

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER ENDED 31 MARCH 2018

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED NINE MONTHS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/18 \$'000	9 months ended 31/03/17 \$'000	Increase/ (Decrease) %
Revenue	72,638	73,098	(1)
Other operating income	4,201	7,251	(42)
Personnel expenses	(31,527)	(30,614)	3
Depreciation and amortisation expenses	(8,175)	(8,237)	(1)
Other operating expenses	(37,144)	(41,546)	(11)
Reversal of provision for land restructuring cost	-	619	NM
Reversal of government grant receivable for land restructuring	-	(30,565)	NM
Fair value gain on investment properties, net	255	-	NM
Finance costs	(9,869)	(8,885)	11
Share of results of joint ventures	(1,422)	(1,306)	9
Share of results of associates	1,781	933	91
Loss before income tax	(9,262)	(39,252)	(76)
Income tax (expense)/credit	(908)	167	NM
Reversal of tax payable for land restructuring	-	30,563	NM
Loss after tax	(10,170)	(8,522)	19
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Share of fair value reserve changes of an associate	(518)	-	NM
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	10,591	632	1,576
Total comprehensive loss	(97)	(7,890)	(99)
Attributable to:			
Equity holders of the Company	(11,277)	(9,368)	20
Non-controlling interests	1,107	846	31
Net loss	(10,170)	(8,522)	19
Attributable to:			
Equity holders of the Company	(3,133)	(8,455)	(63)
Non-controlling interests	3,036	565	437
Total comprehensive loss	(97)	(7,890)	(99)

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		
	9 months ended 31/03/18 \$'000	9 months ended 31/03/17 \$'000	Increase/ (Decrease) %
Interest income ¹	891	586	52
Foreign exchange gain ¹	3,162	5,933	(47)
Allowance for doubtful trade receivables ²	(1)	-	NM
Bad trade receivables written off ²	(110)	(107)	3
Foreign exchange loss ²	(4,301)	(6,811)	(37)
Rental expenses ²	(4,699)	(4,744)	(1)
Reversal of amortisation of finance charge on non-current payables ³	-	532	NM
(Under)/overprovision of income tax expense in prior financial periods (excluding reversal of tax payable for land restructuring)	(105)	1,117	NM

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in finance cost

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	
	9 months ended 31/03/18 \$'000	9 months ended 31/03/17 \$'000
Loss after tax	(10,170)	(8,522)
<u>Add/(less):</u>		
Reversal of provision for land restructuring cost	-	(619)
Reversal of government grant receivable for land restructuring	-	30,565
Finance costs	9,869	8,885
Income tax expense/(credit)	908	(167)
Reversal of income tax in relation to land restructuring	-	(30,563)
Depreciation and amortisation	8,175	8,237
Net foreign exchange loss	1,139	878
Share of results of joint ventures	1,422	1,306
Share of results of associates	(1,781)	(933)
Adjusted EBITDA	9,562	9,067

**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		
		Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000	Increase/ (Decrease) %
Revenue	8.1	23,806	23,857	-
Other operating income	8.2	1,521	2,366	(36)
Personnel expenses		(10,608)	(10,296)	3
Depreciation and amortisation expenses		(2,844)	(2,813)	1
Other operating expenses		(13,021)	(12,656)	3
Finance costs	8.3	(3,277)	(2,809)	17
Share of results of joint ventures		(596)	(755)	(21)
Share of results of associates	8.4	1,836	48	3,725
Loss before income tax		(3,183)	(3,058)	4
Income tax expense		(164)	(422)	(61)
Loss after tax		(3,347)	(3,480)	(4)
Other comprehensive income, net of tax Items that will not be reclassified subsequently to profit or loss:				
Share of fair value reserve changes of an associate		(518)	-	NM
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.5	9,063	(12,092)	NM
Total comprehensive income/(loss)		5,198	(15,572)	NM
Attributable to:				
Equity holders of the Company		(3,975)	(3,749)	6
Non-controlling interests		628	269	133
Net loss		(3,347)	(3,480)	(4)
Attributable to:				
Equity holders of the Company		3,402	(13,966)	NM
Non-controlling interests		1,796	(1,606)	NM
Total comprehensive income/(loss)		5,198	(15,572)	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		
	Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000	Increase/ (Decrease) %
Interest income ¹	314	87	261
Foreign exchange gain ¹	1,136	2,135	(47)
Bad trade receivables written off ²	(19)	(27)	(30)
Foreign exchange loss ²	(2,630)	(1,325)	98
Rental expenses ²	(1,546)	(1,545)	-
Reversal of amortisation of finance charge on non-current payables ³	-	532	NM
Underprovision of income tax expense in prior financial periods	(10)	(86)	(88)

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

³ included in finance cost

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	
	Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000
Loss after tax	(3,347)	(3,480)
<u>Add/(less):</u>		
Finance costs	3,277	2,809
Income tax expense	164	422
Depreciation and amortisation	2,844	2,813
Net foreign exchange loss/(gain)	1,494	(810)
Share of results of joint ventures	596	755
Share of results of associates	(1,836)	(48)
Adjusted EBITDA	3,192	2,461

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	
		31/03/18 \$'000	30/06/17 \$'000	31/03/18 \$'000	30/06/17 \$'000
Non-current assets					
Property, plant and equipment	8.6	453,919	418,119	-	-
Investment properties	8.7	446,359	459,097	-	-
Investment in subsidiaries			-	467,652	465,919
Investment in joint ventures	8.8	22,798	29,700	-	-
Investment in associates		8,529	7,122	-	-
Available-for-sale financial assets		624	612	-	-
Intangible assets		119,058	119,037	361	344
Deferred tax assets		2,387	2,510	-	-
Other receivable		-	-	32,178	30,230
Restricted bank balances		3,535	3,677	-	-
		1,057,209	1,039,874	500,191	496,493
Current assets					
Inventories		121	104		-
Trade and other receivables	8.9	103,547	114,166	229,180	214,383
Cash and bank balances		96,832	74,013	4,667	661
		200,500	188,283	233,847	215,044
Less:					
Current liabilities					
Trade and other payables	8.10	60,904	66,061	137,121	149,026
Course and education service deferred income	8.11	21,260	10,919	-	-
Income tax payable		3,007	3,767	51	51
Borrowings	8.12	141,678	173,085	129,613	158,997
		226,849	253,832	266,785	308,074
Net current liabilities	8.13	(26,349)	(65,549)	(32,938)	(93,030)
Less:					
Non-current liabilities					
Trade and other payables	8.14	19,610	23,789	47,600	47,600
Borrowings	8.12	301,766	269,621	24,928	5,766
Deferred tax liabilities	8.15	61,790	60,684	-	-
		383,166	354,094	72,528	53,366
Net assets		647,694	620,231	394,725	350,097
Capital and reserves					
Share capital		510,034	481,785	510,034	481,785
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		81,888	85,048	(75,626)	(92,005)
Equity attributable to equity holders of the Company		552,239	527,150	394,725	350,097
Non-controlling interests	8.16	95,455	93,081	-	-
Total equity		647,694	620,231	394,725	350,097

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	31/03/18 \$'000	30/06/17 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2}	49,215	73,949
Unsecured	92,463	99,136
	141,678	173,085
<u>Amount repayable after one year:</u>		
Secured ^{1,2}	301,766	269,621
Unsecured	-	-
	301,766	269,621
Total borrowings	443,444	442,706

Details of collateral

¹ Property mortgage loans of \$285,214,000.

² Bank borrowings of \$58,467,000 were secured by a standby letter of credit based on cash deposit with the bank and/or a letter of guarantee provided by the Company. The standby letter of credit were secured by bank deposit of \$64,545,000. Bank borrowings of \$7,300,000 were secured by letter of guarantee by a subsidiary.

For more details, refer to items 8.12.

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.	Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000
Cash flows from operating activities			
Loss before income tax		(3,183)	(3,058)
Adjustments for:			
Amortisation of intangible assets		140	168
Bad trade receivables written off		19	27
Depreciation for property, plant and equipment		2,704	2,645
Interest expense		3,277	2,809
Interest income		(314)	(87)
Net loss/(gain) on disposal of property, plant and equipment		26	(1)
Property, plant and equipment written off		1	-
Share of results of joint ventures		596	755
Share of results of associates		(1,836)	(48)
Operating profit before working capital changes		1,430	3,210
Working capital changes:			
Trade and other receivables		1,518	4,665
Inventories		13	3
Course and education service deferred income		(11,139)	(9,528)
Trade and other payables		(1,695)	(741)
Cash generated used in operations		(9,873)	(2,391)
Interest paid		(1,978)	(2,048)
Interest received		314	87
Income and withholding taxes paid		(261)	(368)
Net cash used in operating activities	8.17	(11,798)	(4,720)
Cash flows from investing activities			
Additions for development cost and computer software		(139)	(560)
Additions of trademarks and licenses		(39)	(770)
Additions of investment properties		-	(644)
Contribution from non-controlling interests		-	632
Proceeds from sale of property, plant and equipment		17	18
Proceeds from sale of investment properties		-	4,677
Purchases of property, plant and equipment	8.19	(3,799)	(38,405)
Net cash used in investing activities		(3,960)	(35,052)

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.	Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000
Cash flows from financing activities			
Decrease/(Increase) in short-term deposits pledged	8.18	12,362	(6,920)
Drawdown of borrowings	8.18	9,305	49,131
Repayment of borrowings	8.19	(18,185)	(3,795)
Repayment of loan to a director of subsidiaries		-	(2,276)
Repayment of loan from a director	8.19	(21,982)	-
Net cash (used in)/from financing activities		(18,500)	36,140
Net change in cash and cash equivalents		(34,258)	(3,632)
Cash and cash equivalents at beginning of financial period		65,623	28,777
Effect of exchange rate changes on cash and cash equivalents		156	(407)
Cash and cash equivalents at end of financial period	8.20	31,521	24,738
– Note A			

Note A:

	Item No.	Third Quarter ended 31/03/18 \$'000	Third Quarter ended 31/03/17 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		64,545	54,669
Cash and bank balances		32,287	22,536
<u>Non-current</u>			
Restricted bank balances		3,535	3,595
Cash and bank balances in the statement of financial position		100,367	80,800
Pledged fixed deposits and bank balances		(65,311)	(52,467)
Restricted bank balances		(3,535)	(3,595)
Cash and cash equivalents in the statement of cash flow		31,521	24,738

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>FY2018</u>										
Balance at 1 January 2018	510,034	(39,683)	7,435	-	(16,254)	2,453	84,879	548,864	94,009	642,873
Total comprehensive income	-	-	-	(388)	7,765	-	(3,975)	3,402	1,796	5,198
Dividends	-	-	-	-	-	-	-	-	(377)	(377)
Change of ownership interest without loss of control	-	-	-	-	51	-	(78)	(27)	27	-
Balance at 31 March 2018	510,034	(39,683)	7,435	(388)	(8,438)	2,453	80,826	552,239	95,455	647,694
<u>FY2017</u>										
Balance at 1 January 2017	481,785	(39,683)	7,020	-	(7,955)	2,453	90,094	533,714	92,533	626,247
Total comprehensive loss	-	-	-	-	(10,217)	-	(3,749)	(13,966)	(1,606)	(15,572)
Dividends	-	-	-	-	-	-	-	-	(324)	(324)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	632	632
Balance at 31 March 2017	481,785	(39,683)	7,020	-	(18,172)	2,453	86,345	519,748	91,235	610,983

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>FY2018</u>				
Balance at 1 January 2018	510,034	(39,683)	2,453	(101,495)	371,309
Total comprehensive income	-	-	-	23,416	23,416
Balance at 31 March 2018	510,034	(39,683)	2,453	(78,079)	394,725
<u>FY2017</u>					
Balance at 1 January 2017	481,785	(39,683)	2,453	(85,603)	358,952
Total comprehensive loss	-	-	-	(918)	(918)
Balance at 31 March 2017	481,785	(39,683)	2,453	(86,521)	358,034

- 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 March 2018, no ordinary shares were repurchased.

Subsequent to the financial period ended 31 March 2018, no ordinary shares were repurchased.

During the financial period ended 31 March 2018, no ordinary shares were issued in respect of the conversion of share options.

As at 31 March 2018, the Company has 1,140,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

On 18 December 2017, the Company announced a renounceable non-underwritten rights issue at an issue price of \$0.14 for each rights share, on the basis of three rights shares for every ten ordinary shares in the capital of the Company. The Company had on 25 April 2018 allotted and issued 318,151,539 rights shares pursuant to the rights issue and the amount raised was \$44.5 million. Following the allotment and issuance of the rights shares, the total number of issued shares (excluding treasury shares) has increased from 1,060,505,133 shares to 1,378,656,672 shares

SHARE OPTIONS

As at 31 March 2018, there was unexercised share option for 639,639 unissued ordinary shares (31 March 2017: 2,083,604) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 2018, 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 1,060,505,133 (excluding treasury shares) as at 31 March 2018 (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 31 March 2018.

- 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 loss attributable to shareholders of the Group	Group		Change +/- %
	Third Quarter ended 31/03/18	Third Quarter ended 31/03/17	
i) Based on the weighted average number of shares (in cents)	-0.37	-0.39	(5)
- Weighted average number of shares	1,060,505,133	965,505,133	
ii) On a fully diluted basis (in cents)	-0.37	-0.39	(5)
- Adjusted weighted average number of shares	1,060,505,133	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 +/- %
	31/03/18	30/06/17		31/03/18	30/06/17	
NAV per ordinary share (in cents)	52.07	54.60	(5)	37.22	36.26	3

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

- (1) Group revenue remains flat between FY2017 Q3 and FY2018 Q3.
- (2) Decrease in other income from \$2.4 million for FY2017 Q3 to \$1.5 million for FY2018 Q3 was mainly due to the decrease in foreign exchange gain of \$1.0 million.
- (3) Increase in finance costs from \$2.8 million for FY2017 Q3 to \$3.3 million for FY2018 Q3 was mainly due to the increase in cost of borrowings and increase in borrowings
- (4) Share of results of associates for FY2018 Q3 increased to \$1.8 million was mainly due to sale of property by Axiom Properties Limited.
- (5) The Group recorded \$9.1 million in currency translation gain arising from consolidation of foreign operations.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 MARCH 2018 AND 30 JUNE 2017)

- (6) Increase in property, plant and equipment ("PPE") from \$418.1 million in FY2017 ("ended 30 June 2017") to \$453.9 million in FY2018 Q3 ("ended 31 March 2018") was mainly due to:
 - a) additions of \$14.0 million, mainly from \$8.6 million construction work in progress for Raffles American School ("RASJB") in Iskandar, Malaysia;
 - b) gain on foreign exchange translation of \$9.2 million
 - c) \$20.4 million reclassification from investment properties for the campus in Milan, ItalyIncrease was offset by
 - d) depreciation charge of \$7.8 million
- (7) Decrease in investment properties from \$459.1 million in FY2017 to \$446.4 million in FY2018 Q3 was mainly due to:
 - a) \$20.4 million reclassification of the new campus in Milan to PPE (refer to item 8.7c)Decrease was offset by
 - b) foreign currency translation gain of \$5.3 million.
 - c) additions of \$2.1 million, mainly for the renovation of the new campus in Milan, Italy

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 (AS AT 31 MARCH 2018 AND 30 JUNE 2017) (CONT'D)

- (8) Decrease in investment in joint ventures from \$29.7 million in FY2017 to \$22.8 million in FY2018 Q3 was mainly due to \$5.2 million capital distribution arising from capital reduction of Value Vantage Pte Ltd.
- (9) Breakdown of current trade and other receivables as follows:

	31/03/18 \$'000	30/06/17 \$'000
Trade receivables:		
Trade receivables	2,984	2,721
Other receivables:		
Third parties ^(a)	114	10,304
Receivable from sale of investment properties ^(b)	55,664	58,934
Prepayments	22,625	22,726
Deposits	9,979	8,411
Receivable from former joint venture	154	338
Joint ventures	8,823	8,347
Tax recoverable	1,911	34
Others	1,293	2,351
	100,563	111,445
Total trade and other receivables	103,547	114,166

Notes to current trade and other receivables:

- a) included was a refund of deposit receivable for the cancellation of purchase of land by Tianjin University of Commerce Boustead College ("BC") of \$Nil (FY2017: \$10.2 million).
- b) amounts due from sale of 490 mu and 27.9 mu land and properties of \$55.7 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 (AS AT 31 MARCH 2018 AND 30 JUNE 2017) (CONT'D)

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

	31/03/18 \$'000	30/06/17 \$'000
Trade payables (Current):		
Third parties	2,267	3,554
Other payables (Current):		
Other accruals	9,962	12,376
Advance from third party (refer to item 8.15b)	5,200	-
Accrual for property and land use tax	2,243	2,366
Accrual for business taxes	1,053	2,129
Accruals for capital expenditure	5,491	18,660
Amount due to joint venture	-	5,152
Loan from a Director	27,161	10,941
Loan from a director of subsidiaries	-	2,144
Purchase from non-controlling interest of additional interest in subsidiary	-	1,960
Payable for land in Iskandar	2,502	2,399
Dividend payable to non-controlling interest by OUCHK	377	-
Other payables	4,648	4,380
	58,637	62,507
Total trade and other payables (Current)	60,904	66,061

- (11) Increase in course and education service deferred income from \$10.9 million in FY2017 to \$21.3 million in FY2018 Q3 was mainly due to annual fee collections from students in BC and Wanbo Institute of Science & Technology ("WBC") and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue mainly in FY2018 Q4.

BC, WBC and OUC invoice annual fees to the students and customers once a year in the first quarter of each financial year. Unearned fees are deferred in the first quarter which results in a large course and education service deferred income. These unearned fees are then progressively recognised as revenue mainly over the course of the remaining financial year.

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 (AS AT 31 MARCH 2018 AND 30 JUNE 2017) (CONT'D)

(12) (1) Increase in borrowings from \$442.7 million in FY2017 to \$443.4 million in FY2018 Q3 was mainly due to:

- a. drawdown of \$12.2 million in borrowings for construction work of RASJB.
- b. drawdown of \$2.0 million in borrowings for renovation by Raffles Assets Italy in Milan, Italy.
- c. drawdown of \$29.7 million in borrowings for working capital.

Increase was offset by:

- d. repayment of \$49.4 million borrowings

(2) Included in current borrowings are Bonds of \$80.0 million which the Company had paid on 3 May 2018.

(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 8.13 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 \$19.3 million (FY2017: \$18.5 million);
- b) advance from third party of \$Nil (FY2017: \$5.1 million) which has been reclassified to current liability (refer to item 8.11).

(15) Breakdown of deferred tax liabilities for FY2018 Q3 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	28	62	-	(32)	58
Foreign currency realignment	6	340	700	2	1,048
Balance at 31 March 2018	672	28,704	32,429	(15)	61,790

(16) Non-controlling interests as at 31 March 2018 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

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

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(17) Net cash used in operating activities amounted to \$11.8 million.

(18) Major contributors of cash inflows were:

- a) release of pledged bank deposits of \$12.4 million; and
- b) drawdown of borrowings of \$9.3 million.

(19) Major cash outflows were for:

- a) purchase of property, plant and equipment of \$3.8 million;
- b) the repayment of borrowings of \$18.2 million; and
- c) the repayment of loan to a director of \$22.0 million.

(20) The Group's cash position was \$31.5 million at the end of FY2018 Q3 (FY2017 Q3: \$24.7 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 31 December 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 challenging global education environment, currency volatility and increasing interest rate continue to impact the Group.

The Group is also 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/recommendeded, 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 March 2018 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
15 May 2018