

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

### 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		
		2017 \$'000	2016 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	8.1	96,220	111,030	(13)
Other operating income	8.2	11,336	9,745	16
Personnel expenses		(40,449)	(43,487)	(7)
Depreciation and amortisation expenses		(10,900)	(11,151)	(2)
Other operating expenses		(51,995)	(56,329)	(8)
Loss on de-recognition of an available-for-sale financial asset		-	(407)	NM
Net fair value gain on investment properties	8.3	12,789	37,136	(66)
Reversal of provision for land restructuring cost	8.4	622	-	NM
Reversal of government grant receivable for land restructuring	8.4	(30,713)	-	NM
Finance costs	8.5	(12,746)	(15,091)	(16)
Share of results of joint ventures	8.6	(2,263)	(4,000)	(43)
Share of results of associates	8.7	1,018	224	354
<b>(Loss)/Profit before income tax</b>		(27,081)	27,670	NM
Income tax expense		(3,486)	(7,981)	(56)
Reversal of tax payable for land restructuring	8.4	30,802	-	NM
Profit after tax		235	19,689	(99)
<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		415	34	1,121
<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		-	(407)	NM
Reclassification adjustments on de-recognition of an available-for-sale financial asset		-	407	NM
Currency translation differences arising from consolidation of foreign operations	8.8	1,902	(43,520)	NM
<b>Total comprehensive income/(loss)</b>		2,552	(23,797)	NM
Attributable to:				
<b>Equity holders of the Company</b>		(1,853)	15,818	NM
Non-controlling interests		2,088	3,871	(46)
<b>Net profit</b>		235	19,689	(99)
Attributable to:				
<b>Equity holders of the Company</b>		627	(21,103)	NM
Non-controlling interests		1,925	(2,694)	NM
<b>Total comprehensive income/(loss)</b>		2,552	(23,797)	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		
	2017 \$'000	2016 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	963	1,114	(14)
Government grant <sup>1</sup>	6	1,099	(99)
Fair value gain on re-measurement of pre-existing equity interest in an associate <sup>1</sup>	-	1,397	NM
Gain on disposal of investment properties <sup>1</sup>	4,558	-	NM
Foreign exchange gain <sup>1</sup>	4,422	5,590	(21)
Foreign exchange loss <sup>2</sup>	(4,245)	(7,257)	(42)
(Allowance)/write back for doubtful trade receivables <sup>2</sup>	(100)	72	NM
Bad trade receivables written off <sup>2</sup>	(131)	(536)	(76)
Loss on de-recognition of subsidiary <sup>2</sup>	(20)	-	NM
Reversal of compensation for early termination of tenancy agreement and demolition of car park <sup>2</sup>	-	55	NM
Rental expenses <sup>2</sup>	(6,416)	(6,127)	5
Overprovision of income tax expense in prior periods (excluding reversal of tax payable for land restructuring)	950	2,534	(63)

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 and gain on disposal of investment properties were included in the Adjusted EBITDA as the real estate investment and development segment is part of our core business.

ADJUSTED EBITDA	Group	
	2017 \$'000	2016 \$'000
Profit after tax	235	19,689
<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
Loss on de-recognition of subsidiary	20	-
Net reversal on provision for land restructuring costs in OUC	(622)	-
Net reversal of government grant receivable for OUC land restructuring	30,713	-
Net reversal of income tax in relation to land restructuring	(30,802)	-
Government grant	(6)	(1,099)
Finance costs	12,746	15,091
Income tax expenses	3,486	7,981
Depreciation and amortisation	10,900	11,151
Net foreign exchange loss	(177)	1,667
Share of results of joint ventures	2,263	4,000
Share of results of associates	(1,018)	(224)
Adjusted EBITDA	27,738	57,266

**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 AS AT 30 JUNE	Item No.	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	8.9	418,119	362,649	-	-
Investment properties	8.10	459,097	437,028	-	-
Investment in subsidiaries		-	-	465,919	463,858
Investment in joint ventures	8.11	29,700	41,665	-	-
Investment in associates		7,122	5,991	-	-
Available-for-sale financial assets		612	612	-	-
Intangible assets		119,037	118,751	344	94
Deferred tax assets		2,510	1,074	-	-
Other receivable		-	-	30,230	9,615
Restricted bank balances		3,677	3,511	-	-
		<b>1,039,874</b>	<b>971,281</b>	<b>496,493</b>	<b>473,567</b>
<b>Current assets</b>					
Inventories		104	89	-	-
Trade and other receivables	8.12	114,166	156,695	214,383	270,991
Cash and bank balances		74,013	61,266	661	1,810
		<b>188,283</b>	<b>218,050</b>	<b>215,044</b>	<b>272,801</b>
Less:					
<b>Current liabilities</b>					
Trade and other payables	8.13	66,061	44,945	149,026	159,947
Course and education service deferred income		10,919	11,765	-	-
Income tax payable	8.14	3,767	37,775	51	83
Borrowings	8.16	173,085	87,418	158,997	80,568
		<b>253,832</b>	<b>181,903</b>	<b>308,074</b>	<b>240,598</b>
<b>Net current (liabilities)/assets</b>	8.17	<b>(65,549)</b>	<b>36,147</b>	<b>(93,030)</b>	<b>32,203</b>
Less:					
<b>Non-current liabilities</b>					
Trade and other payables	8.15	23,789	56,566	47,600	59,638
Borrowings	8.16	269,621	278,901	5,766	79,305
Deferred tax liabilities	8.18	60,684	53,002	-	-
		<b>354,094</b>	<b>388,469</b>	<b>53,366</b>	<b>138,943</b>
<b>Net assets</b>		<b>620,231</b>	<b>618,959</b>	<b>350,097</b>	<b>366,827</b>
<b>Capital and reserves</b>					
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		85,048	86,101	(92,005)	(75,275)
Equity attributable to equity holders of the Company		<b>527,150</b>	<b>528,203</b>	<b>350,097</b>	<b>366,827</b>
Non-controlling interests	8.19	93,081	90,756	-	-
<b>Total equity</b>		<b>620,231</b>	<b>618,959</b>	<b>350,097</b>	<b>366,827</b>

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

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	2017 \$'000	2016 \$'000
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured <sup>1,2,3,4,5,6,7,8,9</sup>	73,949	72,321
Unsecured	99,136	15,097
	173,085	87,418
<b><u>Amount repayable after one year:</u></b>		
Secured <sup>1,2,3,4,5,7</sup>	269,621	199,596
Unsecured	-	79,305
	269,621	278,901
<b>Total borrowings</b>	442,706	366,319

**Details of collateral**

- <sup>1</sup> Bank borrowings of \$234,970,000 were secured by certain properties of the Group and a letter of guarantee by the Company.
- <sup>2</sup> Bank borrowings of \$15,835,000 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.
- <sup>3</sup> Bank borrowings of \$3,425,000 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.
- <sup>4</sup> Bank borrowings of \$6,360,000 were secured by certain properties of a subsidiary in Malaysia and a letter of guarantee by its holding company.
- <sup>5</sup> Bank borrowings of \$6,620,000 were secured by certain property of a subsidiary in Italy, rental income from the property and letter of guarantee by the Company.
- <sup>6</sup> 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 \$38,007,000.
- <sup>7</sup> Bank borrowings of \$19,375,000 were secured by standby letters of credit based on cash deposit with the banks. The standby letters of credit were secured by bank deposit of \$20,861,000.
- <sup>8</sup> Bank borrowings of \$20,450,000 were secured by letter of guarantee by a subsidiary.
- <sup>9</sup> Bank borrowings of \$2,035,000 were secured by tuition fee of a subsidiary.

For more details, refer to items 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**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE</b>	<b>Item No.</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax		(27,081)	27,670
Adjustments for:			
Depreciation for property, plant and equipment		10,258	10,132
Fair value gain on investment properties, net		(12,789)	(37,136)
Allowance/(Write back) for doubtful trade receivables		100	(72)
Amortisation of intangible assets		642	1,019
Bad trade receivables written off		131	536
Interest expense		12,746	15,091
Interest income		(963)	(1,114)
Gain on disposal of property, plant and equipment, net		(381)	(2)
Gain on disposal of investment properties, net		(4,558)	-
Loss on de-recognition of subsidiary		20	-
Property, plant and equipment written off		451	36
Intangible assets written off		423	-
Share of results of joint ventures		2,263	4,000
Share of results of associates		(1,018)	(224)
Loss on de-recognition of an available-for-sale financial asset		-	407
Reversal of provision of land restructuring cost		(622)	-
Reversal of government grant receivable for land restructuring		30,713	-
Fair value gain on re-measurement of pre-existing equity interest in an associate		-	(1,397)
Operating profit before working capital changes		10,335	18,946
Working capital changes:			
Trade and other receivables		(3,068)	(1,766)
Inventories		(15)	29
Course and education service deferred income		(846)	(3,299)
Trade and other payables		624	3,465
Cash generated from operations		7,030	17,375
Interest paid		(12,808)	(16,144)
Interest received		963	1,114
Income and withholding tax paid, net		(700)	(1,530)
Net cash (used in)/generated from operating activities	8.20	(5,515)	815

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>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Cash flows from investing activities</b>			
Additions of development costs and computer software		(1,276)	(1,627)
Additions of trademarks and licenses		(1,305)	(1)
Additions of property, plant and equipment	8.22	(76,717)	(55,143)
Additions of investment properties		(4,132)	(15,567)
Acquisition of subsidiaries, net of cash acquired <sup>1</sup>		-	(2,730)
Cash proceeds from disposal of interest in former subsidiary		-	2,084
Proceeds from disposal of property, plant and equipment		3,620	86
Proceeds from disposal of investment properties	8.21	13,283	29,989
Net cash outflow on de-recognition of subsidiary <sup>2</sup>		(111)	-
Capital distributions from a joint venture	8.21	10,239	-
Purchase of additional equity interest in an associate		-	(1,243)
Contribution from non-controlling interests		1,599	-
Acquisition of non-controlling interest in subsidiary		(209)	-
Dividends received from joint venture		-	51,685
Dividends received from associate		-	32
<b>Net cash (used in)/from investing activities</b>		<b>(55,009)</b>	<b>7,565</b>
<b>Cash flows from financing activities</b>			
Increase in bank balances pledged		(36,484)	(23,184)
Loan from a director	8.21	10,941	-
Repayment of loan to spouse of director	8.22	(9,894)	-
Drawdown of borrowings	8.21	125,080	109,164
Repayment of borrowings	8.22	(50,666)	(109,163)
Net payment for repurchase of shares		-	(6,953)
Dividends payment to equity holders of the Company		-	(9,736)
Dividends payment to non-controlling interests		(710)	(910)
<b>Net cash from/(used in) financing activities</b>		<b>38,267</b>	<b>(40,782)</b>
<b>Net change in cash and cash equivalents</b>		<b>(22,257)</b>	<b>(32,402)</b>
Cash and cash equivalents at beginning of financial year		38,839	80,904
Effect of exchange rate changes on cash and cash equivalents		(1,440)	(9,663)
<b>Cash and cash equivalents at end of financial year – Note A</b>	8.23	<b>15,142</b>	<b>38,839</b>

Note A:

<b>Cash and cash equivalents</b>	<b>Item No.</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Fixed deposits with banks		59,848	47,428
Cash and bank balances		17,842	17,349
<b>Cash and bank balances in the statement of financial position</b>		<b>77,690</b>	<b>64,777</b>
Pledged bank balances		(62,548)	(25,938)
<b>Cash and cash equivalents in the statement of cash flow</b>		<b>15,142</b>	<b>38,839</b>

<sup>1</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>2017 \$'000</b>	<b>2016 \$'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>

<sup>2</sup> The carrying amount of the assets and liabilities of the subsidiary as of the date of de-recognition of subsidiary were as follows:

<b>De-recognition of subsidiary</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Property, plant and equipment	27	-
Trade and other receivables	34	-
Cash and cash equivalents	111	-
Trade and other payables	(152)	-
Net assets derecognised	20	-
Loss on de-recognition of subsidiary	(20)	-
Cash de-recognised	(111)	-
<b>Net cash outflow on de-recognition of subsidiary</b>	<b>(111)</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 currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>FY2017</b>									
<b>Balance at 1 July 2016</b>	481,785	(39,683)	7,020	(19,085)	2,453	95,713	528,203	90,756	618,959
Total comprehensive income	-	-	415	2,065	-	(1,853)	627	1,925	2,552
Repurchase of shares	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(710)	(710)
Contribution from non-controlling interests in subsidiaries	-	-	-	-	-	-	-	1,599	1,599
Acquisition of non-controlling interests in subsidiaries	-	-	-	(1)	-	(1,679)	(1,680)	(489)	(2,169)
<b>Balance at 30 June 2017</b>	<b>481,785</b>	<b>(39,683)</b>	<b>7,435</b>	<b>(17,021)</b>	<b>2,453</b>	<b>92,181</b>	<b>527,150</b>	<b>93,081</b>	<b>620,231</b>
<b>FY2016</b>									
<b>Balance at 1 July 2015</b>	481,785	(32,730)	6,986	17,859	2,453	89,643	565,996	93,379	659,375
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>

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>FY2017</b>				
<b>Balance at 1 July 2016</b>	481,785	(39,683)	2,453	(77,728)	366,827
Total comprehensive loss	-	-	-	(16,730)	(16,730)
<b>Balance at 30 June 2017</b>	<b>481,785</b>	<b>(39,683)</b>	<b>2,453</b>	<b>(94,458)</b>	<b>350,097</b>
<b>FY2016</b>					
<b>Balance at 1 July 2015</b>	481,785	(32,730)	2,453	(54,729)	396,779
Total comprehensive income	-	-	-	(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>



- 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 2017, no ordinary shares were repurchased.

During the financial year ended 30 June 2017, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2017, 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 2017, there was unexercised share option for 2,083,604 unissued ordinary shares (30 June 2016: 2,429,600) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 30 June 2017, 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 June 2017 (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 year ended 30 June 2017.

- 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 year, 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 +/- %
	2017	2016	
i) Based on the weighted average number of shares (in cents)	(0.19)	1.63	NM
- Weighted average number of shares	965,505,133	973,144,203	
ii) On a fully diluted basis (in cents)	(0.19)	1.63	NM
- Adjusted weighted average number of shares	965,505,133	973,144,203	

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 +/- %
	2017	2016		2017	2016	
NAV per ordinary share (in cents)	54.60	54.71	(0)	36.26	37.99	(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 13% from \$111.0 million for FY2016 to \$96.2 million for FY2017 mainly due to:
- Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$5.8 million in FY2017 from FY2016; and
  - Decrease in utility income of \$4.5 million from investment properties in Oriental University City Limited ("OUCL") as the provision of electricity services has been taken over by a third party; and
  - Decrease in rental income of \$2.9 million from investment properties in Oriental University City Holdings (H.K.) Limited ("OUCHK") as the number of students renting accommodations has reduced and the change of business tax to value-added tax ("VAT"). From 1 July 2016, the revenue of the OUCHK is net of value-added tax due to VAT reform in China. The decrease of revenue due to VAT reform to OUCHK was \$0.5 million.
  - Reduction in foreign student intake in Raffles Sydney has resulted in the decrease of revenue by \$1.5 million in FY2017 from FY2016.

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  
(CONT'D)**

- (2) Increase in other operating income from \$9.7 million for FY2016 to \$11.3 million for FY2017 was mainly due to gain on sale of investment properties of \$4.6 million in OUCL.

However this is offset by the decrease in foreign exchange gain of \$1.2 million and absence of \$1.4 million fair value gain when the company acquired 29% shareholding interest in Raffles College of Higher Education Sdn Bhd in FY2016 Q3.

- (3) Net fair value gain on investment properties of \$12.8 million from revaluation was recognised in FY2017 and mainly includes:

- a) \$5.6 million gain from the investment properties in OUCL and OUCHK (collectively "OUC");
- b) \$2.5 million gain from the investment properties in Nendaz, Switzerland;
- c) \$3.5 million gain from the investment properties in Iskandar, Malaysia;

- (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 FY2017, 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 \$15.1 million for FY2016 to \$12.7 million for FY2017 was mainly due to the repayment of interest bearings \$80 million bonds in FY2016 Q3.
- (6) Share of losses from joint ventures for FY2017 included share of unrealised exchange loss of \$0.1 million recorded by Value Vantage Pte Ltd ("VVPL") (FY2016: \$2.1 million).
- (7) Increase in share of results of associates was mainly due to the share of results of Axiom Properties Limited.
- (8) The Group recorded \$1.9 million in currency translation gain arising from the consolidation of foreign operations.

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

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

(9) Increase in Property, plant and equipment ("PPE") from \$362.6 million in FY2016 ("ended 30 June 2016") to \$418.1 million in FY2017 ("ended 30 June 2017") mainly due to:

- a) additions of \$62.1 million, mainly from:
  - (i) \$49.6 million construction work in progress for Raffles American School ("RAS") in Iskandar, Malaysia;
  - (ii) \$3.4 million purchase considerations for a new piece of land by Wanbo Institute of Science & technology ("WBC") mainly 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 \$5.4 million (refer to item 8.9.d), with a gain on disposal of \$0.4 million;
  - (iii) \$3.5 million for the completion of purchase of 65 acres of land for Raffles University Iskandar ("RUI");
  - (iv) \$1.9 million interior fit-out of the students cafeteria in Tianjin University of Commerce Boustead College ("BC");
- b) \$13.0 million and \$7.2 million reclassification of advance payments from prepayments for purchase of properties by OUCHK (refer to item 8.12.d) and purchase of land by WBC.
- c) Reclassification from investment properties ("IP") to owner-occupied property of \$17.1 million used by Raffles American School Bangkok (refer to item 8.10.f).

Increase was mainly offset by:

- d) \$5.0 million for disposal of a land by Wanbo College as mentioned in item 8.9.a);
- e) depreciation charge of \$10.3 million;
- f) reclassification from PPE to IP of \$27.1 million (refer to item 8.10.b) relating to certain properties in Malaysia and Switzerland; and
- g) loss on foreign currency translation of \$0.9 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)**

- (10) Increase in investment properties from \$437.0 million in FY2016 to \$459.1 million in FY2017 was mainly due to:
- a) net fair value gain of \$12.8 million ;
  - b) reclassification from PPE to IP of \$27.1 million (refer to item 8.9.f);
  - c) additions of \$5.5 million renovation of the new campus in Milan, Italy;
  - d) foreign currency translation gain of \$3.7 million;
- Increase was mainly offset by:
- e) disposal of investment properties of 27.9 mu land and properties in OUCL of \$11.4 million; and
  - f) reclassification from IP to PPE of \$17.1 million (refer to item 8.9.c).
- (11) Decrease in investment in joint ventures from \$41.7 million in FY2016 to \$29.7 million in FY2017 was mainly due to \$10.2 million capital distribution from a joint venture.
- (12) Breakdown of current trade and other receivables as follows:

	30/06/17 \$'000	30/06/16 \$'000
<b>Trade receivables:</b>		
Trade receivables	2,721	3,349
<b>Other receivables:</b>		
Third parties <sup>(a)</sup>	10,304	10,548
Receivable from sale of investment properties <sup>(b)</sup>	58,934	62,885
Government grant receivables <sup>(c)</sup>	-	30,629
Prepayments <sup>(d)</sup>	22,726	33,716
Deposits	8,411	8,318
Receivable from former joint venture	338	321
Joint ventures	8,347	5,683
Tax recoverable	34	120
Others	2,351	1,126
	111,445	153,346
<b>Total trade and other receivables</b>	<b>114,166</b>	<b>156,695</b>

Notes to current trade and other receivables:

- a) Included is a refund of deposit receivable for the cancellation of purchase of land by BC of \$10.2 million (FY2016: \$10.2 million)
- b) Amount due from sale of 490 mu and 27.9 mu land and properties of \$54.5 million (FY2016: \$62.9 million) and \$4.5 million (FY2016: \$NIL) respectively.

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) 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 as reflected in item 8.14.a) below.
- d) Included an amount of \$Nil (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 \$Nil in FY2017 is due to reclassification to PPE as reflected in item 8.9.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.

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

	30/06/17 \$'000	30/06/16 \$'000
<b>Trade payables (Current):</b>		
Third parties	3,554	3,462
<b>Other payables (Current):</b>		
Other accruals	12,376	16,341
Accruals for property and land use tax	2,366	2,160
Accruals for business tax	2,129	1,628
Accruals for capital expenditure	18,660	6,170
Amount due to joint venturers	-	4,078
Amount due to a joint venture	5,152	-
Loan from director	10,941	-
Loan from spouse of director	2,144	-
Purchase from non-controlling interest of additional interest in subsidiary	1,960	-
Payable for land in Iskandar	2,399	8,544
Other payables	4,380	2,562
	62,507	41,483
<b>Total trade and other payables (Current)</b>	<b>66,061</b>	<b>44,945</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)**

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

	<b>30/06/17 \$'000</b>	<b>30/06/16 \$'000</b>
OUC <sup>(a)(b)</sup>	3,524	37,670
Others	243	105
<b>Income tax payable</b>	<b>3,767</b>	<b>37,775</b>

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 as reflected in item 8.12.c) above.
- b) \$4.9 million taxes relating to the divestment of 118 mu land and properties in OUCL was reclassified in FY2017 to deferred tax liabilities due to the re-assessment of the tax position of this divestment by management (refer to item 8.18).
- (15) Non-current trade and other payables mainly relates to:
- a) amount payable for the purchase of 45 acres of land for Raffles American School in Iskandar, Malaysia of \$18.5 million (FY2016: \$19.2 million);
- b) purchase of 65 acres of land for RUI of \$Nil million (FY2016: \$20.2 million). RUI had completed the purchase of the aforementioned land;
- c) advance from third party of \$5.1 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.
- (16) Increase in borrowings from \$366.3 million in FY2016 to \$442.7 million in FY2017 was mainly due to:
- a) refinancing of loan from \$22.0 million to \$31.6 million in relation to the property in Paramatta, Australia;
- b) drawdown of \$25.0 million in borrowings for the purchase of land of RUI in Iskandar, Malaysia (refer to item 8.15.b);
- c) drawdown of \$29.1 million in borrowings for construction work of RAS in Iskandar, Malaysia; and
- d) foreign currency translation gain of \$1.5 million.

Included in current borrowings are Bonds of \$79.7 million which will be due in May 2018.

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) Net current liabilities was mainly a result of the re-classification in FY2017 Q4 of non-current to current borrowings as stated in item 8.16 above.
- (18) Breakdown of deferred tax liabilities for FY2017 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	(49)	1,882	-	(59)	1,774
Reclassified from income tax payable (refer item 8.14.b)	-	-	4,932	-	4,932
Foreign currency realignment	(5)	961	(70)	1	887
Charged to equity	-	89	-	-	89
<b>Balance at 30 Jun 2017</b>	<b>638</b>	<b>28,302</b>	<b>31,729</b>	<b>15</b>	<b>60,684</b>

- (19) Non-controlling interests as at 30 June 2017 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

#### COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (20) Net cash used in operating activities amounted to \$5.5 million.
- (21) Major cash inflows were:
- proceeds from disposal of investment properties of \$13.3 million (mainly partial proceeds of 499 mu land sale); and
  - drawdown of borrowings of \$125.1 million.
  - capital distribution from a joint venture of \$10.2 million and
  - Loan from a director of \$10.9 million.
- (22) Major cash outflows were:
- purchase of property, plant and equipment of \$76.7 million;
  - the repayment of borrowings of \$50.7 million; and
  - the repayment of loan to spouse of a director of \$9.9 million.;
- (23) The Group's cash position was \$15.1 million at the end of FY2017 (FY2016: \$38 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 2017.

**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 impacting the Group's business.

The Group continues to face 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

**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

**2017**

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	80,318	3,942	11,918	42	96,220
Inter-segment revenue	902	1,873	417	27,377	30,569
Interest income	247	708	8	-	963
Net fair value gain on investment properties	3,898	4,553	4,338	-	12,789
Finance cost	(578)	(1,971)	(180)	(10,017)	(12,746)
Depreciation and Amortisation	(6,562)	(1,364)	(223)	(2,751)	(10,900)
Share of results from Joint Ventures	-	-	-	(2,263)	(2,263)
Share of results from Associates	(18)	-	1,036	-	1,018
Reportable segment profit/(loss) before income tax	14,626	(20,232)	6,293	(27,768)	(27,081)
Net profit/(loss) for the financial year	14,979	5,204	7,776	(27,724)	235
<b>Other information:</b>					
Additions to property, plant and equipment	61,721	3	368	7	62,099
Additions to investment properties	723	5,521	279	-	6,523
Additions to intangible assets	1,070	-	-	287	1,357
Investment in Joint Ventures	-	-	-	29,700	29,700
Investment in associates	841	-	6,281	-	7,122
Segment assets	352,906	335,835	205,800	97,557	992,098
Segment liabilities	(167,669)	(91,830)	(8,111)	(275,865)	(543,475)

**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)

**2016**

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	88,587	7,596	14,774	73	111,030
Inter-segment revenue	2,856	1,654	17	21,553	26,080
Interest income	424	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	(105)	(1,354)	-	(13,632)	(15,091)
Depreciation and amortisation	(6,366)	(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	22,055	15,563	15,458	(25,406)	27,670
Net profit/(loss) for the financial year	21,715	11,685	11,513	(25,224)	19,689
<u>Other information:</u>					
Additions to property, plant and equipment	46,927	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	256,776	345,555	206,081	148,661	957,073
Segment liabilities	(120,932)	(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)**

(ii) Geographical segments

	Asean \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
<b><u>2017</u></b>						
Revenue from external customers	31,708	56,709	1,739	5,007	1,057	96,220
Non-current assets	345,797	547,353	10,390	56,821	72,714	1,033,075
<b><u>2016</u></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

**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 FY2017 for Education, Real Estate Investment and Development, and Education Facilities Rental Service is approximately 83.5% (FY2016: 79.8%), 4.1% (2016: 6.8%) and 12.4% (FY2016: 13.3%) respectively.

**17. A breakdown of sales**

		Group		Increase/ (Decrease) %
		30/06/17 \$'000	30/06/16 \$'000	
(a)	Sales reported for first half year	49,241	58,639	(16)
(b)	Profit after tax reported for first half year	(5,042)	(3,697)	36
(c)	Sales reported for second half year	46,979	52,391	(10)
(d)	Profit after tax reported for second half year	5,277	23,386	(77)

**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

**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).**

<b>Name</b>	<b>Age</b>	<b>Family relationship with any director and/or substantial shareholder</b>	<b>Current position and duties, and the year the position was held</b>	<b>Details of changes in duties and position held, if any, during the year</b>
Doris Chung Gim Lian	47	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Corporation Limited ("REC")	Director of Operations since 2009	Nil
Chew Han Wei	26	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  
23 August 2017**