

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 31/12/16 \$'000	First half ended 31/12/15 \$'000	Increase/ (Decrease) %
Revenue	49,241	58,639	(16)
Other operating income	4,885	4,779	2
Personnel expenses	(20,318)	(22,118)	(8)
Depreciation and amortisation expenses	(5,424)	(5,644)	(4)
Other operating expenses	(28,890)	(29,706)	(3)
Reversal of provision for land restructuring cost	619	-	NM
Reversal of government grant receivable for land restructuring	(30,565)	-	NM
Finance costs	(6,076)	(8,301)	(27)
Share of results of joint ventures	(551)	(1,328)	(59)
Share of results of associates	885	(254)	NM
Loss before income tax	(36,194)	(3,933)	820
Income tax credit	589	236	150
Reversal of tax payable for land restructuring	30,563	-	NM
Loss after tax	(5,042)	(3,697)	36
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	12,724	(7,002)	NM
Total comprehensive income/(loss)	7,682	(10,699)	NM
Attributable to:			
Equity holders of the Company	(5,619)	(4,301)	31
Non-controlling interests	577	604	(4)
Net loss	(5,042)	(3,697)	36
Attributable to:			
Equity holders of the Company	5,511	(10,155)	NM
Non-controlling interests	2,171	(544)	NM
Total comprehensive income/(loss)	7,682	(10,699)	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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First half ended 31/12/16 \$'000	First half ended 31/12/15 \$'000	Increase/ (Decrease) %
Interest income ¹	499	502	(1)
Foreign exchange gain ¹	3,798	3,702	3
Government grant ¹	-	466	NM
Allowance for doubtful trade receivables ²	-	(45)	NM
Bad trade receivables written off ²	(80)	(148)	(46)
Foreign exchange loss ²	(5,486)	(5,771)	(5)
Reversal of compensation for early termination of tenancy agreement and demolition of car park ²	-	56	NM
Rental expenses ²	(3,199)	(3,106)	3
Overprovision of income tax expense in prior financial periods	31,766	1,002	3,070

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 half ended 31/12/16 \$'000	First half ended 31/12/15 \$'000
Loss after tax	(5,042)	(3,697)
<u>Add/(less):</u>		
Government grant	-	(466)
Reversal of provision for land restructuring cost	(619)	-
Reversal of government grant receivable for land restructuring	30,565	-
Finance costs	6,076	8,301
Income tax credit	(589)	(236)
Reversal of income tax in relation to land restructuring	(30,563)	-
Depreciation and amortisation	5,424	5,644
Net foreign exchange loss	1,688	2,069
Share of results of joint ventures	551	1,328
Share of results of associates	(885)	254
Adjusted EBITDA	6,606	13,197

**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 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000	Increase/ (Decrease) %
Revenue	8.1	24,443	29,537	(17)
Other operating income	8.2	3,655	1,817	101
Personnel expenses		(10,248)	(11,393)	(10)
Depreciation and amortisation expenses		(2,782)	(2,902)	(4)
Other operating expenses	8.3	(16,770)	(14,995)	12
Finance costs	8.4	(2,797)	(4,220)	(34)
Share of results of joint ventures	8.5	(43)	(2,195)	(98)
Share of results of associates	8.6	910	(249)	NM
Loss before income tax		(3,632)	(4,600)	(21)
Income tax expense		(137)	(389)	(65)
Loss after tax		(3,769)	(4,989)	(24)
Items that may be reclassified subsequent to profit or loss:				
Reclassification of fair value changes of available-for-sale financial assets		-	526	NM
Currency translation differences arising from consolidation of foreign operations	8.7	13,741	(14,293)	NM
Total comprehensive income/(loss)		9,972	(18,756)	NM
Attributable to:				
Equity holders of the Company		(3,905)	(5,168)	(24)
Non-controlling interests		136	179	(24)
Net loss		(3,769)	(4,989)	(24)
Attributable to:				
Equity holders of the Company		7,841	(16,811)	NM
Non-controlling interests		2,131	(1,945)	MN
Total comprehensive income/(loss)		9,972	(18,756)	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 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000	Increase/ (Decrease) %
Interest income ¹	378	380	(1)
Foreign exchange gain ¹	2,798	1,359	106
Government grant ¹	-	22	NM
Allowance for doubtful trade receivables ²	-	(196)	NM
Bad trade receivables written off ²	(33)	(113)	(71)
Foreign exchange loss ²	(4,282)	(1,977)	117
Rental expenses ²	(1,611)	(1,550)	4
Over/(under)provision of income tax expense in prior financial periods	281	(217)	NM

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	
	Second Quarter ended 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000
Loss after tax	(3,769)	(4,989)
<u>Add/(less):</u>		
Government grant	-	(22)
Finance costs	2,797	4,220
Income tax expense	137	389
Depreciation and amortisation	2,782	2,902
Net foreign exchange loss	1,484	618
Share of results of joint ventures	43	2,195
Share of results of associates	(910)	249
Adjusted EBITDA	2,564	5,562

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 STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		31/12/16 \$'000	30/06/16 \$'000	31/12/16 \$'000	30/06/16 \$'000
Non-current assets					
Property, plant and equipment	8.8	399,424	362,649	-	-
Investment properties	8.9	447,128	437,028	-	-
Investment in subsidiaries		-	-	465,024	463,858
Investment in joint ventures		41,581	41,665	-	-
Investment in associates		7,020	5,991	-	-
Available-for-sale financial assets		623	612	-	-
Intangible assets		119,072	118,751	87	94
Deferred tax assets		1,927	1,074	-	-
Other receivable		-	-	12,133	9,615
Restricted bank balances		3,586	3,511	-	-
		1,020,361	971,281	477,244	473,567
Current assets					
Inventories		92	89	-	-
Trade and other receivables	8.10	124,884	156,695	232,313	270,991
Cash and bank balances		75,323	61,266	134	1,810
		200,299	218,050	232,447	272,801
Less:					
Current liabilities					
Trade and other payables	8.11	75,792	44,945	147,049	159,947
Course and education service deferred income	8.12	30,236	11,765	-	-
Income tax payable	8.13	1,574	37,775	83	83
Borrowings	8.14	79,472	87,418	76,520	80,568
		187,074	181,903	223,652	240,598
Net current assets		13,225	36,147	8,795	32,203
Less:					
Non-current liabilities					
Trade and other payables	8.15	43,326	56,566	47,600	59,638
Borrowings	8.16	304,192	278,901	79,487	79,305
Deferred tax liabilities	8.17	59,821	53,002	-	-
		407,339	388,469	127,087	138,943
Net assets		626,247	618,959	358,952	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		91,612	86,101	(83,150)	(75,275)
Equity attributable to equity holders of the Company		533,714	528,203	358,952	366,827
Non-controlling interests	8.18	92,533	90,756	-	-
Total equity		626,247	618,959	358,952	366,827

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	31/12/16 \$'000	30/06/16 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{3,4,5,6,7,8}	69,472	72,321
Unsecured	10,000	15,097
	79,472	87,418
<u>Amount repayable after one year:</u>		
Secured ^{4,7,8,9}	224,705	199,596
Unsecured	79,487	79,305
	304,192	278,901
Total borrowings	383,664	366,319

Details of collateral

- ³ Bank borrowings of \$24,420,000 were secured by letter of guarantee by a subsidiary.
- ⁴ Bank borrowings of \$202,694,000 were secured by certain properties of the Group and a letter of guarantee by the Company.
- ⁵ Bank borrowings of \$7,600,000 were secured by a standby letter of credit based on cash deposit with the bank. The standby letter of credit were secured by bank deposit of \$8,310,000.
- ⁶ Bank borrowings of \$34,500,000 were secured by a standby letter of credit based on cash deposit with the bank and a letter of guarantee provided by the Company. The standby letter of credit were secured by bank deposit of \$38,236,000.
- ⁷ Bank borrowings of \$15,948,000 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 \$3,340,000 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 \$5,675,000 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.	Second Quarter ended 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000
Cash flows from operating activities			
Loss before income tax		(3,632)	(4,600)
Adjustments for:			
Amortisation of intangible assets		158	223
Allowance for doubtful debts		-	196
Bad trade receivables written off		33	113
Depreciation for property, plant and equipment		2,624	2,679
Interest expense		2,797	4,220
Interest income		(378)	(380)
Net gain on disposal of property, plant and equipment		(352)	-
Property, plant and equipment written off		5	36
Share of results of joint ventures		43	2,195
Share of results of associates		(910)	249
Operating profit before working capital changes		388	4,931
Working capital changes:			
Trade and other receivables		6,158	10,251
Inventories		13	(3)
Course and education service deferred income		(13,325)	(16,739)
Trade and other payables		9,423	(1,155)
Cash generated from/(used in) operations		2,657	(2,715)
Interest paid		(3,865)	(4,060)
Interest received		378	380
Income and withholding taxes paid		(33)	(804)
Net cash used in operating activities	8.19	(863)	(7,199)
Cash flows from investing activities			
Additions for development cost of and computer software		(281)	-
Additions of trademarks and licenses		(656)	-
Additions of investment properties		(833)	(1,153)
Proceeds from sale of property, plant and equipment	8.20	3,508	78
Proceeds from sale of investment properties	8.20	4,137	10,933
Purchases of property, plant and equipment	8.21	(21,788)	(15,082)
Purchase of additional equity interest in an associate		-	(1,261)
Net cash used in investing activities		(15,913)	(6,485)
Cash flows from financing activities			
Increase in short-term deposits pledged		(23,694)	-
Repayment of loan to spouse of director		(700)	-
Draw down of borrowings	8.20	19,487	12,297
Repayment of borrowings	8.21	(7,483)	(2,100)
Dividends payment to non-controlling interests		(327)	(641)
Dividends payment to equity holders of the Company		-	(9,736)
Net payment for repurchase of shares		-	(696)
Net cash used in financing activities		(12,717)	(876)

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.	Second Quarter ended 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000
Net change in cash and cash equivalents		(29,493)	(14,560)
Cash and cash equivalents at beginning of financial period		56,902	99,506
Effect of exchange rate changes on cash and cash equivalents		1,368	(22)
Cash and cash equivalents at end of financial period – Note A	8.22	28,777	84,924

Note A:

	Item No.	Second Quarter ended 31/12/16 \$'000	Second Quarter ended 31/12/15 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		48,789	45,803
Cash and bank balances		26,534	39,121
<u>Non-current</u>			
Restricted bank balances		3,586	3,617
Cash and bank balances in the statement of financial position		78,909	88,541
Secured bank deposits		(46,546)	-
Restricted bank balances		(3,586)	(3,617)
Cash and cash equivalents in the statement of cash flow		28,777	84,924

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		
<u>FY2017</u>										
Balance at 1 October 2016	481,785	(39,683)	7,020	-	(19,701)	2,453	93,999	525,873	90,729	616,602
Total comprehensive loss	-	-	-	-	11,746	-	(3,905)	7,841	2,131	9,972
Dividends	-	-	-	-	-	-	-	-	(327)	(327)
Balance at 31 December 2016	481,785	(39,683)	7,020	-	(7,955)	2,453	90,094	533,714	92,533	626,247
<u>FY2016</u>										
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)
Balance at 31 December 2015	481,785	(37,713)	6,986	-	12,005	2,453	75,606	541,122	92,194	633,316

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2017</u>				
Balance at 1 October 2016	481,785	(39,683)	2,453	(80,765)	363,790
Total comprehensive loss	-	-	-	(4,838)	(4,838)
Balance at 31 December 2016	481,785	(39,683)	2,453	(85,603)	358,952
<u>FY2016</u>					
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)
Balance at 31 December 2015	481,785	(37,713)	2,453	(71,961)	374,564

- 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 2016, no ordinary shares were repurchased.

Subsequent to the financial period ended 31 December 2016, no ordinary shares were repurchased.

During the financial period ended 31 December 2016, no ordinary shares were issued in respect of the conversion of share options.

As at 31 December 2016, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 December 2016, there was unexercised share option for 2,083,604 unissued ordinary shares (31 December 2015: 2,697,600) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 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 31 December 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 31 December 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 +/- %
	Second Quarter ended 31/12/16	Second Quarter ended 31/12/15	
i) Based on the weighted average number of shares (in cents)	-0.40	-0.53	(25)
- Weighted average number of shares	965,505,133	973,885,220	
ii) On a fully diluted basis (in cents)	-0.40	-0.53	(25)
- Adjusted weighted average number of shares	965,505,133	973,885,220	

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 +/- %
	31/12/16	30/06/16		31/12/16	30/06/16	
NAV per ordinary share (in cents)	55.28	54.71	1	37.18	37.99	(2)

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 17% from \$29.5 million for FY2016 Q2 to \$24.4 million for FY2017 Q2 was mainly due to:
 - a) Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$1.8 million in FY2017 Q2 from FY2016 Q2;
 - b) Decrease in utility income of \$1.9 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 has resulted in the decrease of revenue by \$0.6 million in FY2017 Q2 from FY2016 Q2.
- (2) Increase in other income from \$1.8 million for FY2016 Q2 to \$3.7 million for FY2017 Q2 was mainly due to the increase in foreign exchange gain of \$1.4 million.
- (3) Increase in other operating expenses from \$15.0 million for FY2016 Q2 to \$16.8 million for FY2017 Q2 was mainly due to increase in foreign exchange loss of \$2.3 million.
- (4) Decrease in finance costs from \$4.2 million for FY2016 Q2 to \$2.8 million for FY2017 Q2 was mainly due to repayment of \$80.0 million bonds in FY2016 Q3.
- (5) Share of results of joint venture for FY2017 Q2 included share of exchange gain of \$376,000 (FY2016 Q2: loss of \$1.8 million) recorded by a joint venture.
- (6) Share of results of associates for FY2017 Q2 included share of fair value gain on investment properties of \$1.0m (FY2016 Q2: \$Nil) recorded by Axiom Properties Limited.
- (7) The Group recorded \$13.7 million in currency translation gain arising from consolidation of foreign operations.

The currency translation gain arose mainly from the translation of OUCL and Oriental University City Holdings (H.K.) Limited ("OUCHK") (collectively "OUC") RMB2.3 billion net asset value as at 31 December 2016.

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 \$399.4 million in FY2017 Q2 ("ended 31 December 2016") was mainly due to:
 - a) additions of \$29.8 million, mainly from:
 - (i) \$22.8 million construction work in progress for Raffles American School ("RAS") in Iskandar, Malaysia;
 - (ii) \$3.9 million purchase consideration of a new piece of land by Wanbo Institute of Science & Technology ("WBC") mainly for the for the upgrading of the college to University status. A piece of land which was previously acquired last year for the same purpose was disposed for \$5.6 million (refer to item 8.8.d), with a gain on disposal of \$0.4 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)

- (iii) \$1.3 million interior fit-out of the main building in Tianjin University of Commerce Boustead College ("BC"); and
 - (iv) \$0.6 million purchase of furniture, fittings and equipment and computer equipment in Raffles International College campus, Bangkok.
- b) \$9.3 million and \$7.3 million reclassification of advance payments from prepayments for purchase of properties by OUCHK (refer to item 8.10.e) and purchase of land by WBC.
- c) \$1.1 million gain on foreign currency translation.
- Increase was offset by:
- d) \$5.2 million for disposal of a land by Wanbo College as mentioned in item 8.8.a (ii); and
 - e) depreciation charge of \$5.1 million.
- (9) Increase in investment properties from \$437.0 million in FY2016 to \$447.1 million in FY2017 Q2 was mainly due to:
- a) additions of \$1.4 million for construction of Raffles International College campus, Bangkok and renovation of the new campus in Milan; and
 - b) foreign currency translation gain of \$8.4 million.
- (10) Breakdown of current trade and other receivables as follows:

	31/12/16 \$'000	30/06/16 \$'000
Trade receivables:		
Trade receivables ^(a)	5,299	3,349
Other receivables:		
Third parties ^(b)	10,610	10,548
Receivable from sale of investment properties ^(c)	59,921	62,885
Government grant receivables ^(d)	-	30,629
Prepayments ^(e)	25,289	33,716
Deposits ^(f)	14,891	8,318
Receivable from former joint venture	331	321
Joint ventures	6,725	5,683
Tax recoverable	75	120
Others	1,743	1,126
	119,585	153,346
Total trade and other receivables	124,884	156,695

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:

- a) Increase in trade receivables by \$2.0 million was mainly due to the annual billing cycle for BC, WBC and OUC.
- b) Included is a refund of deposit receivable for the cancellation of purchase of land by BC of \$10.4 million (FY2016: \$10.2 million).
- c) Decrease in the outstanding balances from disposal of 490mu land and properties in OUCL mainly due to collection in FY2017 Q2.
- 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 in FY2017 Q1 as reflected in item 8.13.a) below.
- e) Included an amount of \$3.5 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. Reduction from \$13.2 million in FY2016 to \$3.5 million in FY2017 Q2 is due to reclassification to PPE as reflected in item 8.8.b) above.

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 in FY2017 Q1 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:

	31/12/16 \$'000	30/06/16 \$'000
Trade payables (Current):		
Third parties	3,821	3,462
Other payables (Current):		
Other accruals	14,428	13,263
Accrual for property and land use tax	2,014	2,160
Accrual for business taxes	1,322	1,628
Accruals of fees to university partners	1,567	3,078
Accruals for capital expenditure	8,817	6,170
Amount due to joint venturers	4,155	4,078
Payable for land in Iskandar	8,310	8,544
Loan from a Director	10,898	-
Loan from the spouse of a Director (refer item 8.15.d)	7,403	-
Joint ventures (interest free and repayable on demand)	10,240	-
Other payables	2,817	2,562
	71,971	41,483
Total trade and other payables (Current)	75,792	44,945

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)

(12) Increase in course and education service deferred income from \$11.8 million in FY2016 to \$30.2 million in FY2017 Q2 was 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 2 financial quarters in FY2017.

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

	31/12/16 \$'000	30/06/16 \$'000
OUC ^{(a)(b)}	1,488	37,670
Others	86	105
Income tax payable	1,574	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 in FY2017 Q1.
- b) \$4.9 million taxes relating to the divestment of 118 mu land and properties in OUCL was reclassified in FY2017 Q1 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 \$79.5 million in FY2017 Q2 was mainly due to repayment of loans. Out of the current borrowings of \$79.5 million (FY2016: \$87.4 million), \$42.1 million (FY2016: \$34.5 million) are secured by standby letters of credit based on cash deposits with the banks, refer to item1(b)(ii)⁵ and ⁶.
- (15) Non-current trade and other payables mainly relates to amounts payable for:
- a) purchase of 65 acres of land for Raffles University Iskandar of \$19.5 million (FY2016: \$20.2 million);
- b) purchase of 45 acres of land for RAS of \$18.5 million (FY2016: \$19.2 million);
- c) advance from third party of \$5.2 million (FY2016: \$5.1 million); and
- 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.

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)

(16) Increase in non-current borrowings from \$278.9 million in FY2016 to \$304.2 million in FY2017 Q2 was 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 \$17.1 million in borrowings for construction work of RAS in Iskandar, Malaysia.

(17) Breakdown of deferred tax liabilities for FY2017 Q2 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	29	-	-	9	38
Reclassified from income tax payable (refer item 8.13.b)	-	-	4,907	-	4,907
Foreign currency realignment	(5)	1,316	612	(49)	1,874
Balance at 31 Dec 2016	716	26,686	32,386	33	59,821

(18) Non-controlling interests as at 31 December 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 used in operating activities amounted to \$0.9 million.

(20) Major contributor of cash inflows were:

- a) proceeds from sale of PPE of \$3.5 million;
- b) proceeds from sale of investment properties of \$4.1 million (partial proceeds of 499 mu land sale); and
- c) drawdown of borrowings of \$19.5 million.

(21) Major cash outflows were for:

- a) purchase of property, plant and equipment of \$21.8 million; and
- b) the repayment of borrowings of \$7.5 million.

(22) The Group's cash position was \$28.8 million at the end of FY2017 Q2 (FY2016: \$84.9 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 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 continue to be challenging 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 second 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 31 December 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
8 February 2017**