

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Item No.	Group		
		First Quarter ended 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000	Increase/ (Decrease) %
Revenue	8.1	24,195	24,798	(2)
Other operating income	8.2	414	1,230	(66)
Personnel expenses		(10,393)	(10,070)	3
Depreciation and amortisation expenses		(2,747)	(2,642)	4
Other operating expenses	8.3	(12,250)	(12,120)	1
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	(3,570)	(3,279)	9
Share of results of joint ventures		(634)	(508)	25
Share of results of associates		(32)	(25)	28
Loss before income tax		(5,017)	(32,562)	(85)
Income tax (expense)/credit		(486)	726	NM
Reversal of tax payable for land restructuring	8.4	-	30,563	(100)
Loss after tax		(5,503)	(1,273)	332
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.6	2,973	(1,017)	NM
Total comprehensive loss		(2,530)	(2,290)	10
Attributable to:				
Equity holders of the Company		(5,859)	(1,714)	242
Non-controlling interests		356	441	(19)
Net loss		(5,503)	(1,273)	332
Attributable to:				
Equity holders of the Company		(3,462)	(2,330)	49
Non-controlling interests		932	40	2,230
Total comprehensive loss		(2,530)	(2,290)	10

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 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000	Increase/ (Decrease) %
Interest income ¹	41	121	(66)
Foreign exchange gain ¹	360	1,000	(64)
Allowance for doubtful trade receivables ²	(1)	-	NM
Bad trade receivables written off ²	(41)	(47)	(13)
Foreign exchange loss ²	(1,388)	(1,204)	15
Rental expenses ²	(1,617)	(1,588)	2
Overprovision of income tax expense in prior financial periods (excluding reversal of tax payable for land restructuring)	(166)	922	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	
	First Quarter ended 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000
Loss after tax	(5,503)	(1,273)
<u>Add/(less):</u>		
Reversal of provision for land restructuring cost	-	(619)
Reversal of government grant receivable for land restructuring	-	30,565
Finance costs	3,570	3,279
Income tax expenses/(credit)	486	(726)
Reversal of income tax in relation to land restructuring	-	(30,563)
Depreciation and amortisation	2,747	2,642
Net foreign exchange loss	1,028	204
Share of results of joint ventures	634	508
Share of results of associates	32	25
Adjusted EBITDA	2,994	4,042

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	
		30/09/17 \$'000	30/06/17 \$'000	30/09/17 \$'000	30/06/17 \$'000
Non-current assets					
Property, plant and equipment	8.7	419,676	418,119	-	-
Investment properties	8.8	462,075	459,097	-	-
Investment in subsidiaries		-	-	466,025	465,919
Investment in joint ventures		23,764	29,700	-	-
Investment in associates		7,136	7,122	-	-
Available-for-sale financial assets		615	612	-	-
Intangible assets		119,017	119,037	341	344
Deferred tax assets		2,482	2,510	-	-
Other receivable		-	-	30,415	30,230
Restricted bank balances		3,562	3,677	-	-
		1,038,327	1,039,874	496,781	496,493
Current assets					
Inventories		129	104	-	-
Trade and other receivables	8.9	124,454	114,166	214,132	214,383
Cash and bank balances		95,893	74,013	1,643	661
		220,476	188,283	215,775	215,044
Less:					
Current liabilities					
Trade and other payables	8.10	54,247	66,061	147,022	149,026
Course and education service deferred income	8.11	45,229	10,919	-	-
Income tax payable		3,126	3,767	51	51
Borrowings	8.12	167,916	173,085	157,418	158,997
		270,518	253,832	304,491	308,074
Net current liabilities	8.13	(50,042)	(65,549)	(88,716)	(93,030)
Less:					
Non-current liabilities					
Trade and other payables	8.14	23,774	23,789	47,600	47,600
Borrowings	8.12	285,655	269,621	15,034	5,766
Deferred tax liabilities	8.15	61,155	60,684	-	-
		370,584	354,094	62,634	53,366
Net assets		617,701	620,231	345,431	350,097
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		81,586	85,048	(96,671)	(92,005)
Equity attributable to equity holders of the Company		523,688	527,150	345,431	350,097
Non-controlling interests	8.16	94,013	93,081	-	-
Total equity		617,701	620,231	345,431	350,097

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	30/09/17 \$'000	30/06/17 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2,3,4,5,6,7,8,9}	74,398	73,949
Unsecured	93,518	99,136
	167,916	173,085
<u>Amount repayable after one year:</u>		
Secured ^{1,2,3,4,5,7}	285,655	269,621
Unsecured	-	-
	285,655	269,621
Total borrowings	453,571	442,706

Details of collateral

- ¹ Bank borrowings of \$242,297,000 were secured by certain properties of the Group and a letter of guarantee by the Company.
- ² Bank borrowings of \$15,336,000 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.
- ³ Bank borrowings of \$3,317,000 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.
- ⁴ Bank borrowings of \$6,261,000 were secured by certain properties of a subsidiary in Malaysia and a letter of guarantee by its holding company.
- ⁵ Bank borrowings of \$8,244,000 were secured by certain property of a subsidiary in Italy, rental income from the property and letter of guarantee by the Company.
- 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 \$38,278,000.
- ⁷ Bank borrowings of \$28,669,000 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 \$30,848,000.
- ⁸ Bank borrowings of \$19,400,000 were secured by letter of guarantee by a subsidiary.
- ⁹ Bank borrowings of \$2,029,000 were secured by tuition fee of a subsidiary.

For more details, refer to items 8.11.

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 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000
Cash flows from operating activities			
Loss before income tax		(5,017)	(32,562)
Adjustments for:			
Amortisation of intangible assets		121	154
Allowance for doubtful trade receivables		1	-
Bad trade receivables written off		41	47
Depreciation for property, plant and equipment		2,626	2,488
Interest expense		3,570	3,279
Interest income		(41)	(121)
Net gain on disposal of property, plant and equipment		(8)	(32)
Property, plant and equipment written off		-	18
Development costs written off		-	72
Reversal of provision for land restructuring cost		-	(619)
Reversal of government grant receivable for land restructuring		-	30,565
Share of results of joint ventures		634	508
Share of results of associates		32	25
Operating profit before working capital changes		1,959	3,822
Working capital changes:			
Trade and other receivables		(14,188)	(8,233)
Inventories		(25)	(16)
Course and education service deferred income		34,310	31,795
Trade and other payables		2,293	3,251
Cash generated from operations		24,349	30,619
Interest paid		(2,266)	(1,983)
Interest received		41	121
Income and withholding taxes paid		(1,004)	(776)
Net cash from operating activities	8.17	21,120	27,981
Cash flows from investing activities			
Additions of development costs and computer software		(90)	(192)
Additions of investment properties		(2,654)	(768)
Contribution to escrow account for purchase of a university		-	(6,778)
Proceeds from sale of property, plant and equipment		8	60
Proceeds from sale of investment properties	8.18	4,489	-
Purchases of property, plant and equipment	8.19	(11,443)	(12,101)
Net cash used in investing activities		(9,690)	(19,779)
Cash flows from financing activities			
Increase in bank balances pledged	8.19	(10,584)	-
Repayment of loan from a Director		(270)	-
Loan from a Director		-	10,171
Draw down of borrowings	8.18	17,691	36,704
Repayment of borrowings	8.19	(6,991)	(32,486)
Repayment of loan to a director of subsidiaries		(1,750)	(3,935)
Dividend payments to non-controlling interests		-	(67)
Net cash (used in)/from financing activities		(1,904)	10,387

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 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000
Net change in cash and cash equivalents		9,526	18,589
Cash and cash equivalents at beginning of financial period		15,143	38,839
Effect of exchange rate changes on cash and cash equivalents		1,349	(526)
Cash and cash equivalents at end of financial period – Note A	8.20	26,018	56,902

Note A:

	Item No.	First Quarter ended 30/09/17 \$'000	First Quarter ended 30/09/16 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		70,199	40,650
Cash and bank balances		25,694	38,628
<u>Non-current</u>			
Restricted bank balances		3,562	3,557
Cash and bank balances in the statement of financial position		99,455	82,835
Pledged fixed deposits and bank balances		(69,875)	(22,376)
Restricted bank balances		(3,562)	(3,557)
Cash and cash equivalents in the statement of cash flow	8.20	26,018	56,902

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 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		
<u>FY2018</u>									
Balance at 1 July 2017	481,785	(39,683)	7,435	(17,021)	2,453	92,181	527,150	93,081	620,231
Total comprehensive income	-	-	-	2,397	-	(5,859)	(3,462)	932	(2,530)
Balance at 30 September 2017	481,785	(39,683)	7,435	(14,624)	2,453	86,322	523,688	94,013	617,701
<u>FY2017</u>									
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 income	-	-	-	(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

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2018</u>				
Balance at 1 July 2017	481,785	(39,683)	2,453	(94,458)	350,097
Total comprehensive loss	-	-	-	(4,666)	(4,666)
Balance at 30 September 2017	481,785	(39,683)	2,453	(99,124)	345,431
<u>FY2017</u>					
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

- 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 2017, no ordinary shares were repurchased.

Subsequent to the financial period ended 30 September 2017, no ordinary shares were repurchased.

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

As at 30 September 2017, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

Subsequent to 30 September 2017, there was a placement of 95,000,000 new ordinary shares in the capital of the company at \$0.30 each which were issued and fully paid up.

SHARE OPTIONS

As at 30 September 2017, there was unexercised share option for 2,078,605 unissued ordinary shares (30 September 2016: 2,129,600) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 September 2017, there were 79,790,100 treasury shares (30 June 2017: 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 2017 (30 June 2017: 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 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 2017.

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 2017. 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 30/09/17	First Quarter ended 30/09/16	
i) Based on the weighted average number of shares (in cents)	-0.61	-0.18	239
- Weighted average number of shares	965,505,133	965,505,133	
ii) On a fully diluted basis (in cents)	-0.61	-0.18	239
- Adjusted weighted average number of shares	965,505,133	965,505,133	

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 +/- %
	30/09/17	30/06/17		30/09/17	30/06/17	
NAV per ordinary share (in cents)	54.24	54.60	(1)	35.78	36.26	(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 2% from \$24.8 million for FY2017 Q1 to \$24.2 million for FY2018 Q1 mainly due to:
- a) Discontinuation and teach-out of Raffles Shanghai joint venture college has resulted in the decrease of revenue by \$0.8 million in FY2018 Q1 from FY2017 Q1;
 - b) Reduction of revenue from Raffles Singapore by \$0.7 million in FY2018 Q1 from FY2017 Q1;

The decrease was offset mainly by:

- c) Increase in revenue from Raffles American School Bangkok and Raffles American School Iskandar ("RASJB") by \$0.7 million in FY2018 Q1 from FY2017 Q1.
- (2) Decrease in other operating income from \$1.2 million for FY2017 Q1 to \$0.4 million for FY2018 Q1 mainly due to decrease in foreign exchange gain of \$0.6 million.
- (3) Increase in other operating expenses from \$12.1 million for FY2017 Q1 to \$12.3 million for FY2018 Q1 mainly due to on-going legal suits against subsidiaries of our joint venture partner in India, Educomp Solutions Limited.
- (4) In FY2012 and FY2013, certain land titles were rationalized by Oriental University City Holdings (H.K.) Limited ("OUCHK") and Oriental University City Limited ("OUCL") (collectively "OUC") 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 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) Increase in finance costs from \$3.3 million for FY2017 Q1 to \$3.6 million for FY2018 Q1 was mainly due to the increase in cost of borrowings and increase in borrowings.
- (6) The Group recorded \$3.0 million in currency translation gain arising from consolidation of foreign operations.

The currency translation gain arose mainly from the translation of OUC net asset value.

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

- (7) Increase in property, plant and equipment ("PPE") from \$418.1 million in FY2017 ("ended 30 June 2017") to \$419.7 million in FY2018 Q1 ("ended 30 September 2017") mainly due to:

- a) Additions of \$3.7 million, mainly from construction work in progress of \$2.4 million for RASJB in Iskandar, Malaysia.
- b) Gain on foreign currency translation of \$0.5 million.

Increase was offset by:

- c) Depreciation charge of \$2.6 million.

- (8) Increase in investment properties from \$459.1 million in FY2017 to \$462.1 million in FY2018 Q1 was mainly due to:

- a) Additions of \$1.8 million for the renovation of the new campus in Milan, Italy; and
- b) Foreign currency translation gain of \$1.2 million.

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

	30/09/17 \$'000	30/06/17 \$'000
Trade receivables:		
Trade receivables ^(a)	16,012	2,721
Other receivables:		
Third parties ^(b)	10,412	10,304
Receivable from sale of investment properties ^(c)	54,851	58,934
Prepayments	21,170	22,726
Deposits	9,929	8,411
Receivable from former joint venture	142	338
Joint ventures	8,683	8,347
Tax recoverable	1,910	34
Others	1,345	2,351
	108,442	111,445
Total trade and other receivables	124,454	114,166

Notes to current trade and other receivables:

- a) Increase in trade receivables by \$13.3 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 is a refund of deposit receivable for the cancellation of purchase of land by BC of \$10.2 million (FY2016: \$10.2 million)
- c) Amount due from sale of 490 mu and 27.9 mu land and properties of \$54.9 million (FY2017: \$54.5 million) and \$Nil (FY2017: \$4.5 million) 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)

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

	30/09/17 \$'000	30/06/17 \$'000
Trade payables (Current):		
Third parties	2,829	3,554
Other payables (Current):		
Other accruals	17,064	12,376
Accrual for property and land use tax	1,887	2,366
Accrual for business tax	1,503	2,129
Accruals for capital expenditure	10,367	18,660
Amount due to joint venture	-	5,152
Loan from a Director	10,744	10,941
Loan from a director of subsidiaries	394	2,144
Purchase from non-controlling interest of additional interest in subsidiary	1,960	1,960
Payable for land in Iskandar	2,698	2,399
Other payables	4,801	4,380
	51,418	62,507
Total trade and other payables (Current)	54,247	66,061

- (11) Increase in course and education service deferred income from \$10.9 million in FY2017 to \$45.2 million in FY2018 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 FY2018.

- (12) Increase in borrowings from \$442.7 million in FY2017 to \$453.6 million in FY2018 Q1 was mainly due to:

- a) Drawdown of \$7.0 million in borrowings for construction work of RASJB.
- b) Drawdown of \$1.4 million in borrowings for renovation by Raffles Assets Italy in Milan, Italy.
- c) Drawdown of \$9.3 million in borrowings for working capital.

Increase was offset by:

- d) Repayment of \$7.0 million borrowings

Included in current borrowings are Bonds of \$79.8 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)

- (13) Net current liabilities was mainly a result of the re-classification of bonds payable from non-current to current borrowings as stated in item 8.12 above.
- (14) Non-current trade and other payables mainly relates to:
- a) Amount payable for the purchase of 45 acres of land for RASJB of \$18.4 million (FY2017: \$18.5 million);
 - b) Advance from third party of \$5.1 million (FY2017: \$5.1 million).
- (15) Breakdown of deferred tax liabilities for FY2018 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 2017	638	28,302	31,729	15	60,684
Charged to profit or loss	66	-	-	-	66
Foreign currency realignment	(2)	180	226	1	405
Balance at 30 Sep 2017	702	28,482	31,955	78	61,155

- (16) Non-controlling interests as at 30 September 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

- (17) Net cash from operating activities amounted to \$21.1 million.
- (18) Major cash inflows were :
- a) Drawdown of borrowings of \$17.7 million; and
 - b) Proceeds from sale of investment properties of \$4.5 million.
- (19) Major cash outflows were for:
- a) Increase in bank balances pledged of \$10.6 million;
 - b) Purchase of property, plant and equipment of \$11.4 million; and
 - c) Repayment of borrowings of \$7.0 million.
- (20) The Group's cash position was \$26.0 million at the end of FY2018 Q1 (FY2017 Q1: \$56.9 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 year ended 30 June 2017.

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 structural changes resulting from government policy changes in the education sectors of the major countries where the Group operates are impacting the Group's businesses.

Additionally, the Group faces increasing competition from institutes of higher education in the United States of America, United Kingdom and Canada where the Group does not have a presence. This is due to the increasing affordability, preference and the ease with which the Asian students can obtain visas to study in these countries.

The increasing interest rate movements are also increasing the Group's costs of borrowings.

The Group continues to seek business opportunities.

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 2017 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 2017**