RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER ENDED 31 MARCH 2017

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 31/03/17 $'000	9 months ended 31/03/16 $'000	Increase/ (Decrease) %
Revenue	73,098	85,012	(14)
Other operating income	7,251	8,829	(18)
Personnel expenses	(30,614)	(33,346)	(8)
Depreciation and amortisation expenses	(8,237)	(8,277)	-
Other operating expenses	(41,546)	(42,849)	(3)
Reversal of provision for land restructuring cost	619	-	NM
Reversal of government grant receivable for land restructuring	(30,565)	-	NM
Finance costs	(8,885)	(12,382)	(28)
Share of results of joint ventures	(1,306)	(2,510)	(48)
Share of results of associates	933	(189)	NM
Loss before income tax	(39,252)	(5,712)	587
Income tax credit	167	141	18
Reversal of tax payable for land restructuring	30,563	-	NM
Loss after tax	(8,522)	(5,571)	53
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on transferring owner occupied property to investment property	-	28	NM
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	632	(25,156)	NM
Total comprehensive loss	(7,890)	(30,699)	(74)
Attributable to:			
Equity holders of the Company	(9,368)	(6,535)	43
Non-controlling interests	846	964	(12)
Net loss	(8,522)	(5,571)	53
Attributable to:			
Equity holders of the Company	(8,455)	(27,832)	(70)
Non-controlling interests	565	(2,867)	NM
Total comprehensive loss	(7,890)	(30,699)	(74)

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 31/03/17 $'000	9 months ended 31/03/16 $'000	Increase/ (Decrease) %
Interest income[1]	586	748	(22)
Foreign exchange gain[1]	5,933	5,953	-
Government grant[1]	-	466	NM
Fair value gain on re-measurement of pre-existing equity interest in an associate[1]	-	1,397	NM
Allowance for doubtful trade receivables[2]	-	(74)	NM
Bad trade receivables written off[2]	(107)	(253)	(58)
Foreign exchange loss[2]	(6,811)	(7,051)	(3)
Reversal of compensation for early termination of tenancy agreement and demolition of car park[2]	-	56	NM
Rental expenses[2]	(4,744)	(4,591)	3
Reversal of amortisation of finance charge on non-current payables[3]	532	-	NM
Overprovision of income tax expense in prior financial periods	31,680	1,225	2,486

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 31/03/17 $'000	9 months ended 31/03/16 $'000
Loss after tax	(8,522)	(5,571)
Add/(less):		
Fair value gain on re-measurement of pre-existing equity interest in an associate	-	(1,397)
Government grant	-	(466)
Reversal of provision for land restructuring cost	(619)	-
Reversal of government grant receivable for land restructuring	30,565	-
Finance costs	8,885	12,382
Income tax credit	(167)	(141)
Reversal of income tax in relation to land restructuring	(30,563)	-
Depreciation and amortisation	8,237	8,277
Net foreign exchange loss	878	1,098
Share of results of joint ventures	1,306	2,510
Share of results of associates	(933)	189
Adjusted EBITDA	9,067	16,881

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 31/03/17 $'000	Third Quarter ended 31/03/16 $'000	Increase/ (Decrease) %
Revenue	8.1	23,857	26,373	(10)
Other operating income	8.2	2,366	4,050	(42)
Personnel expenses		(10,296)	(11,228)	(8)
Depreciation and amortisation expenses		(2,813)	(2,633)	7
Other operating expenses		(12,656)	(13,143)	(4)
Finance costs	8.3	(2,809)	(4,081)	(31)
Share of results of joint ventures	8.4	(755)	(1,182)	(36)
Share of results of associates		48	65	(26)
Loss before income tax		(3,058)	(1,779)	72
Income tax expense		(422)	(95)	344
Loss after tax		(3,480)	(1,874)	86
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gain on transferring owner occupied property to investment property		-	28	NM
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.5	(12,092)	(18,154)	(33)
Total comprehensive loss		(15,572)	(20,000)	(22)
Attributable to:				
Equity holders of the Company		(3,749)	(2,234)	68
Non-controlling interests		269	360	(25)
Net loss		(3,480)	(1,874)	86
Attributable to:				
Equity holders of the Company		(13,966)	(17,677)	(21)
Non-controlling interests		(1,606)	(2,323)	(31)
Total comprehensive loss		(15,572)	(20,000)	(22)

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 31/03/17 $'000	Third Quarter ended 31/03/16 $'000	Increase/ (Decrease) %
Interest income[1]	87	246	(65)
Foreign exchange gain[1]	2,135	2,251	(5)
Fair value gain on re-measurement of pre-existing equity interest in an associate[1]	-	1,397	NM
Allowance for doubtful trade receivables[2]	-	(29)	NM
Bad trade receivables written off[2]	(27)	(105)	(74)
Foreign exchange loss[2]	(1,325)	(1,280)	4
Rental expenses[2]	(1,545)	(1,485)	4
Reversal of amortisation of finance charge on non-current payables[3]	532	-	NM
(Under)/overprovision of income tax expense in prior financial periods	(86)	223	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	
	Third Quarter ended 31/03/17 $'000	Third Quarter ended 31/03/16 $'000
Loss after tax	(3,480)	(1,874)
Add/(less):		
Fair value gain on re-measurement of pre-existing equity interest in an associate	-	(1,397)
Finance costs	2,809	4,081
Income tax expense	422	95
Depreciation and amortisation	2,813	2,633
Net foreign exchange gain	(810)	(971)
Share of results of joint ventures	755	1,182
Share of results of associates	(48)	(65)
Adjusted EBITDA	2,461	3,684

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 31/03/17 $'000	Group 30/06/16 $'000	Company 31/03/17 $'000	Company 30/06/16 $'000
Non-current assets					
Property, plant and equipment	8.6	408,189	362,649	-	-
Investment properties	8.7	441,140	437,028	-	-
Investment in subsidiaries		-	-	465,903	463,858
Investment in joint ventures	8.8	30,633	41,665	-	-
Investment in associates		7,275	5,991	-	-
Available-for-sale financial assets		610	612	-	-
Intangible assets		119,429	118,751	295	94
Deferred tax assets		1,950	1,074	-	-
Other receivable		-	-	12,192	9,615
Restricted bank balances		3,595	3,511	-	-
		1,012,821	971,281	478,390	473,567
Current assets					
Inventories		89	89	-	-
Trade and other receivables	8.9	118,842	156,695	243,068	270,991
Cash and bank balances		77,205	61,266	717	1,810
		196,136	218,050	243,785	272,801
Less:					
Current liabilities					
Trade and other payables	8.10	64,995	44,945	155,879	159,947
Course and education service deferred income	8.11	20,707	11,765	-	-
Income tax payable	8.12	1,649	37,775	83	83
Borrowings		87,914	87,418	81,000	80,568
		175,265	181,903	236,962	240,598
Net current assets		20,871	36,147	6,823	32,203
Less:					
Non-current liabilities					
Trade and other payables	8.13	23,393	56,566	47,600	59,638
Borrowings	8.14	340,597	278,901	79,579	79,305
Deferred tax liabilities	8.15	58,719	53,002	-	-
		422,709	388,469	127,179	138,943
Net assets		610,983	618,959	358,034	366,827
Capital and reserves					
Share capital		481,785	481,785	481,785	481,785
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		77,646	86,101	(84,068)	(75,275)
Equity attributable to equity holders of the Company		519,748	528,203	358,034	366,827
Non-controlling interests	8.16	91,235	90,756	-	-
Total equity		610,983	618,959	358,034	366,827

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

GROUP BORROWINGS AND DEDT SECURITIES	Group	
	31/03/17 $'000	30/06/16 $'000
Amount repayable in one year or less, or on demand:		
Secured[1,2,3,4,6,7,8,9,10]	72,914	72,321
Unsecured	15,000	15,097
	87,914	87,418
Amount repayable after one year:		
Secured[1,2,3,4,5]	261,018	199,596
Unsecured	79,579	79,305
	340,597	278,901
Total borrowings	428,511	366,319

Details of collateral

[1] Bank borrowings of $233,537,000 were secured by certain properties of the Group and a letter of guarantee by the Company.

[2] Bank borrowings of $15,479,000 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 $3,348,000 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 $6,317,000 were secured by certain properties of a subsidiary and a letter of guarantee by its holding company.

[5] Bank borrowings of $5,626,000 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 $37,729,000.

[7] Bank borrowings of $10,000,000 were secured by a standby letter of credit based on cash deposit with the bank. The standby letter of credit were secured by bank deposit of $10,672,000.

[8] Bank borrowings of $3,605,000 were secured by a standby letter of credit based on cash deposit with the bank. The standby letter of credit were secured by bank deposit of $4,066,000.

[9] Bank borrowings of $21,500,000 were secured by letter of guarantee by a subsidiary.

[10] Bank borrowings of $20,000 were secured by tuition fee of a subsidiary.

For more details, refer to items 8.14.

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 31/03/17 $'000	Third Quarter ended 31/03/16 $'000
Cash flows from operating activities			
Loss before income tax		(3,058)	(1,779)
Adjustments for:			
Amortisation of intangible assets		168	227
Allowance for doubtful debts		-	29
Bad trade receivables written off		27	105
Depreciation for property, plant and equipment		2,645	2,406
Interest expense		2,809	4,081
Interest income		(87)	(246)
Net (gain)/loss on disposal of property, plant and equipment		(1)	1
Share of results of joint ventures		755	1,182
Share of results of associates		(48)	(65)
Fair value gain on re-measurement of pre-existing equity interest in an associate		-	(1,397)
Operating profit before working capital changes		3,210	4,544
Working capital changes:			
Trade and other receivables		4,665	(1,465)
Inventories		3	29
Course and education service deferred income		(9,528)	(11,144)
Trade and other payables		(741)	592
Cash generated used in operations		(2,391)	(7,444)
Interest paid		(2,048)	(4,435)
Interest received		87	246
Income and withholding taxes paid		(368)	(674)
Net cash used in operating activities	8.17	(4,720)	(12,307)
Cash flows from investing activities			
Additions for development cost and computer software		(560)	(56)
Additions of trademarks and licenses		(770)	(1)
Additions of investment properties		(644)	(888)
Acquisition of subsidiary, net of cash acquire[1]		-	(35)
Cash proceeds from disposal of interest in former subsidiary		-	2,083
Contribution from non-controlling interests		632	-
Proceeds from sale of property, plant and equipment		18	1
Proceeds from sale of investment properties	8.18	4,677	21,694
Purchases of property, plant and equipment	8.19	(38,405)	(16,615)
Dividends received from joint venture		-	41,400
Dividends received from associate		-	32
Net cash (used in)/from investing activities		(35,052)	47,615

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 31/03/17 $'000	Third Quarter ended 31/03/16 $'000
Cash flows from financing activities			
Increase in short-term deposits pledged		(6,920)	(23,121)
Drawdown of borrowings	8.18	49,131	60,328
Repayment of borrowings	8.19	(3,795)	(97,459)
Repayment of loan to the spouse of a Director	8.19	(2,276)	-
Net payment for repurchase of shares		-	(1,970)
Net cash from/(used in) financing activities		36,140	(62,222)
Net change in cash and cash equivalents		(3,632)	(26,914)
Cash and cash equivalents at beginning of financial period		28,777	84,924
Effect of exchange rate changes on cash and cash equivalents		(407)	(3,799)
Cash and cash equivalents at end of financial period – *Note A*	8.20	**24,738**	**54,211**

Note A:

Cash and cash equivalents	Item No.	Third Quarter ended 31/03/17 $'000	Third Quarter ended 31/03/16 $'000
Current			
Fixed deposits with banks		54,669	53,247
Cash and bank balances		22,536	24,085
Non-current			
Restricted bank balances		3,595	3,571
Cash and bank balances in the statement of financial position		80,800	80,903
p		(52,467)	(23,121)
Restricted bank balances		(3,595)	(3,571)
Cash and cash equivalents in the statement of cash flow		**24,738**	**54,211**

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)

[1] The fair value of the identifiable assets and liabilities of the business acquired as at the date of acquisition were as follows:

Acquisition of subsidiary	**31/03/17 $'000**	**31/03/16 $'000**
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 payable	-	2,795
Cash and cash equivalents in subsidiary acquired	-	(65)
Amount outstanding to vendor	-	(2,695)
Net cash outflow on acquisition of subsidiary	-	35

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

	Attributable to equity holders of the Company								
GROUP	**Share Capital $'000**	**Treasury Shares $'000**	**Revaluation reserve $'000**	**Foreign currency translation reserve $'000**	**Share-based payment reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling Interests $'000**	**Total Equity $'000**
FY2017									
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**
FY2016									
Balance at 1 January 2016	**481,785**	**(37,713)**	**6,986**	**12,005**	**2,453**	**75,606**	**541,122**	**92,194**	**633,316**
Total comprehensive income	-	-	28	(15,471)	-	(2,234)	(17,677)	(2,323)	(20,000)
Repurchase of shares	-	(1,970)	-	-	-	-	(1,970)	-	(1,970)
Dividends	-	-	-	-	-	-	-	(317)	(317)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	980	980
Investment in subsidiary by non-controlling interest	-	-	-	11	-	(12)	(1)	1	-
Balance at 31 March 2016	**481,785**	**(39,683)**	**7,014**	**(3,455)**	**2,453**	**73,360**	**521,474**	**90,535**	**612,009**

COMPANY	**Share capital $'000**	**Treasury shares $'000**	**Share-based payment reserve $'000**	**Accumulated losses $'000**	**Total $'000**
FY2017					
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**
FY2016					
Balance at 1 January 2016	**481,785**	**(37,713)**	**2,453**	**(71,961)**	**374,564**
Total comprehensive loss	-	-	-	(1,938)	(1,938)
Repurchase of shares	-	(1,970)	-	-	(1,970)
Balance at 31 March 2016	**481,785**	**(39,683)**	**2,453**	**(73,899)**	**370,656**

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 2017, no ordinary shares were repurchased.

Subsequent to the financial period ended 31 March 2017, no ordinary shares were repurchased.

During the financial period ended 31 March 2017, no ordinary shares were issued in respect of the conversion of share options.

As at 31 March 2017, the Company has 1,045,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 March 2017, there was unexercised share option for 2,083,604 unissued ordinary shares (31 March 2016: 2,429,600) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 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 31 March 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 period ended 31 March 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 period, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2016. The adoption of these new/revised FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable. Refer to Note 4 above.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/(-) %
	Third Quarter ended 31/03/17	Third Quarter ended 31/03/16	
i) Based on the weighted average number of shares (in cents)	-0.39	-0.23	70
- Weighted average number of shares	965,505,133	967,465,870	
ii) On a fully diluted basis (in cents)	-0.39	-0.23	70
- Adjusted weighted average number of shares	965,505,133	967,465,870	

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 +/(-) %
	31/03/17	30/06/16		31/03/17	30/06/16	
NAV per ordinary share (in cents)	53.83	54.71	(2)	37.08	37.99	(2)

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

COMMENTARY ON THE GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(1) Group revenue decreased by 10% from $26.4 million for FY2016 Q3 to $23.9 million for FY2017 Q3 was mainly due to:

a) Discontinuation and teach-out of Raffles Shanghai joint venture college resulting in the decrease of revenue by $1.3 million in FY2017 Q3 from FY2016 Q3;

b) Decrease in utility income of $0.6 million from investment properties in Oriental University City Limited ("OUCL") as the provision of utility services has been taken over by a third party; and

c) Decrease in rental income of $0.5 million from investment properties in Oriental University City Holdings (H.K.) Limited ("OUCHK") as the number of students renting accommodations has reduced.

(2) Decrease in other income from $4.1 million for FY2016 Q3 to $2.4 million for FY2017 Q3 was mainly due to the 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, increasing its shareholding to 49%.

(3) Decrease in finance costs from $4.1 million for FY2016 Q3 to $2.8 million for FY2017 Q3 was mainly due to the repayment of interest bearing $80.0 million bonds in FY2016 Q3.

(4) Share of results of joint venture for FY2017 Q3 included share of exchange loss of $0.3 million (FY2016 Q3: $0.7 million) recorded by a joint venture.

(5) The Group recorded $12.1 million in currency translation loss arising from consolidation of foreign operations.

The currency translation loss arose mainly from the translation of OUCL and OUCHK (collectively "OUC") RMB2.3 billion net asset value as at 31 March 2017.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION

(6) Increase in property, plant and equipment ("PPE") from $362.6 million in FY2016 ("ended 30 June 2016") to $408.2 million in FY2017 Q3 ("ended 31 March 2017") was mainly due to:

a) additions of $42.4 million, mainly from:

(i) $31.4 million construction work in progress for Raffles American School ("RAS") in Iskandar, Malaysia;

(ii) $3.9 million purchase consideration 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 $5.6 million (refer to item 8.6.c), with a gain on disposal of $0.4 million;

(iii) $2.9 million for the completion of purchase of 65 acres of land for Raffles University Iskandar ("RUI");

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)

(iv) $1.3 million interior fit-out of the students cafeteria in Tianjin University of Commerce Boustead College ("BC"); and

(v) $0.6 million purchase of furniture, fittings and equipment and computer equipment in Raffles International College campus, Bangkok.

b) $12.8 million and $7.3 million reclassification of advance payments from prepayments for purchase of properties by OUCHK (refer to item 8.9.d) and purchase of land by WBC.

Increase was offset by:

c) $5.2 million for disposal of a land by Wanbo College as mentioned in item 8.6.a (ii);

d) depreciation charge of $7.8 million; and

e) $4.0 million loss on foreign currency translation.

(7) Increase in investment properties from $437.0 million in FY2016 to $441.1 million in FY2017 Q3 was mainly due to:

a) additions of $2.2 million for construction of Raffles International College campus, Bangkok and renovation of the new campus in Milan; and

b) foreign currency translation gain of $1.9 million.

(8) Decrease in investment in joint ventures from $41.7 million in FY2016 to $30.6 million in FY2017 Q3 was mainly due to $10.2 million return of capital from a joint venture.

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

	31/03/17 $'000	30/06/16 $'000
Trade receivables:		
Trade receivables	3,506	3,349
Other receivables:		
Third parties[(a)]	10,254	10,548
Receivable from sale of investment properties[(b)]	55,619	62,885
Government grant receivables[(c)]	-	30,629
Prepayments[(d)]	24,852	33,716
Deposits[(e)]	14,782	8,318
Receivable from former joint venture	328	321
Joint ventures	7,642	5,683
Tax recoverable	63	120
Others	1,796	1,126
	115,336	153,346
Total trade and other receivables	118,842	156,695

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

Notes to current trade and other receivables:

a) 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) Decrease in the outstanding balances from disposal of 490mu land and properties in OUCL mainly due to collection in FY2017 Q3.

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 Q1 as reflected in item 8.12.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 Q3 is due to reclassification to PPE as reflected in item 8.6.b) above.

   The sale proceeds were extended as a loan by the spouse of Mr. Chew to the Company as reflected in item 8.13.d) below.

e) Increase in the deposits was mainly due to the contribution of $6.8 million in FY2017 Q1 into an escrow account for the proposed acquisition of all the membership interest of Santa Fe University of Art and Design, LLC.

   The proposed acquisition was terminated and the company had received the abovementioned deposit in April 2017.

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COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

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

	31/03/17 $'000	30/06/16 $'000
Trade payables (Current):		
Third parties	2,857	3,462
Other payables (Current):		
Other accruals	13,341	13,263
Accrual for property and land use tax	1,720	2,160
Accrual for business taxes	1,327	1,628
Accruals of fees to university partners	2,619	3,078
Accruals for capital expenditure	5,325	6,170
Amount due to joint venturers	2,033	4,078
Payable for land in Iskandar	2,353	8,544
Loan from a Director	11,604	-
Loan from the spouse of a Director (refer item 8.13.d)	5,128	-
Joint ventures (interest free and repayable on demand)	5,152	-
Advance received from disposal of properties by OUCL	8,131	-
Dividend payable to non-controlling interest by OUCHK	324	-
Other payables	3,081	2,562
	62,138	41,483
Total trade and other payables (Current)	64,995	44,945

(11) Increase in course and education service deferred income from $11.8 million in FY2016 to $20.7 million in FY2017 Q3 was mainly due to annual fee collections from students in BC and WBC and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue in FY2017 Q4.

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

	31/03/17 $'000	30/06/16 $'000
OUC[(a)(b)]	1,256	37,670
Others	393	105
Income tax payable	1,649	37,775

Note :

a) Income tax and other taxes payable in relation to land restructuring in OUC amounted to $Nil (FY2016: $30.0 million). Both the income tax and other taxes payable with the related grant receivable were reversed in FY2017 Q1 as reflected in item 8.9.c) above.

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COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)

b) $4.9 million taxes relating to the divestment of 118 mu land and properties in OUCL was reclassified in FY2017 Q1 to deferred tax liabilities due to the re-assessment of the tax position of this divestment by management (refer to item 8.15).

(13) Non-current trade and other payables mainly relates to amounts payable for:

a) purchase of 65 acres of land for RUI of $Nil million (FY2016: $20.2 million). RUI had completed the purchase of the aforementioned land;

b) purchase of 45 acres of land for RAS of $18.1 million (FY2016: $19.2 million);

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.

(14) Increase in non-current borrowings from $278.9 million in FY2016 to $340.6 million in FY2017 Q3 was mainly due to:

a) refinancing of loan from $22.6 million to $30.8 million in relation to the property in Paramatta, Australia;

b) drawdown of $24.5 million in borrowings for the purchase of land of RUI in Iskandar, Malaysia (refer to item 8.13.a);

c) drawdown of $24.3 million in borrowings for construction work of RAS in Iskandar, Malaysia; and

(15) Breakdown of deferred tax liabilities for FY2017 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 2016	692	25,370	26,867	73	53,002
Charged to profit or loss	9	-	-	(16)	(7)
Reclassified from income tax payable (refer item 8.12.b)	-	-	4,907	-	4,907
Foreign currency realignment	(8)	957	(83)	(49)	817
Balance at 31 Mar 2017	**693**	**26,327**	**31,691**	**8**	**58,719**

(16) Non-controlling interests as at 31 March 2017 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

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COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(17) Net cash used in operating activities amounted to $4.7 million.

(18) Major contributors of cash inflows were:

a) proceeds from sale of investment properties of $3.0 million (mainly partial proceeds of 499 mu land sale); and

b) drawdown of borrowings of $49.1 million.

(19) Major cash outflows were for:

a) purchase of property, plant and equipment of $38.4 million;

b) the repayment of borrowings of $3.8 million; and

c) the repayment of loan to spouse of a director of $2.3 million.

(20) The Group's cash position was $24.7 million at the end of FY2017 Q3 (FY2016: $84.9 million).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 31 December 2016.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The unfavorable macroeconomic conditions in the world, especially in the region and PRC, currency volatility and uncertain global interest rate movements continue to be challenging for the Group.

The Group continues to face increasing competition, higher manpower costs and a more stringent regulatory environment which are expected to have an adverse effect on the Group's operations.

The Group continues to seek opportunities for growth.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

11. Dividend (cont'd)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the current financial period.

13. If the Company has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual. If no IPT mandate has been obtained, a statement to that effect

Not applicable as the Group does not have in place a general mandate for interested person transactions.

14. Negative assurance confirmation on second quarter financial results pursuant to Rule 705(5) of the Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the three months ended 31 March 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 May 2017