

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Item No.	Group		
		First Quarter ended 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000	Increase/ (Decrease) %
Revenue	8.1	24,798	29,102	(15)
Other operating income	8.2	1,230	2,962	(58)
Personnel expenses		(10,070)	(10,725)	(6)
Depreciation and amortisation expenses		(2,642)	(2,742)	(4)
Other operating expenses	8.3	(12,120)	(14,711)	(18)
Reversal of provision for land restructuring cost	8.4	619	-	NM
Reversal of government grant receivable for land restructuring	8.4	(30,565)	-	NM
Finance costs	8.5	(3,279)	(4,081)	(20)
Share of results of joint ventures	8.6	(508)	867	NM
Share of results of associates		(25)	(5)	400
(Loss)/profit before income tax		(32,562)	667	NM
Income tax credit		726	625	16
Reversal of tax payable for land restructuring	8.4	30,563	-	NM
(Loss)/profit after tax		(1,273)	1,292	NM
Items that may be reclassified subsequent to profit or loss:				
Net loss on fair value changes of available-for-sale financial assets		-	(526)	NM
Currency translation differences arising from consolidation of foreign operations	8.7	(1,017)	7,291	NM
Total comprehensive (loss)/income		(2,290)	8,057	NM
Attributable to:				
Equity holders of the Company		(1,714)	867	NM
Non-controlling interests		441	425	4
Net (loss)/profit		(1,273)	1,292	NM
Attributable to:				
Equity holders of the Company		(2,330)	6,656	NM
Non-controlling interests		40	1,401	(97)
Total comprehensive (loss)/income		(2,290)	8,057	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		
	First Quarter ended 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000	Increase/ (Decrease) %
Interest income ¹	121	122	(1)
Foreign exchange gain ¹	1,000	2,343	(57)
Write back doubtful trade receivables ²	-	151	NM
Government grant ¹	-	444	NM
Bad trade receivables written off ²	(47)	(35)	34
Foreign exchange loss ²	(1,204)	(3,794)	(68)
Reversal of compensation for early termination of tenancy agreement and demolition of car park ²	-	56	NM
Rental expenses ²	(1,588)	(1,556)	2
Overprovision of income tax expense in prior financial periods	31,485	1,219	2,483

NM – Not meaningful

¹ included in other operating income

² 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.

ADJUSTED EBITDA	Group	
	First Quarter ended 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000
(Loss)/profit after tax	(1,273)	1,292
<u>Add/(less):</u>		
Government grant	-	(444)
Reversal of provision for land restructuring cost	(619)	-
Reversal of government grant receivable for land restructuring	30,565	-
Finance costs	3,279	4,081
Income tax credit	(726)	(625)
Reversal of income tax in relation to land restructuring	(30,563)	-
Depreciation and amortisation	2,642	2,742
Net foreign exchange loss	204	1,451
Share of results of joint ventures	508	(867)
Share of results of associates	25	5
Adjusted EBITDA	4,042	7,635

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	
		30/09/16 \$'000	30/06/16 \$'000	30/09/16 \$'000	30/06/16 \$'000
Non-current assets					
Property, plant and equipment	8.8	370,143	362,649	-	-
Investment properties	8.9	438,793	437,028	-	-
Investment in subsidiaries		-	-	464,235	463,858
Investment in joint ventures		41,306	41,665	-	-
Investment in associates		5,206	5,991	-	-
Available-for-sale financial assets		610	612	-	-
Intangible assets		118,719	118,751	90	94
Deferred tax assets		1,886	1,074	-	-
Other receivable		-	-	11,989	9,615
Restricted bank balances		3,557	3,511	-	-
		980,220	971,281	476,314	473,567
Current assets					
Inventories		106	89	-	-
Trade and other receivables	8.10	143,329	156,695	281,040	270,991
Cash and bank balances		79,278	61,266	4,306	1,810
		222,713	218,050	285,346	272,801
Less:					
Current liabilities					
Trade and other payables	8.11	67,163	44,945	194,774	159,947
Course and education service deferred income	8.12	43,561	11,765	-	-
Income tax payable	8.13	1,467	37,775	83	83
Borrowings	8.14	77,999	87,418	76,018	80,568
		190,190	181,903	270,875	240,598
Net current assets		32,523	36,147	14,471	32,203
Less:					
Non-current liabilities					
Trade and other payables	8.15	43,957	56,566	47,600	59,638
Borrowings	8.16	293,527	278,901	79,395	79,305
Deferred tax liabilities	8.17	58,657	53,002	-	-
		396,141	388,469	126,995	138,943
Net assets		616,602	618,959	363,790	366,827
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		83,771	86,101	(78,312)	(75,275)
Equity attributable to equity holders of the Company		525,873	528,203	363,790	366,827
Non-controlling interests	8.18	90,729	90,756	-	-
Total equity		616,602	618,959	363,790	366,827

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	30/09/16 \$'000	30/06/16 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{3,4,5,6,7,8}	67,999	72,321
Unsecured	10,000	15,097
	77,999	87,418
<u>Amount repayable after one year:</u>		
Secured ^{4,7,8,9}	214,132	199,596
Unsecured	79,395	79,305
	293,527	278,901
Total borrowings	371,526	366,319

Details of collateral

³ Bank borrowings of \$31,518,000 were secured by letter of guarantee by a subsidiary.

⁴ Bank borrowings of \$191,525,000 were secured by certain properties of the Group and a letter of guarantee by the Company.

⁵ Bank borrowings of \$13,500,000 were secured by a standby letter of credit based on cash deposit with the bank and a letter of guarantee provided by the Company.

⁶ Bank borrowings of \$21,000,000 were secured by a standby letter of credit based on cash deposit with the bank and a letter of guarantee provided by the Company. The standby letter of credit were secured by bank deposit of \$22,376,000.

⁷ Bank borrowings of \$15,819,000 were secured by certain properties of a subsidiary in Switzerland, rental income from the properties, restricted bank balances and letter of guarantee by the Company.

⁸ Bank borrowings of \$3,418,000 were secured by certain property of a subsidiary in Switzerland, rental income from the properties, restricted bank balances and letter of guarantee by the Company.

⁹ Bank borrowings of \$5,351,000 were secured by certain property of a subsidiary in Italy, rental income from the property and letter of guarantee by the Company.

For more details, refer to items 8.14 and 8.16.

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 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(32,562)	667
Adjustments for:			
Amortisation of intangible assets		154	225
Bad trade receivables written off		47	35
Depreciation for property, plant and equipment		2,488	2,517
Interest expense		3,279	4,081
Interest income		(121)	(122)
Net gain on disposal of property, plant and equipment		(32)	(2)
Property, plant and equipment written off		18	-
Development costs written off		72	-
Write back for doubtful debts		-	(151)
Reversal of provision for land restructuring cost		(619)	-
Reversal of government grant receivable for land restructuring		30,565	-
Share of results of joint ventures		508	(867)
Share of results of associates		25	5
Operating profit before working capital changes		3,822	6,388
Working capital changes:			
Trade and other receivables		(8,233)	(31,023)
Inventories		(16)	2
Course and education service deferred income		31,795	35,463
Trade and other payables		3,251	7,766
Cash generated from operations		30,619	18,596
Interest paid		(1,983)	(3,848)
Interest received		121	122
Income and withholding paid		(776)	(514)
Net cash from operating activities	8.19	27,981	14,356
Cash flows from investing activities			
Additions of development costs and computer software		(192)	-
Additions of investment properties		(768)	(2,172)
Contribution to escrow account for purchase of a university	8.21	(6,778)	-
Proceeds from sale of property, plant and equipment		60	2
Proceeds from sale of investment properties		-	9,610
Purchases of property, plant and equipment	8.21	(12,101)	(16,269)
Net cash used in investing activities		(19,779)	(8,829)
Cash flows from financing activities			
Increase in restricted bank balances		-	(799)
Loan from a Director	8.20	10,171	-
Draw down of borrowings	8.20	36,704	17,124
Repayment of borrowings	8.21	(32,486)	(2,100)
Repayment of loan to the spouse of a Director	8.21	(3,935)	-
Net payment for repurchase of shares		-	(4,287)
Dividend payments to non-controlling interests		(67)	-
Net cash from financing activities		10,387	9,938

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	First Quarter ended 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000
Net change in cash and cash equivalents		18,589	15,465
Cash and cash equivalents at beginning of financial period		38,839	80,904
Effect of exchange rate changes on cash and cash equivalents		(526)	3,137
Cash and cash equivalents at end of financial period – Note A	8.22	56,902	99,506

Note A:

	Item No.	First Quarter ended 30/09/16 \$'000	First Quarter ended 30/09/15 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		40,650	46,797
Cash and bank balances		38,628	52,709
<u>Non-current</u>			
Restricted bank balances		3,557	3,707
Cash and bank balances in the statement of financial position		82,835	103,213
Secured bank deposits		(22,376)	-
Restricted bank balances		(3,557)	(3,707)
Cash and cash equivalents in the statement of cash flow	8.22	56,902	99,506

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		
2017										
Balance at 1 July 2016	481,785	(39,683)	7,020	-	(19,085)	2,453	95,713	528,203	90,756	618,959
Total comprehensive loss	-	-	-	-	(616)	-	(1,714)	(2,330)	40	(2,290)
Dividends	-	-	-	-	-	-	-	-	(67)	(67)
Balance at 30 September 2016	481,785	(39,683)	7,020	-	(19,701)	2,453	93,999	525,873	90,729	616,602
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

COMPANY	Share capital	Treasury shares	Share-based		Total
			payment reserve	Accumulated losses	
			\$'000	\$'000	
2017					
Balance at 1 July 2016	481,785	(39,683)	2,453	(77,728)	366,827
Total comprehensive loss	-	-	-	(3,037)	(3,037)
Balance at 30 September 2016	481,785	(39,683)	2,453	(80,765)	363,790
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

- 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 2016, no ordinary shares were repurchased.

Subsequent to the financial period ended 30 September 2016, no ordinary shares were repurchased.

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

As at 30 September 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 September 2016, there was unexercised share option for 2,129,600 unissued ordinary shares (30 September 2015: 2,860,265) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 September 2016, there were 79,790,100 treasury shares (30 June 2016: 79,790,100).

- 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 September 2016 (30 June 2016: 965,505,133).

- 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 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 2016.

In the current financial period, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2016. The adoption of these new/revised 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 30/09/16	First Quarter ended 30/09/15	
i) Based on the weighted average number of shares (in cents)	-0.18	0.09	NM
- Weighted average number of shares	965,505,133	1,003,946,235	
ii) On a fully diluted basis (in cents)	-0.18	0.09	NM
- Adjusted weighted average number of shares	965,505,133	1,003,946,235	

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 +/- %
	30/09/16	30/06/16		30/09/16	30/06/16	
NAV per ordinary share (in cents)	54.47	54.71	-	37.68	37.99	(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 COMPREHENSIVE INCOME

- (1) Decrease in group revenue by 15% from \$29.1 million for FY2016 Q1 to \$24.8 million for FY2017 Q1 mainly due to:
- a) Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$1.7 million in FY2017 Q1 from FY2016 Q1;
 - b) Decrease in utility income of \$1.0 million from investment properties in Oriental University City Limited ("OUCL") as the provision of utility services has been taken over by a third party; and
 - c) Reduction in foreign student intake in Raffles Sydney and Raffles Singapore has resulted in the decrease of revenue by \$1.1 million in FY2017 Q1 from FY2016 Q1.
- (2) Decrease in other operating income from \$3.0 million for FY2016 Q1 to \$1.2 million for FY2017 Q1 mainly due to decrease in foreign exchange gain of \$1.3 million.
- (3) Decrease in other operating expenses from \$14.7 million for FY2016 Q1 to \$12.1 million for FY2017 Q1 was mainly due to decrease of foreign exchange loss of \$2.6 million.
- (4) In FY2012 and FY2013, certain land titles were rationalized by OUC's subsidiaries in a land restructuring exercise which gave rise to :
- a) provisions for estimated taxes payable in relation to land restructuring, and
 - b) the corresponding government grant receivable.
- During this quarter FY2017 Q1, the statutory period of these tax provisions expired and reversals were made to :
- i. the provision for land restructuring costs and tax payable, and
 - ii. the corresponding government grant receivables.
- (5) Decrease in finance costs from \$4.1 million for FY2016 Q1 to \$3.3 million for FY2017 Q1 was mainly due to repayment of \$80.0 million bonds in FY2016 Q3.
- (6) Share of results of joint venture for FY2017 Q1 included share of exchange loss of \$74,000 (FY2016 Q1: gain of \$1.3 million) recorded by a joint venture.
- (7) The Group recorded \$1.0 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 September 2016.

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

- (8) Increase in property, plant and equipment ("PPE") from \$362.6 million in FY2016 ("ended 30 June 2016") to \$370.1 million in FY2017 Q1 ("ended 30 September 2016") mainly due to:

- a) additions of \$10.6 million, mainly from construction work in progress of \$9.7 million for Raffles American School ("RAS") in Iskandar, Malaysia.

Increase was offset by:

- b) depreciation charge of \$2.5 million; and
c) loss on foreign currency translation of \$0.5 million.

- (9) Increase in investment properties from \$437.0 million in FY2016 to \$438.8 million in FY2017 Q1 was mainly due to:

- a) additions of \$0.6 million for construction of Raffles International College campus, Bangkok and renovation of the new campus in Milan; and
b) foreign currency translation gain of \$1.2 million.

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

	30/09/16 \$'000	30/06/16 \$'000
Trade receivables:		
Trade receivables ^(a)	10,275	3,349
Other receivables:		
Third parties ^(b)	10,364	10,548
Receivable from sale of investment properties ^(c)	62,743	62,885
Government grant receivables ^(d)	-	30,629
Prepayments ^(e)	37,162	33,716
Deposits ^(f)	14,932	8,318
Receivable from former joint venture	320	321
Joint ventures	5,910	5,683
Tax recoverable	93	120
Others	1,530	1,126
	133,054	153,346
Total trade and other receivables	143,329	156,695

Notes to current trade and other receivables:

- a) Increase in trade receivables by \$6.9 million mainly due to the annual billing cycle for Tianjin University of Commerce Boustead College ("BC"), Wanbo Institute of Science & Technology ("WBC") and OUC.
- b) Included the refund receivable for the cancellation of purchase of land by BC of \$10.2 million (FY2016: \$10.2 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 FINANCIAL POSITION (CONT'D)

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

- c) Relate to outstanding balances from disposal of 490mu land and properties in OUC.
- d) Grant receivable in relation to land restructuring in OUC was reversed together with the corresponding liabilities previously recorded in other payables and income tax payable as reflected in item 8.13.a) below.
- e) Included an amount of \$13.2 million (FY2016: \$13.2 million) 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.

The sale proceeds were extended as a loan by the spouse of Mr. Chew to the Company as reflected in item 8.15.d) below.

- f) Increase in the deposits was mainly due to the contribution of \$6.8 million into an escrow account for the proposed acquisition of all the membership interest of Santa Fe University of Art and Design, LLC.

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

	30/09/16 \$'000	30/06/16 \$'000
Trade payables (Current):		
Third parties	3,604	3,462
Other payables (Current):		
Other accruals	16,766	13,263
Accrual for property and land use tax	2,527	2,160
Accrual for business taxes	1,531	1,628
Accruals of fees to university partners	2,089	3,078
Accruals for capital expenditure	7,079	6,170
Amount due to joint venturers	4,068	4,078
Payable for land in Iskandar	8,424	8,544
Loan from a Director	10,171	-
Loan from the spouse of a Director (refer item 8.15.d)	8,103	-
Other payables	2,801	2,562
	63,559	41,483
Total trade and other payables (Current)	67,163	44,945

- (12) Increase in course and education service deferred income from \$11.8 million in FY2016 to \$43.6 million in FY2017 Q1 mainly due to annual fee collections from students in BC and WBC and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue over the next 3 financial quarters in FY2017.

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 income tax payable by entities as follows:

	30/09/16 \$'000	30/06/16 \$'000
OUC ^{(a)(b)}	1,275	37,670
Others	192	105
Income tax payable	1,467	37,775

Note :

- a) Income tax and other taxes payable in relation to land restructuring in OUC amounted to \$Nil (FY2016: \$30.0 million). Both the income tax and other taxes payable with the related grant receivable were reversed as mentioned in item 8.4.
- b) \$4.9 million taxes relating to the divestment of 118 mu land and properties in OUC was reclassified to deferred tax liabilities due to the re-assessment of the tax position of this divestment by management (refer to item 8.17).
- (14) Decrease in current borrowings from \$87.4 million in FY2016 to \$78.0 million in FY2017 Q1 mainly due to repayment of loans. Out of the current borrowings of \$78.0 million, \$34.5 million (FY2016 : \$34.5 million) are secured by standby letters of credit based on cash deposit with the bank, refer to item1(b)(ii) ⁵ and ⁶.
- (15) 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 \$19.9 million (FY2016: \$20.2 million);
- b) 45 acres of land for RAS of \$18.9 million (FY2016: \$19.2 million); and
- c) advance from third party of \$5.1 million (FY2016: \$5.1 million).
- d) payable to the spouse of a Director of \$Nil (FY2016: \$12.0 million). The loan was reclassified to current payables as the loan is payable on demand within the next 12 months but not earlier than 1 July 2017.

The abovementioned loan was advanced to the Company in FY2016 for purposes of funding the Group's working capital and capital expenditure including investments in Europe and Iskandar, Malaysia.

- (16) Increase in non-current borrowings from \$278.9 million in FY2016 to \$293.5 million in FY2017 Q1 mainly due to:
- a) refinancing of loan from \$22.6 million to \$30.8 million in relation to the property in Paramatta, Australia; and
- b) drawdown of \$5.6 million in borrowings for construction work of RAS in Iskandar, Malaysia.

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) Breakdown of deferred tax liabilities for FY2017 Q1 as follows:

	Accelerated tax depreciation on PPE \$'000	Fair value adjustment on investment properties \$'000	Divestment of land and properties \$'000	Others \$'000	Total \$'000
Balance at 1 July 2016	692	25,370	26,867	73	53,002
Charged to profit or loss	11	-	-	4	15
Reclassified from income tax payable (refer item 8.13.b)	-	-	4,907	-	4,907
Foreign currency realignment	(2)	795	(61)	1	733
Balance at 30 Sep 2016	701	26,165	31,713	78	58,657

(18) Non-controlling interests as at 30 September 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

(19) Net cash from operating activities amounted to \$28.0 million.

(20) Major contributor of cash inflows were:

- a) loan from a Director of \$10.2 million; and
- b) drawdown of borrowings of \$36.7 million.

(21) Major cash outflows were for:

- a) repayment of loan to the spouse of a Director of \$3.9 million;
- b) contribution to an escrow account of \$6.8 million for the proposed acquisition of all the membership interest of Santa Fe University of Art and Design, LLC;
- c) purchase of property, plant and equipment of \$12.1 million; and
- d) repayment of borrowings of \$32.5 million.

(22) The Group's cash position was \$56.9 million at the end of FY2017 Q1 (FY2016: \$38.8 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 2016.

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 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?

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 2016 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
9 November 2016**