,665)
Dividends payment to equity holders of the Company	8.25	(9,736)	(10,162)
Dividends payment to non-controlling interests		(910)	(37)
Net cash (used in)/from financing activities		(40,782)	108,916
Net change in cash and cash equivalents		(32,402)	18,949
Cash and cash equivalents at beginning of financial year		80,904	58,061
Effect of exchange rate changes on cash and cash equivalents		(9,663)	3,894
<b>Cash and cash equivalents at end of financial year – Note A</b>		<b>38,839</b>	<b>80,904</b>

Note A:

<b>Cash and cash equivalents</b>	<b>Item No.</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Fixed deposits with banks		50,142	40,803
Cash and bank balances		11,124	40,101
<b>Cash and bank balances in the statement of financial position</b>		<b>61,266</b>	<b>80,904</b>
Pledged bank deposits		(22,427)	-
<b>Cash and cash equivalents in the statement of cash flow</b>	8.26	<b>38,839</b>	<b>80,904</b>

<sup>11</sup> The fair value of the identifiable assets and liabilities of the business acquired as at the date of acquisition were as follows:

<b>Acquisition of subsidiary</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Property, plant and equipment	2,169	-
Trade and other receivables	157	-
Cash and cash equivalents	65	-
Trade and other payables	(418)	-
Income tax receivable	80	-
Deferred tax liabilities	(131)	-
Net identifiable assets	1,922	-
Add: Goodwill arising on consolidation	3,780	-
Less: Non-controlling interest	(980)	-
Less: Amount previously accounted for as associate	(530)	-
Less: Fair value gain on re-measurement of pre-existing equity interest in an associate	(1,397)	-
Consideration paid	2,795	-
Cash and cash equivalents in subsidiary acquired	(65)	-
<b>Net cash outflow on acquisition of subsidiary</b>	<b>2,730</b>	<b>-</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 capitalisation 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	Share-	Accumulated profits	Total		
				currency translation reserve	based payment reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b><u>FY2016</u></b>									
<b>Balance at 1 July 2015</b>	<b>481,785</b>	<b>(32,730)</b>	<b>6,986</b>	<b>17,859</b>	<b>2,453</b>	<b>89,643</b>	<b>565,996</b>	<b>93,379</b>	<b>659,375</b>
Total comprehensive income	-	-	34	(36,955)	-	15,818	(21,103)	(2,694)	(23,797)
Repurchase of shares	-	(6,953)	-	-	-	-	(6,953)	-	(6,953)
Dividends	-	-	-	-	-	(9,736)	(9,736)	(910)	(10,646)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	980	980
Change of ownership interest without loss of control	-	-	-	11	-	(12)	(1)	1	-
<b>Balance at 30 June 2016</b>	<b>481,785</b>	<b>(39,683)</b>	<b>7,020</b>	<b>(19,085)</b>	<b>2,453</b>	<b>95,713</b>	<b>528,203</b>	<b>90,756</b>	<b>618,959</b>
<b><u>FY2015</u></b>									
<b>Balance at 1 July 2014</b>	<b>481,785</b>	<b>(24,065)</b>	<b>7,181</b>	<b>(14,791)</b>	<b>2,453</b>	<b>111,132</b>	<b>563,695</b>	<b>39,590</b>	<b>603,285</b>
Total comprehensive income	-	-	-	34,428	-	16,983	51,411	6,383	57,794
Repurchase of shares	-	(8,665)	-	-	-	-	(8,665)	-	(8,665)
Dividends	-	-	-	-	-	(10,162)	(10,162)	(37)	(10,199)
Change of ownership interest without loss of control	-	-	(195)	(1,778)	-	(28,310)	(30,283)	47,443	17,160
<b>Balance at 30 June 2015</b>	<b>481,785</b>	<b>(32,730)</b>	<b>6,986</b>	<b>17,859</b>	<b>2,453</b>	<b>89,643</b>	<b>565,996</b>	<b>93,379</b>	<b>659,375</b>

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b><u>FY2016</u></b>				
<b>Balance at 1 July 2015</b>	<b>481,785</b>	<b>(32,730)</b>	<b>2,453</b>	<b>(54,729)</b>	<b>396,779</b>
Total comprehensive loss	-	-	-	(13,263)	(13,263)
Dividends	-	-	-	(9,736)	(9,736)
Repurchase of shares	-	(6,953)	-	-	(6,953)
<b>Balance at 30 June 2016</b>	<b>481,785</b>	<b>(39,683)</b>	<b>2,453</b>	<b>(77,728)</b>	<b>366,827</b>
<b><u>FY2015</u></b>					
<b>Balance at 1 July 2014</b>	<b>481,785</b>	<b>(24,065)</b>	<b>2,453</b>	<b>(60,721)</b>	<b>399,452</b>
Total comprehensive income	-	-	-	16,154	16,154
Dividends	-	-	-	(10,162)	(10,162)
Repurchase of shares	-	(8,665)	-	-	(8,665)
<b>Balance at 30 June 2015</b>	<b>481,785</b>	<b>(32,730)</b>	<b>2,453</b>	<b>(54,729)</b>	<b>396,779</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 year ended 30 June 2016, 25,656,300 ordinary shares were repurchased.

During the financial year ended 30 June 2016, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2016, the company has 1,045,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

#### **SHARE OPTIONS**

As at 30 June 2016, there was unexercised share option for 2,429,600 unissued ordinary shares (30 June 2015: 2,860,265) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 30 June 2016, there were 79,790,100 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 965,505,133 (excluding treasury shares) as at 30 June 2016 (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 year ended 30 June 2016.

- 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 +/- %
	2016	2015	
i) Based on the weighted average number of shares (in cents)	1.63	1.68	(3)
- Weighted average number of shares	973,144,203	1,009,531,835	
ii) On a fully diluted basis (in cents)	1.63	1.68	(3)
- Adjusted weighted average number of shares	973,144,203	1,009,531,835	

**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 +/- %
	2016	2015		2016	2015	
NAV per ordinary share (in cents)	54.71	57.10	(4)	37.99	40.05	(5)

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 COMPREHENSIVE INCOME**

- (1) Decrease in group revenue by 7% from \$119.9 million for FY2015 to \$111.0 million for FY2016 mainly due to:

- a) Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$4.6 million in FY2016 from FY2015; and
- b) Reduction in foreign student intake in Raffles Sydney has resulted in the decrease of revenue by \$7.8 million in FY2016 from FY2015.

- (2) Increase in other operating income from \$7.9 million for FY2015 to \$9.7 million for FY2016 was mainly due to:

- a) fair value gain of \$1.4 million on re-measurement of its acquisition from 20% to 49% in Raffles College of Higher Education Sdn. Bhd. ("RKL"). The effect of this acquisition has been disclosed on page 6 item 1(c) note 12.

The Company has the right to appoint majority of the directors on the board of directors in RKL, therefore RKL has been accounted for as a subsidiary.

The conditional purchase of additional 21% shareholding in RKL is still subject to approval from the Ministry of Education of Malaysia (Refer to the announcement "The acquisition of up to an additional 50% of the issued share capital in Raffles College of Higher Education Sdn. Bhd." on 4 February 2016); and

- b) \$1.1 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 ("GEM").

- (3) In FY2015, OUCHK acquired a 14.9% equity interest in Axiom Properties Limited ("Axiom"), a company whose shares are listed on the Australian Stock Exchange (the "ASX").

During the year, OUCHK acquired additional 5% equity interest in Axiom. The aggregate 19.9% equity interest in Axiom held by the OUCHK has been accounted for as associate of the Group. Upon the de-recognition of OUCHK's equity interest in Axiom as available-for-sale financial asset, the related accumulated fair value changes in available-for-sale financial asset reserve of \$0.4 million was charged to the profit or loss (refer to item 8.9 and 8.14).

- (4) Net fair value gain of \$37.1 million arising from revaluation was recognised in FY2016 and mainly includes:

- a) \$10.3 million gain from the investment properties in Oriental University City Limited ("OUCL") and OUCHK (collectively "OUC");
- b) \$6.7 million gain from the investment properties in Nendaz, Switzerland;
- c) \$5.4 million gain from the land in Negombo, Sri Lanka;
- d) \$3.5 million gain from the investment properties in Bangkok, Thailand;

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 COMPREHENSIVE INCOME (CONT'D)**

- e) \$5.4 million gain from the investment properties in Iskandar, Malaysia;
  - f) \$3.1 million gain from the investment properties in Milan, Italy; and
  - g) \$2.8 million gain from the investment properties in Parramatta, Australia.
- (5) Increase in finance costs from \$13.5 million for FY2015 to \$15.1 million for FY2016 was mainly due to higher interest rates during the year.
- (6) Share of loss from joint ventures for FY2016 included share of unrealised exchange loss of \$2.1 million recorded by Value Vantage Pte Ltd ("VVPL") (FY2015: gain of \$5.9 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 30 June 2015 and 30 June 2016 was RMB682 million and RMB282 million respectively. The significant unrealised exchange loss was mainly due to the revaluation of this foreign currency receivable into VVPL's functional currency of Singapore dollars and Renminbi ("RMB") having depreciated about 7.1% during FY2016 (FY2015: appreciated about 8.0%).

- (7) Increase in share of results of associates was mainly due to the share of results of Axiom.
- (8) Increase in income tax expense from \$3.0 million in FY2015 to \$8.0 million in FY2016 was mainly due to deferred tax expenses arising from net fair value gain on investment properties.
- (9) 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 before it became our associate (refer to item 8.3).
- (10) The Group recorded \$43.5 million in currency translation loss arising from consolidation of foreign operations.

The currency translation loss arose mainly from the translation of OUC RMB2.3 billion net asset value as at 30 June 2016. RMB has depreciated about 7.1% during FY2016 resulting in OUC's translation loss of \$34.5 million.

**COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION**

- (11) Increase in Property, plant and equipment ("PPE") from \$324.9 million in FY2015 ("ended 30 June 2015") to \$362.6 million in FY2016 ("ended 30 June 2016") mainly due to:
- a) additions of \$51.4 million, mainly from:
    - (i) construction work in progress of \$41.2 million for Raffles American School ("RAS") in Iskandar, Malaysia;
    - (ii) payment of \$3.1 million by Wanbo College for the balance purchase consideration of land for the upgrading of the college to University status; and

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)**

(iii) balance purchase consideration of \$3.7 million for land and building in Siviez, Switzerland to be used for teaching and student dormitories.

- b) increase in PPE as a result of the acquisition of RKL by \$2.2 million (refer to item 8.2.a).
- c) reclassification of \$4.1 million advance payment mainly from prepayment for purchase of land by Wanbo College and purchase of land and building in Siviez.
- d) reclassification from investment properties ("IP") to owner occupied property of \$21.8 million used by Raffles Bangkok (refer to item 8.12.g).

Increase was mainly offset by:

- e) depreciation charge of \$10.1 million;
- f) reclassification from PPE to IP of \$16.7 million (refer to item 8.12.b) relating to certain lands in Malaysia, Sri Lanka and Thailand which are pending development; and
- g) loss on foreign currency translation of \$14.8 million.

(12) Increase in investment properties from \$416.4 million in FY2015 to \$437.0 million in FY2016 was mainly due to:

- a) net fair value gain of \$37.1 million (refer to item 8.4 above);
- b) reclassification from PPE to IP of \$16.7 million (refer to item 8.11.f);
- c) purchase of \$7.8 million property in Milan, Italy;
- d) payment of \$7.4 million for construction of Raffles International College campus, Bangkok; and
- e) payment of \$0.6 million for construction of new student dormitories by OUCHK.

Increase was partially offset by:

- f) loss on foreign currency translation of \$27.2 million; and
- g) reclassification from IP to PPE of \$21.8 million (refer to item 8.11.d).

(13) Decrease in investment in joint ventures from \$67.9 million in FY2015 to \$41.7 million in FY2016 was mainly due to \$21.7 million dividend received from a joint venture.

(14) Increase in investment in associates and decrease in available-for-sale financial assets in FY2016 was due to reclassification of OUCHK's 19.9% equity interest in Axiom from available-for-sale financial assets to investment in associates (refer to item 8.3).

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

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 8.16.a).

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

	30/06/16 \$'000	30/06/15 \$'000
<b>Trade receivables:</b>		
Trade receivables	3,349	3,296
Less:		
Allowance for doubtful trade receivables	-	(155)
<b>Trade receivables, net</b>	<b>3,349</b>	<b>3,141</b>
<b>Other receivables:</b>		
Third parties <sup>(a)</sup>	10,548	24,822
Receivable from sale of interest in subsidiary <sup>(b)</sup>	-	18,284
Receivable from sale of investment properties <sup>(c)</sup>	62,885	104,855
Government grant receivables <sup>(d)</sup>	30,629	32,959
Prepayments <sup>(e)</sup>	33,716	14,971
Deposits	8,318	5,654
Receivable from former joint venture	321	226
Joint ventures <sup>(f)</sup>	5,683	35,133
Associates	-	210
Tax recoverable	120	964
Others	1,126	379
	153,346	238,457
<b>Total trade and other receivables</b>	<b>156,695</b>	<b>241,598</b>

Notes to current trade and other receivables:

- a) Included short term loans to third parties of \$Nil (FY2015: \$24.5 million) and the refund receivable for the cancellation of purchase of land by BCT of \$10.2 million (refer to item 8.15).
- b) 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 the full amount.

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)**

- c) Decrease in the outstanding due from sale of investment properties in OUCL mainly due to collection during this financial year.
- d) The corresponding liabilities were recorded in other payables and income tax payable reflected in item 8.18.a).
- e) Included an amount of \$13.2 million (FY2015: \$Nil) recorded as prepayment for purchase of properties from the spouse of Mr. Chew Hua Seng ("Mr. Chew" who is also a director of OUCHK) and her related entity, as the completion was after FY2016.
- f) Decrease in amounts due from joint ventures mainly due to \$30 million dividend received from VVPL.

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

	30/06/16 \$'000	30/06/15 \$'000
<b>Trade payables (Current):</b>		
Third parties	3,462	3,338
<b>Other payables (Current):</b>		
Associates	-	357
Other accruals	13,263	17,446
Accruals for indirect taxes and property-related expenses	3,788	2,915
Accruals for management fees	3,078	3,888
Accruals for capital expenditure	6,170	6,226
Accruals for car park demolition in OUCL	-	7,444
Amount due to joint venturers	4,078	16,200
Amount due to former related parties	-	2
Payable for land in Iskandar	8,544	9,127
Other payables	2,562	2,352
	41,483	65,957
<b>Total trade and other payables (Current)</b>	<b>44,945</b>	<b>69,295</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)**

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

	<b>30/06/16 \$'000</b>	<b>30/06/15 \$'000</b>
OUC <sup>(a) (b)</sup>	37,670	70,999
Others	105	1,502
<b>Income tax payable</b>	<b>37,775</b>	<b>72,501</b>

Note :

- a) Included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$30.0 million, adjusted for foreign currency translation (FY2015: \$32.3 million). There is related grant receivable as reflected in item 8.16.d) above. Both the income tax and other taxes payable with the related grant receivable will be reversed in Q1 FY2017 upon the expiry of statutory period.
- b) Decrease in income tax payable by OUC from \$71.0 million in FY2015 to \$37.7 million in FY2016 was due to reclassification of \$26.9 million taxes relating to the divestment of 490 mu land and properties in OUC to deferred tax liabilities, due to the re-assessment of the tax position of this divestment by management (refer to item 8.21.b).
- (19) Non-current trade and other payables mainly relates to:
- a) amount payable for the purchase of 65 acres of land for Raffles University Iskandar of \$20.2 million (FY2015: \$21.5 million);
- b) amount payable for the purchase of 45 acres of land for Raffles American School in Iskandar, Malaysia of \$19.2 million (FY2015: \$20.5 million);
- c) payable to the spouse of a director of \$12.0 million (FY2015: \$Nil); and
- d) advance from third party of \$5.1 million (FY2015: \$Nil).
- (20) Decrease in borrowings from \$390.6 million in FY2015 to \$366.3 million in FY2016 mainly due to:
- a) repayment of \$80.0 million bonds;
- b) repayment of a \$32.4 million revolving loan;
- c) repayment of \$32.8 million in other borrowings; and
- d) foreign currency translation gain of \$2.5 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 (CONT'D)**

Decrease was offset by:

- e) drawdown of \$35.8 million in borrowings for construction work of RAS in Iskandar, Malaysia;
  - f) drawdown of \$3.5 million in borrowings to purchase land and building in Siviez, Switzerland;
  - g) drawdown of \$4.7 million in borrowings to purchase land and building in Milan, Italy;
  - h) drawdown of \$20.5 million in borrowings for construction of Raffles International College, Bangkok;
  - i) drawdown in Standby Letter of Credit borrowings of \$21.0 million for the repayment of \$80.0 million bonds;
  - j) drawdown of \$24.0 million in borrowings for working capital; and
  - k) increase of mortgage against 51 Merchant Road from \$68.6 million to \$98.6 million.
- (21) Deferred tax liabilities increased from \$18.2 million in FY2015 to \$53.0 million in FY2016 mainly due to:
- a) \$9.2 million relating to fair value gain for the investment properties; and
  - b) reclassification of \$26.9 million taxes relating to the divestment of 490 mu land and properties in OUC (refer to item 8.18.b).
- (22) Non-controlling interests as at 30 June 2016 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

#### **COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS**

- (23) Net cash from operating activities amounted to \$0.8 million.
- (24) Major contributor of cash inflows were:
- a) proceeds from disposal of 50% equity interest in VVPL of \$2.1 million;
  - b) proceeds from sale of investment properties of \$30.0 million;
  - c) dividend received from joint venture of \$51.7 million; and
  - d) drawdown of borrowings of \$109.2 million.
- (25) Major cash outflows were:
- a) purchase of additional 29% equity interest in RKL of \$2.7 million;
  - b) purchase of investment properties of \$15.6 million;
  - c) purchase of property, plant and equipment of \$55.1 million;
  - d) repayment of borrowings of \$109.2 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)**

- e) repurchase of shares of \$7.0 million pursuant to the Share Purchase Mandate; and
- f) the payment of dividends to equity holders of the Company of \$9.7 million.

(26) The Group's cash position was \$38.8 million at the end of FY2016 (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 third quarter and nine months ended 31 March 2016.

10. **A commentary at the date of the announcement of the significant trends and 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 unfavorable macroeconomic conditions in the world, especially in the region and PRC, currency volatility and uncertain global interest rate movements are creating new challenges for the Group.

The Group is facing increasing competition, higher manpower costs, 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?

Yes

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

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	1 cent per ordinary share under one-tier system
Tax Rate	Tax exempt

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

Not applicable.

**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. 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)**

**15. 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**

(i) Business Segments

**2016**

	Private Education System \$'000	National Education System \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	55,050	33,537	7,596	14,774	73	111,030
Inter-segment revenue	2,856	-	1,654	17	21,553	26,080
Interest income	257	167	493	159	38	1,114
Loss on de-recognition of an available-for-sale financial asset	-	-	-	(407)	-	(407)
Net fair value gain on investment properties	5,416	-	16,588	6,223	8,909	37,136
Finance cost	(36)	(69)	(1,354)	-	(13,632)	(15,091)
Depreciation and Amortisation	(2,606)	(3,760)	(1,388)	(74)	(3,323)	(11,151)
Fair value gain on re-measurement of pre-existing equity interest in an associate	-	-	-	-	1,397	1,397
Share of results from Joint Ventures	-	-	-	-	(4,000)	(4,000)
Share of results from Associates	(23)	-	-	198	49	224
Reportable segment profit/(loss) before income tax	14,148	7,907	15,563	15,458	(25,406)	27,670
Net profit/(loss) for the financial year	13,808	7,907	11,685	11,513	(25,224)	19,689
<u>Other information:</u>						
Additions to property, plant and equipment	42,812	4,115	3,694	4	731	51,356
Additions to property, plant and equipment from acquisition of subsidiary	2,169	-	-	-	-	2,169
Additions to investment properties	-	-	7,765	621	7,440	15,826
Additions to intangible assets	1,527	-	-	-	101	1,628
Additions to goodwill arising from acquisition of subsidiary	3,780	-	-	-	-	3,780
Investment in Joint Ventures	-	-	-	-	41,665	41,665
Investment in associates	860	-	-	5,131	-	5,991
Segment assets	143,082	113,694	345,555	206,081	148,661	957,073
Segment liabilities	(109,164)	(11,768)	(60,522)	(4,112)	(294,029)	(479,595)

**15. 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 (Cont'd)**

(i) Business Segments (Cont'd)

**2015**

	Private Education System \$'000	National Education System \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	72,015	30,017	4,616	13,149	98	119,895
Inter-segment revenue	3,268	-	744	-	44,403	48,415
Interest income	499	305	382	45	10	1,241
Net fair value gain on investment properties	-	-	15,540	7,458	33	23,031
Finance cost	(5)	-	(1,066)	-	(12,385)	(13,456)
Depreciation and Amortisation	(2,508)	(3,816)	(1,238)	(88)	(3,390)	(11,040)
Share of results from Joint Ventures	-	-	-	-	901	901
Share of results from Associates	(75)	-	-	-	127	52
Reportable segment profit/(loss) before income tax	21,376	7,145	7,689	12,431	(26,302)	22,339
Net profit/(loss) for the financial year	20,109	7,145	9,061	9,601	(26,545)	19,371
<u>Other information:</u>						
Additions to property, plant and equipment	16,976	2,472	16,859	3,009	8,329	47,645
Additions to investment properties	-	-	58,790	185	10,347	69,332
Additions to intangible assets	-	-	-	-	2	2
Investment in Joint Ventures	-	-	-	-	67,863	67,863
Investment in associates	883	-	-	-	513	1,396
Segment assets	100,437	116,102	398,311	198,729	184,901	998,480
Segment liabilities	(82,314)	(5,815)	(56,669)	(2,902)	(369,332)	(517,032)

**15. 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 (Cont'd)**

(ii) Geographical segments

	Asean \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
<b>2016</b>						
Revenue from external customers	31,574	69,976	2,766	5,692	1,022	111,030
Non-current assets	302,934	536,381	10,608	55,187	60,974	966,084
<b>2015</b>						
Revenue from external customers	35,472	68,702	3,316	12,143	262	119,895
Non-current assets	275,707	560,490	6,076	54,247	39,430	935,950

**16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

The percentage of revenue in FY2016 for Private Education System ("PES"), National Education System ("NES"), Real Estate Investment and Development, and Education Facilities Rental Service is approximately 49.6% (FY2015: 60.1%), 30.2% (FY2015: 25.0%), 6.8% (2015: 3.8%) and 13.3% (FY2015: 11.0%) respectively.

**17. A breakdown of sales**

		Group		Increase/ (Decrease)
		30/06/16 \$'000	30/06/15 \$'000	%
(a)	Sales reported for first half year	58,639	59,584	(2)
(b)	Profit after tax reported for first half year	(3,697)	812	NM
(c)	Sales reported for second half year	52,391	60,311	(13)
(d)	Profit after tax reported for second half year	23,386	18,559	26

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

Total Annual Dividend (Refer to Para 18 of Appendix 7.2 for the required details)

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	0	9,894
Preference	0	0
Total:	0	9,894

**19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	46	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Education Corporation Limited ("REC")	Director of Operations since 2009	Nil
Chew Han Wei	25	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Assistant Vice President (Europe) since 2016.	Nil

**BY ORDER OF THE BOARD**

**Chew Hua Seng**  
**Chairman**  
**24 August 2016**