

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2014

## 3PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2014 \$'000	2013 \$'000	Increase/ (Decrease) %
Revenue	127,390	128,377	(1)
Other operating income	102,494	67,153	53
Personnel expenses	(59,003)	(57,224)	3
Depreciation and amortisation expenses	(16,182)	(15,030)	8
Other operating expenses	(63,404)	(128,508)	(51)
Fair value gain on investment properties	7,331	41,676	(82)
Impairment of goodwill	-	(240)	NM
Finance costs	(11,833)	(8,504)	39
Share of results of associates	128	252	(49)
<b>Profit before income tax</b>	86,921	27,952	211
Income tax (expense)/credit	(28,420)	6,546	NM
Profit after tax from continuing operations	58,501	34,498	70
<b>Discontinued operations – Note A</b>			
Loss after tax from discontinued operations	(237)	(250)	(5)
	58,264	34,248	70
<b>Other comprehensive income, net of tax</b>			
<b>Items that will not be reclassified to profit and loss:</b>			
Revaluation gain on transferring owner occupied property to investment property	5,631	-	NM
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation of foreign operations	(6,134)	4,296	NM
<b>Total comprehensive income</b>	57,761	38,544	50
Attributable to:			
<b>Equity holders of the Company</b>	55,374	26,672	108
Non-controlling interests	2,890	7,576	(62)
<b>Net profit</b>	58,264	34,248	70
Attributable to:			
<b>Equity holders of the Company</b>	54,541	30,279	80
Non-controlling interests	3,220	8,265	(61)
<b>Total comprehensive income</b>	57,761	38,544	50

NM – Not meaningful

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

NOTES TO THE UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2014 \$'000	2013 \$'000	Increase/ (Decrease) %
<b>Continuing operations</b>			
Interest income <sup>1,2</sup>	1,527	1,660	(8)
Government grant <sup>1</sup>	5,954	7,326	(19)
Compensation income <sup>1</sup>	4,065	-	NM
Net reversal on provision for land restructuring costs in OUC <sup>1</sup>	-	37,585	NM
Gain on divestment of investment properties <sup>1</sup>	45,460	14,637	211
Gain on disposal of interests in subsidiary <sup>1</sup>	-	19	NM
Gain on disposal of interests in joint venture <sup>1</sup>	40,842	-	NM
Foreign exchange gain <sup>1</sup>	2,109	2,896	(27)
Foreign exchange loss <sup>3</sup>	(3,652)	(2,950)	24
Write back/(allowance) for doubtful trade receivables <sup>3</sup>	36	(377)	NM
Bad trade receivables written off <sup>3</sup>	(287)	(605)	(53)
Bad non-trade receivables written off <sup>3</sup>	-	(4,554)	NM
Compensation for early termination of tenancy agreement and demolition of car park <sup>3</sup>	(3,916)	-	NM
Loss on divestment of investment properties <sup>3</sup>	-	(60)	NM
Net reversal of government grant receivable for OUC land restructuring <sup>3</sup>	-	(57,116)	NM
Rental expenses <sup>3</sup>	(10,243)	(11,682)	(12)
Share-based payments <sup>4</sup>	-	(7)	NM
Amortisation of finance charge on non-current payables <sup>5</sup>	(572)	(435)	31
Over provision of income tax expense in prior periods	87	51,083	(100)

NM – Not meaningful

<sup>1</sup> included in other operating income

<sup>2</sup> included amortization of finance income on non-current receivable of \$nil (FY2013: \$912,000)

<sup>3</sup> included in other operating expenses

<sup>4</sup> included in personnel expenses

<sup>5</sup> included in finance cost

Note A :

	Group	
	2014 \$'000	2013 \$'000
<b>Discontinued operations</b>		
Revenue	-	-
Other operating income	327	563
Impairment of goodwill	-	-
Expenses	(564)	(679)
Loss before tax from discontinued operations	(237)	(116)
Income tax expense	-	(134)
Net loss from discontinued operations	(237)	(250)

**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 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	301,420	304,417	-	-
Investment properties	301,943	368,006	-	-
Investment in subsidiaries	-	-	426,549	300,031
Investment in associates	1,432	1,304	-	-
Available-for-sale financial assets	610	616	-	-
Intangible assets	127,829	129,037	128	157
Deferred tax assets	755	857	-	-
Other receivables	10,160	-	4,854	-
	<b>744,149</b>	<b>804,237</b>	<b>431,531</b>	<b>300,188</b>
<b>Current assets</b>				
Inventories	119	109	-	-
Trade and other receivables	320,070	151,741	272,756	286,606
Cash and cash equivalents	58,540	70,895	1,099	8,277
	<b>378,729</b>	<b>222,745</b>	<b>273,855</b>	<b>294,883</b>
Assets classified as held for sale	-	41,101	-	-
	<b>378,729</b>	<b>263,846</b>	<b>273,855</b>	<b>294,883</b>
Less:				
<b>Current liabilities</b>				
Trade and other payables	97,259	103,705	102,361	62,173
Course and education service deferred income	17,068	16,690	-	-
Income tax payable	83,820	50,486	265	421
Borrowings	81,280	47,736	74,800	19,000
	<b>279,427</b>	<b>218,617</b>	<b>177,426</b>	<b>81,594</b>
<b>Net current assets</b>	<b>99,302</b>	<b>45,229</b>	<b>96,429</b>	<b>213,289</b>
Less:				
<b>Non-current liabilities</b>				
Trade and other payables	46,012	46,363	-	-
Borrowings	184,411	178,517	128,508	127,962
Deferred tax liabilities	9,743	21,289	-	-
	<b>240,166</b>	<b>246,169</b>	<b>128,508</b>	<b>127,962</b>
<b>Net assets</b>	<b>603,285</b>	<b>603,297</b>	<b>399,452</b>	<b>385,515</b>
<b>Capital and reserves</b>				
Share capital	481,785	481,785	481,785	481,785
Treasury shares	(24,065)	(21,383)	(24,065)	(21,383)
Reserves	105,975	94,016	(58,268)	(74,887)
Equity attributable to equity holders of the Company	<b>563,695</b>	<b>554,418</b>	<b>399,452</b>	<b>385,515</b>
Non-controlling interests	39,590	48,879	-	-
	<b>603,285</b>	<b>603,297</b>	<b>399,452</b>	<b>385,515</b>

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

<b>GROUP BORROWINGS AND DEBTS SECURITIES</b>	<b>Group</b>	
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured	6,480	4,800
Unsecured	74,800	42,936
	81,280	47,736
<b><u>Amount repayable after one year:</u></b>		
Secured	55,903	50,555
Unsecured	128,508	127,962
	184,411	178,517
<b>Total borrowings</b>	<b>265,691</b>	<b>226,253</b>

**Details of collateral**

The bank borrowings were secured by letter of guarantee by the Company and certain properties of the Group.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax from continuing operations	86,921	27,952
Loss before income tax from discontinued operations	(237)	(116)
	86,684	27,836
Adjustments for:		
Allowance for doubtful debts	18	378
Reversal of allowance for doubtful debts	(54)	(1)
Amortisation of intangible assets	2,173	2,623
Bad trade receivables written off	287	605
Bad non-trade receivables written off	-	4,554
Depreciation for property, plant and equipment	14,009	12,411
Fair value gain on investment properties	(7,331)	(41,676)
Gain on disposal of subsidiaries and joint venture	(40,842)	(19)
Gain on divestment of investment properties	(45,460)	(14,577)
Compensation income	(4,065)	-
Interest expense	11,833	8,504
Interest income	(1,527)	(1,660)
Net loss/(gain) on disposal of property, plant and equipment	284	(11)
Property, plant and equipment written off	2	211
Impairment of goodwill	-	240
Share of results of associates	(128)	(252)
Share-based payments	-	7
Operating profit /(loss) before working capital changes	15,883	(827)
Working capital changes:		
Trade and other receivables	(8,852)	65,804
Inventories	(10)	19
Course and education service deferred income	378	1,285
Trade and other payables	17,371	(45,965)
Cash from operations	24,770	20,316
Interest paid	(10,715)	(5,804)
Interest received	1,527	747
Income and withholding tax paid	(3,228)	(6,250)
Net cash from operating activities	12,354	9,009
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	137	952
Proceeds from divestment of investment properties	77,382	28,848
Cash (disposed)/proceeds from disposal of interest in subsidiary and joint venture#	(461)	776
Advance payment for development cost of new projects	(16,057)	(3,041)
Purchase of property, plant and equipment	(21,471)	(23,001)
Acquisition of subsidiaries^	(4,774)	-
Acquisition of additional interest in joint ventures	29	-
Acquisition of equity interest from non-controlling interest	(81,273)	-
Addition of investment properties	(1,960)	(17,662)
Additions of development costs	(83)	(296)
Additions of computer software	(52)	-
Additions of trademarks	(366)	(1)
Acquired by non-controlling interests	(1,338)	-
Dividends received from associate	-	210
Net cash used in investing activities	(50,287)	(13,215)

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Cash flows from financing activities</b>		
Net proceeds from rights issue	-	23,706
Net proceeds from bonds issue	-	127,812
Net payment for repurchase of shares	(2,682)	-
Draw down of borrowings	131,928	9,305
Repayment of borrowings	(104,465)	(126,686)
Net cash from financing activities	24,781	34,137
Net change in cash and cash equivalents	(13,152)	29,931
Cash and cash equivalents at beginning of financial year	70,895	42,143
Net effect of exchange rate changes	797	(1,179)
<b>Cash and cash equivalents at end of financial year</b>	<b>58,540</b>	<b>70,895</b>

# The carrying amount of the identifiable assets and liabilities of the subsidiary as at the date of sale of interests were as follows:

<b>Sale of interests in joint ventures in FY14 and subsidiary in FY13</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Non-current assets	40,904	59
Current assets	14,637	1,581
Current liabilities	(15,272)	(596)
Non-controlling interests	-	(304)
Reserves	169	17
Net assets disposed	40,438	757
Transaction cost on sale of interest	5,080	-
Gain on sale of interest	40,842	19
Total sale proceeds	86,360	776
Proceeds receivable from buyers	(76,200)	-
Cash received	-	776
Cash disposed in the sale of interests	(10,621)	-
<b>Net cash (disposed)/proceeds from divestment of interest in joint ventures and subsidiary</b>	<b>(461)</b>	<b>776</b>

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

<b>Acquisition of subsidiary</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Non-current assets	4,954	-
Net assets acquired	4,954	-
Goodwill arising on consolidation	16	-
Consideration payable	4,970	-
Amount outstanding to vendor	(196)	-
<b>Net cash outflow on acquisition of subsidiary</b>	<b>4,774</b>	<b>-</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from 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		
<b>FY2014</b>									
<b>Balance at 1 July 2013</b>	481,785	(21,383)	1,255	(9,135)	2,453	99,443	554,418	48,879	603,297
Total comprehensive income	-	-	4,710	(5,543)	-	55,374	54,541	3,220	57,761
Repurchase of shares	-	(2,682)	-	-	-	-	(2,682)	-	(2,682)
Acquisition of additional interest in joint ventures	-	-	-	-	-	(2,813)	(2,813)	-	(2,813)
Acquisition of equity interest from non-controlling interests	-	-	576	(156)	-	(25,641)	(25,221)	(29,855)	(55,076)
Equity swap of interest in subsidiary with non-controlling interest	-	-	640	(126)	-	(15,231)	(14,717)	17,346	2,629
Disposal of interest in joint venture	-	-	-	169	-	-	169	-	169
<b>Balance at 30 June 2014</b>	<b>481,785</b>	<b>(24,065)</b>	<b>7,181</b>	<b>(14,791)</b>	<b>2,453</b>	<b>111,132</b>	<b>563,695</b>	<b>39,590</b>	<b>603,285</b>
<b>FY2013</b>									
<b>Balance at 1 July 2012 (restated*)</b>	458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
Total comprehensive income	-	-	-	3,607	-	26,672	30,279	8,265	38,544
Issue of shares	23,706	-	-	-	-	-	23,706	-	23,706
Share-based payments	-	-	-	-	7	-	7	-	7
Disposal of interest in subsidiary	-	-	-	17	-	-	17	(304)	(287)
<b>Balance at 30 June 2013</b>	<b>481,785</b>	<b>(21,383)</b>	<b>1,255</b>	<b>(9,135)</b>	<b>2,453</b>	<b>99,443</b>	<b>554,418</b>	<b>48,879</b>	<b>603,297</b>

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>FY2014</b>				
<b>Balance at 1 July 2013</b>	481,785	(21,383)	2,453	(77,340)	385,515
Total comprehensive income	-	-	-	16,619	16,619
Repurchase of shares	-	(2,682)	-	-	(2,682)
<b>Balance at 30 June 2014</b>	<b>481,785</b>	<b>(24,065)</b>	<b>2,453</b>	<b>(60,721)</b>	<b>399,452</b>
<b>FY2013</b>					
<b>Balance at 1 July 2012</b>	458,079	(21,383)	2,446	(72,793)	366,349
Total comprehensive loss	-	-	-	(4,547)	(4,547)
Issue of shares	23,706	-	-	-	23,706
Share-based payments	-	-	7	-	7
<b>Balance at 30 June 2013</b>	<b>481,785</b>	<b>(21,383)</b>	<b>2,453</b>	<b>(77,340)</b>	<b>385,515</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

#### **SHARE CAPITAL**

During the financial year ended 30 June 2014, 7,964,000 ordinary shares were repurchased.

Subsequent to the financial year ended 30 June 2014, 1,194,000 ordinary shares were repurchased.

During the financial year ended 30 June 2014, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2014, the company has 1,045,295,233 issued and fully paid ordinary shares (including 27,896,000 treasury shares).

#### **SHARE OPTIONS**

As at 30 June 2014, there was unexercised share option for 3,146,928 unissued ordinary shares (30 June 2013: 3,543,584) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 30 June 2014, there were 27,896,000 treasury shares (30 June 2013: 19,932,000).

- 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 1,017,399,233 (excluding treasury shares) as at 30 June 2014 (30 June 2013: 1,025,363,233)

- 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 June 2014.

- 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 2013.

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") and Interpretation of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2013. The adoption of these new/revised FRS and INT 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 for financial year ended 30 June	Group		Change +/- %
	2014	2013	
i) Based on the weighted average number of shares (in cents)	5.40	2.66	103
- Weighted average number of shares	1,024,974,236	1,004,413,517	
ii) On a fully diluted basis (in cents)	5.40	2.66	103
- Adjusted weighted average number of shares	1,024,974,236	1,004,413,517	

EPS based on net profit from continuing operations attributable to shareholders of the Group for the financial year ended 30 June	Group		Change +/- %
	2014	2013	
i) Based on the weighted average number of shares (in cents)	5.43	2.68	103
- Weighted average number of shares	1,024,974,236	1,004,413,517	
ii) On a fully diluted basis (in cents)	5.43	2.68	103
- Adjusted weighted average number of shares	1,024,974,236	1,004,413,517	

**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)**

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	2014	2013		2014	2013	
NAV per ordinary share	55.41	54.07	2.5	36.63	37.60	(2.6)

The Net asset value computation is based on the number of shares at the end of the period.

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 1% from \$128.4 million for FY2013 to \$127.4 million for FY2014.
2. The increase in other operating income from \$67.2 million for FY2013 to \$102.5 million for FY2014 was mainly due to:
  - a) gain of \$45.5 million (before taxes) on divestment of investment properties of 490 mu land and properties in Oriental University City ("OUC");
  - b) gain of \$40.8 million on disposal of 50% equity interest in Value Vantage Investment and Management (Hangzhou) Co., Ltd ("VVHZ");
  - c) compensation income of \$4.1 million confirmed by Langfang City Government, PRC, in October 2013 as OUC had assumed certain liabilities on their behalf in prior years.

The increase was partially offset by:

- d) absence of gain of \$14.6 million on sale of 118 mu land in OUC in FY2013;
  - e) absence of net reversal of provision for land restructuring cost in OUC amounting to \$37.6 million in FY2013.
3. Decrease in other operating expenses from \$128.5 million for FY2013 to \$63.4 million for FY2014 was mainly due to :
    - a) absence of the net reversal of government grant receivable of \$57.1 million in relation to OUC land restructuring;
    - b) decreased in rental expense of \$1.4 million.
  4. Fair value gain of \$7.3 million (FY2013: \$41.7 million) was recognized in FY 2014 and includes :
    - a) \$5.5 million gain from the investment properties in OUC;
    - b) \$1.5 million gain from certain land in Raffles University Iskandar, Malaysia; and
    - c) \$0.3 million gain from the investment property in Bangkok, Thailand.

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

5. Increase in finance costs from \$8.5 million for FY2013 to \$11.8 million for FY2014 was mainly due to higher interest expense from bonds and higher borrowings.
6. Income tax expense of \$28.4 million (FY2013: \$6.5 million credit) in FY2014 mainly consist of:
- a) net provision of tax expense of \$15.5 million on the gain on divestment of the 490 mu land and properties in OUC;
  - b) deferred tax expense of \$1.4 million in OUC for the fair value gain of investment properties;
  - c) deferred tax expense of \$1.0 million in OUC for the compensation income;
  - d) the provision of withholding tax of \$6.9 million on the sales proceeds of the disposal of 50% equity interest in VVHZ;
7. Loss from discontinued operations pertained to the results of subsidiaries in Vietnam ("Raffles Vietnam"). The Group has suspended operations in Vietnam since December 2011.
8. Non-controlling interests represent mainly the non-controlling shareholder's share of profits in OUC.

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

9. Property, plant and equipment ("PPE") decreased from \$304.4 million in FY2013 ("ended 30 June 2013") to \$301.4 million in FY2014 ("ended 30 June 2014") mainly due to:
- a) depreciation charge of \$14.0 million;
  - b) foreign currency translation loss of \$3.0 million;
  - c) reclassification from PPE to investment properties of \$21.1 million;
  - d) reclassification from PPE to intangible assets of \$0.3 million;
  - e) disposal of property, plant and equipment of \$0.4 million.
  - f) acquisition by non-controlling interest of \$2.5 million.

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

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

9. The decrease was partially offset by:

- g) net additions of \$22.8 million mainly arising from :
  - (i) construction of 5 new blocks of student accommodations in OUC amounting to \$9.4 million;
  - (ii) construction of 2 new blocks of student accommodations in Tianjin University of Commerce Boustead College ("BCT") amounting to \$3.3 million;
  - (iii) progressive construction cost of Raffles American School in Iskandar amounting to \$2.0 million.
- h) \$9.0 million reclassified from prepayment;
- i) acquisition of new subsidiary with the total value of property, plant and equipment of \$5.0 million;
- j) increase in shareholdings of joint ventures with the total value of property, plant and equipment of \$1.5 million.

10. The decrease of investment properties from \$368.0 million in FY2013 to \$301.9 million in FY2014 was mainly due to:

- a) divestment of investment properties of 490 mu land and properties in OUC of \$98.3 million;
- b) foreign currency loss of \$3.8 million.

However, the decrease was offset by:

- c) revaluation gain of \$7.3 million (refer to item 8.4. above);
- d) reclassification from PPE to investment properties of \$21.1 million;
- e) revaluation gain on transferring owner occupied property to investment property of \$5.6 million relating to d) above;
- f) purchase of land in Mandurah, Australia of \$2.0 million.

11. Non-current other receivable of \$10.2 million relates to prepayment for the purchase of land by BCT.

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

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

12. Current trade and other receivables increased from \$151.7 million in FY2013 to \$320.1 million in FY2014 were mainly due to:

- a) receivable of \$91.4 million (equivalent to RMB450 million) for the divestment of 490 mu land and properties in OUC;

(Note:

Proceeds of the divestment of the land and properties was RMB700 million of which RMB250 million has been received to date.);

- b) \$86.4 million receivable in relation to the disposal of 50% equity interest in VVHZ;
- c) increase of \$13.2 million in relation to the previous disposal of 50% equity interest in Value Vantage Pte. Ltd ("VVPL") due to the cancellation of the offsetting arrangement in relation to the amount payable to the buyer for the service provided by the buyer (refer to item 8.14.);
- d) the receivable for compensation of \$4.0 million as stated in item 8.2.c) below.

However the increase was partially offset by the payment received of :

- e) \$28.7 million for the divestment of 670 mu land and properties in OUC; and
- f) \$8.6 million for the divestment of 118 mu land and properties in OUC.

(Note :

Included in other receivable was a government grant receivable of \$30.9 million, adjusted for foreign currency translation, (FY2013: \$33.8 million) for land restructuring. The corresponding liabilities were recorded in other payables and income tax payable reflected in item 8.14.Note and item 8.15.Note below).

13. Assets classified as held for sale of \$41.1 million in FY2013 relates to the underlying assets of the remaining 50% equity interests in VVPL. The Company has divested of these assets through disposal of VVHZ during the financial year.

14. Current trade and other payables decreased from \$103.7 million in FY2013 to \$97.3 million in FY2014 mainly due to de-recognition of contractual commitments in OUC of \$26.2 million, as a result of the Put Option exercised by Khazanah Nasional Berhad ("Khazanah").

The decrease was offsetted by the recognition of \$13.2 million owing to the joint venturer of VVPL (refer to item 8.12.c) above.

(Note :

Included in the other payables was \$1.0 million (FY2013: \$2.0 million) of revenue tax, stamp duty and deed tax payable in relation to land restructuring in OUC. There is a related grant receivable reflected in item 8.12.Note above).

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)**

15. Income tax payable increased from \$50.5 million in FY2013 to \$83.8 million in FY2014 mainly due to:

- a) provision of \$29.2 million tax on the gain on divestment of the 490 mu land and properties in OUC (as stated in item 8.6.a) and item 8.18.);
- b) provision of \$6.9 million withholding tax on disposal of VVHZ.

(Note:

Income tax payable included income tax and other taxes payable in relation to land restructuring in OUC amounting to \$29.9 million, adjusted for foreign currency translation, (FY2013: \$31.8 million). There is related grant receivable reflected in item 8.12.Note above.)

16. Current borrowings increased from \$47.7 million in FY2013 to \$81.3 million in FY2014 mainly for purchase of 10% interest in OUC from Khazanah which was completed in FY2014 Q2.
17. Non-current trade and other payables mainly relates to amount payable for the purchase of:
- a) 65 acres of land for Raffles University Iskandar; and
  - b) 45 acres of land for Raffles American School in Iskandar, Malaysia.
18. Deferred tax liabilities decreased from \$21.3 million in FY2013 to \$9.7 million in FY2014 mainly due to realization of the deferred tax liabilities of \$13.8 million in relation to the divestment of the 490 mu land and properties in OUC (as stated in item 8.6.a) and item 8.15.a)).
19. Non-controlling interests as at 30 June 2014 represent mainly the non-controlling shareholder's equity interests of one of the subsidiary in OUC. The decrease is due to purchase of 10% interest in OUC from Khazanah.

#### **COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS**

20. Net cash inflow from operations amounted to \$12.4 million.

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

**COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS (CONT'D)**

21. Major cash outflows were for:
- a) repayment of borrowings of \$104.5 million;
  - b) payment of \$81.3 million to Khazanah for the purchase of 10% interest in OUC;
  - c) payment to acquire property, plant and equipment of \$21.5 million;
  - d) payment for the acquisition of subsidiary, Suzhou GeLin Kindergarten of \$4.8 million;
  - e) advance payment for development cost of new project of \$16.1 million;
  - f) payment for repurchase of shares of \$2.7 million; and
  - g) payment to acquire investment properties of \$2.0 million
22. Major contributor of cash inflows were:
- a) drawdown of borrowings of \$131.9 million; and
  - b) receipts of \$77.4 million from the sale of investment properties.
23. The Group's cash position is \$58.5 million at the end of FY2014 (FY2013: \$70.9 million).

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

Not applicable.

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 Group has seen its PRC college revenue stabilizing and the Group continues to see positive outcomes from implementing new transformational strategies in PRC.

The Group is also continuing to see positive outcomes from its expansion strategy in the Ex-PRC region.

The Group also continues to look at opportunities into other education related investments to achieve sustainable growth.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	1 cent per ordinary share under one-tier system
Tax Rate	Tax exempt

**(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**

To be advised at a later date.

**(d) Books closure date**

To be advised at a later date.

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

Not applicable.

**13. Negative assurance confirmation pursuant to Rule 705(5) of the Listing Manual.**

Not applicable.



**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

(i) Business Segments

**2014**

	Private Education System \$'000	National Education System \$'000	OUC Assets & Education Management \$'000	Raffles K12 \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	74,403	27,691	23,876	1,333	87	127,390
Inter-segment revenue	16,169	-	291	-	31,782	108,242
Interest income	391	298	836	-	2	1,527
Fair value gain on investment properties	1,509	-	5,559	-	263	7,331
Finance cost	(1)	-	(204)	(574)	(11,054)	(11,833)
Depreciation and Amortisation	(5,113)	(2,957)	(3,250)	(292)	(4,570)	(16,182)
Reportable segment profit/(loss) before income tax	23,041	7,385	52,368	(1,885)	6,012	86,921
Share of results from Associates	(22)	-	-	-	150	128
Net profit/(loss) from continuing operations for the financial year	22,492	7,382	32,158	(1,885)	(1,646)	58,501
Discontinued operation: Net loss for the financial year	(237)	-	-	-	-	(237)
<u>Other information:</u>						
Additions to property, plant and equipment	3,149	5,677	11,528	2,197	269	22,820
Additions to property, plant and equipment from acquisition of subsidiary	-	-	-	4,954	-	4,954
Additions to investment Properties	-	-	-	-	1,960	1,960
Additions to intangibles	83	-	-	-	419	502
Additions to goodwill arising from acquisition of subsidiary	-	-	-	16	-	16
Investment in associates	958	-	-	-	474	1,432
Segment assets	66,237	107,779	470,232	36,577	253,497	934,322
Segment liabilities	(53,995)	(8,633)	(26,219)	(26,332)	(310,851)	(426,030)

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)**

(i) Business Segments (Cont'd)

**2013**

	Private Education System \$'000	National Education System \$'000	OUC Assets & Education Management \$'000	Raffles K12 \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	78,265	26,124	23,469	330	189	128,377
Inter-segment revenue	4,483	-	-	-	57,852	62,335
Interest income	392	336	20	-	912	1,660
Fair value gain on investment properties	1,754	-	38,558	-	1,364	41,676
Finance cost	(7)	-	(2,156)	(437)	(5,904)	(8,504)
Depreciation and Amortisation	(4,777)	(2,546)	(5,049)	(187)	(2,471)	(15,030)
Impairment of goodwill	(129)	-	(6)	-	(105)	(240)
Reportable segment profit/(loss) before income tax	14,348	8,551	25,608	(2,036)	(18,519)	27,952
Share of results from Associates	(22)	-	-	-	274	252
Net profit/(loss) from continuing operations for the financial year	13,412	8,535	34,193	(2,036)	(19,606)	34,498
Discontinued operation: Net loss for the financial year	(250)	-	-	-	-	(250)
<u>Other information:</u>						
Additions to property, plant and equipment	3,149	5,677	11,528	2,197	269	22,820
Additions to property, plant and equipment from acquisition of subsidiary	-	-	-	4,954	-	4,954
Additions to investment Properties	-	-	3,752	-	17,662	21,414
Additions to intangibles	83	-	-	-	419	502
Additions to goodwill arising from acquisition of subsidiary	-	-	-	16	-	16
Investment in associates	981	-	-	-	323	1,304
Asset classified as held for sale	91	41,010	-	-	-	41,101
Segment assets	69,648	135,865	491,257	30,407	138,813	865,990
Segment liabilities	(65,692)	(9,141)	(59,425)	(25,359)	(233,394)	(393,011)

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)**

(ii) Geographical segments

	Asean S\$'000	North Asia S\$'000	South Asia S\$'000	Australasia S\$'000	Total S\$'000
<b>2014</b>					
Continuing operations:					
Revenue from					
external customers	35,052	72,867	7,053	12,418	127,390
Non-current assets	189,053	513,829	29,052	10,850	742,784
<b>2013</b>					
Continuing operations:					
Revenue from					
external customers	31,817	72,636	7,930	15,994	128,377
Non-current assets	182,230	581,285	28,141	11,108	802,764

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

The percentage of turnover in FY2014 for Private Education System ("PES"), National Education System ("NES") and OUC is approximately 58.4% (FY2013: 61.0%), 21.7% (FY2013: 20.3%) and 18.7% (FY2013: 18.3%) respectively.

Turnover from Asean increased in FY2014 as compared to FY2013 despite the overall drop for the group due to higher student enrollment.

**16. A breakdown of sales**

		Group		Increase/ (Decrease)
		30/06/14 S\$'000	30/06/13 S\$'000	%
(a)	Sales reported for first half year	63,415	65,894	(4)
(b)	Profit after tax reported for first half year	3,600	12,737	(72)
(c)	Sales reported for second half year	63,975	62,483	2
(d)	Profit/(loss) after tax reported for second half year	54,901	21,761	152

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	10,162	0
Preference	0	0
Total:	10,162	0

**18. INTERESTED PARTY TRANSACTIONS**

If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPT), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained any general mandate from its shareholders for interested party transactions.

**19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	45	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Education Corporation Limited ("REC")	Director of Operations since 2009	Nil
Anne Chung Gim Ean	51	Sister of Ms. Doris Chung, who is a controlling shareholder of REC and the spouse of its CEO/Chairman, Mr. Chew Hua Seng.	College Director since 2014	Nil

**BY ORDER OF THE BOARD**

**Chew Hua Seng**  
**Chairman**  
**21 August 2014**