

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

### 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	Group		
	First Quarter ended 30/09/12 \$'000	First Quarter ended 30/09/11 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	32,778	32,650	-
Other operating income	19,932	18,707	7
Personnel expenses	(13,868)	(13,357)	4
Depreciation and amortisation expenses	(3,659)	(3,720)	(2)
Other operating expenses	(25,000)	(15,722)	59
Finance costs	(2,066)	(2,494)	(17)
Share of results of associates	68	86	(21)
<b>Profit before income tax</b>	8,185	16,150	(49)
Income tax expense	(2,236)	(1,057)	112
Profit after tax from continuing operations	5,949	15,093	(61)
<b>Discontinued operations – Note A</b> (Loss)/Profit after tax from discontinued operations	(554)	1,793	NM
	5,395	16,886	(68)
Other comprehensive income: Currency translation differences arising from consolidation of foreign operations	(16,726)	12,212	NM
<b>Total comprehensive (loss)/income</b>	(11,331)	29,098	NM
Attributable to:			
<b>Equity holders of the Company</b>	4,009	17,739	(77)
Non-controlling interests	1,386	(853)	NM
<b>Net profit</b>	5,395	16,886	(68)
Attributable to:			
<b>Equity holders of the Company</b>	(10,958)	28,524	NM
Non-controlling interests	(373)	574	NM
<b>Total comprehensive (loss)/income</b>	(11,331)	29,098	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		
	First Quarter ended 30/09/12 \$'000	First Quarter ended 30/09/11 \$'000	Increase/ (Decrease) %
<b>Continuing operations</b>			
Interest income <sup>1,2</sup>	384	421	(9)
Gain on disposal of interests in subsidiary <sup>1</sup>	19	15,902	(100)
Gain on disposal of investment properties <sup>1</sup>	18,308	-	NM
Foreign exchange gain <sup>1</sup>	888	2,032	(56)
Allowance for doubtful trade receivables <sup>3</sup>	(5)	-	NM
Bad trade receivables written off <sup>3</sup>	(77)	(65)	18
Foreign exchange loss <sup>3</sup>	(2,956)	(316)	835
Rental expenses <sup>3</sup>	(2,925)	(2,994)	(2)
Share-based payments <sup>4</sup>	(7)	(128)	(95)
Amortisation of finance charge on non-current payables <sup>5</sup>	(159)	(1,315)	(88)
Over provision of income tax expense in prior financial periods	35	-	NM

NM – Not meaningful

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

<sup>2</sup> included amortization of finance income on non-current receivable of \$222,000 (FY2012Q1: \$222,000)

<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	
	First Quarter ended 30/09/12 \$'000	First Quarter ended 30/09/11 \$'000
<b>Discontinued operations</b>		
Revenue	-	3,272
Other operating income	26	110
Expenses	(580)	(1,486)
(Loss)/profit before tax from discontinued operations	(554)	1,896
Income tax expense	-	(103)
Net (loss)/profit from discontinued operations	(554)	1,793

**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 STATEMENTS OF FINANCIAL POSITION	Group		Company	
	30/09/12 \$'000	Restated* 30/06/12 \$'000	30/09/12 \$'000	30/06/12 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	192,710	169,379	-	-
Investment properties	385,654	411,821	-	-
Investment in subsidiaries	-	-	300,902	301,152
Investment in associates	1,203	1,262	-	-
Available-for-sale financial assets	582	609	-	-
Intangible assets	131,108	131,609	168	172
Other receivables	-	21,888	-	-
	711,257	736,568	301,070	301,324
<b>Current assets</b>				
Inventories	92	128	-	-
Trade and other receivables	240,383	135,239	273,268	274,391
Cash and cash equivalents	60,059	42,143	2,261	111
	300,534	177,510	275,529	274,502
Assets classified as held for sale	41,072	255,847	-	-
	341,606	433,357	275,529	274,502
Less:				
<b>Current liabilities</b>				
Trade and other payables	140,093	289,508	76,293	67,934
Course and education service deferred income	50,713	15,405	-	-
Income tax payable	76,385	79,687	131	1,543
Borrowings	159,196	167,960	133,000	140,000
	426,387	552,560	209,424	209,477
<b>Net current (liabilities)/assets</b>	(84,781)	(119,203)	66,105	65,025
Less:				
<b>Non-current liabilities</b>				
Trade and other payables	46,583	24,613	-	-
Borrowings	46,550	47,450	-	-
Deferred tax liabilities	7,505	7,853	-	-
	100,638	79,916	-	-
<b>Net assets</b>	525,838	537,449	367,175	366,349
<b>Capital and reserves</b>				
Share capital	458,079	458,079	458,079	458,079
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	49,638	60,572	(69,521)	(70,347)
Equity attributable to equity holders of the Company	486,334	497,268	367,175	366,349
Non-controlling interests	39,504	40,181	-	-
	525,838	537,449	367,175	366,349

\* Refer to paragraph 5

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

<b>GROUP BORROWINGS AND DEBT SECURITIES</b>	<b>Group</b>	
	<b>30/09/12 \$'000</b>	<b>30/06/12 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured	3,600	3,600
Unsecured	155,596	164,360
	159,196	167,960
<b><u>Amount repayable after one year:</u></b>		
Secured	46,550	47,450
<b>Total borrowings</b>	<b>205,746</b>	<b>215,410</b>

**Details of collateral**

The bank borrowings were secured by letter of guarantee by the Group and certain properties in 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</b>	<b>First Quarter ended 30/09/12 \$'000</b>	<b>First Quarter ended 30/09/11 \$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax from continuing operations	8,185	16,150
(Loss)/profit before income tax from discontinued operations	(554)	1,896
	7,631	18,046
Adjustments for:		
Allowance for doubtful debts	5	-
Bad trade receivables written off	77	65
Depreciation for property, plant and equipment	3,014	3,227
Amortisation of intangible assets	648	551
Gain on sale of investment properties	(18,308)	-
Gain on sale of interest of a subsidiary#	(19)	(15,902)
Interest expense	2,066	2,494
Interest income	(384)	(520)
Net loss/(gain) on disposal of property, plant and equipment	67	(11)
Property, plant and equipment written off	7	1
Share of results of associates	(68)	(86)
Share-based payments	7	128
Operating (loss)/profit before working capital changes	(5,257)	7,993
Working capital changes:		
Trade and other receivables	(3,181)	(13,540)
Inventories	36	(8)
Course and education service deferred income	35,308	36,630
Trade and other payables	3,396	6,815
Cash generated in operations	30,302	37,890
Interest paid	(1,907)	(1,179)
Interest received	162	298
Income and withholding tax paid	(2,113)	(848)
Net cash from operating activities	26,444	36,161
<b>Cash flows from investing activities</b>		
Proceeds from sale of plant and equipment	426	13
Proceeds from sale of investment properties	4,912	-
Cash received/(disposed) from sale of interest in subsidiary	776	(357)
Advance payment for development cost of new projects	(47)	(759)
Purchases of property, plant and equipment	(6,555)	(3,356)
Investment in available-for-sale financial asset	-	(206)
Investment in subsidiary by non-controlling interests	-	2,025
Additions of development costs	(58)	(356)
Additions of computer software	(83)	(134)
Additions of trademarks	-	(10)
Dividends received from associate	127	81
Net cash used in investing activities	(502)	(3,059)

\* Refer to paragraph 5

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 (cont'd)</b>	<b>First Quarter ended 30/09/12 \$'000</b>	<b>First Quarter ended 30/09/11 \$'000</b>
<b>Cash flows from financing activities</b>		
Draw down of borrowings	-	4,000
Repayment of borrowings	(8,583)	(10,500)
Net cash used in financing activities	(8,583)	(6,500)
Net change in cash and cash equivalents	17,359	26,602
Cash and cash equivalents at beginning of financial period	42,143	64,768
Effect of exchange rate changes on cash and cash equivalents	557	(700)
<b>Cash and cash equivalents at end of financial period</b>	<b>60,059</b>	<b>90,670</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 subsidiary</b>	<b>30/09/12 \$'000</b>	<b>30/09/11 \$'000</b>
Non-current assets	59	26,745
Current assets	1,581	4,780
Current liabilities	(596)	(500)
Non-controlling interests	(304)	-
Reserves	17	1,234
Net assets disposed	757	32,259
Gain on sale of interest	19	15,902
Total sale proceeds	776	48,161
Cash received	776	575
Cash disposed in the sale of interests	-	(932)
<b>Net cash proceeds from disposal of subsidiary</b>	<b>776</b>	<b>(357)</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 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	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>2013</b>									
<b>Balance at 1 July 2012</b>	458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
Effect of adopting the Amendments to FRS 12*	-	-	-	-	-	(3,141)	(3,141)	(737)	(3,878)
<b>Restated balance</b>	458,079	(21,383)	1,255	(12,759)	2,446	69,630	497,268	40,181	537,449
Total comprehensive income	-	-	-	(14,967)	-	4,009	(10,958)	(373)	(11,331)
Share-based payments	-	-	-	-	7	-	7	-	7
Sale of interests in subsidiary	-	-	-	17	-	-	17	(304)	(287)
<b>Balance at 30 September 2012</b>	458,079	(21,383)	1,255	(27,709)	2,453	73,639	486,334	39,504	525,838
<b>2012</b>									
<b>Balance at 1 July 2011</b>	458,079	(21,383)	-	(30,332)	2,089	153,441	561,894	44,855	606,749
Effect of adopting the Amendments to FRS 12*	-	-	-	-	-	(10,494)	(10,494)	(2,462)	(12,956)
<b>Restated balance</b>	458,079	(21,383)	-	(30,332)	2,089	142,947	551,400	42,393	593,793
Total comprehensive income	-	-	-	10,785	-	17,739	28,524	574	29,098
Share-based payments	-	-	-	-	128	-	128	-	128
Investment in subsidiary	-	-	-	-	-	-	-	2,025	2,025
Sale of interests in subsidiary	-	-	-	1,234	-	-	1,234	-	1,234
<b>Balance at 30 September 2011</b>	458,079	(21,383)	-	(18,313)	2,217	160,686	581,286	44,992	626,278

\* Refer to paragraph 5

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>				
<b>Balance at 1 July 2012</b>	458,079	(21,383)	2,446	(72,793)	366,349
Total comprehensive income	-	-	-	819	819
Share-based payments	-	-	7	-	7
<b>Balance at 30 September 2012</b>	458,079	(21,383)	2,453	(71,974)	367,175
<b>2012</b>					
<b>Balance at 1 July 2011</b>	458,079	(21,383)	2,089	(21,467)	417,318
Total comprehensive income	-	-	-	25,871	25,871
Share-based payments	-	-	128	-	128
<b>Balance at 30 September 2011</b>	458,079	(21,383)	2,217	4,404	443,317

- 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 September 2012, no ordinary shares were issued in respect of the conversion of share options.

As at 30 September 2012, the company has 874,401,361 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

On 27 August 2012, the Company announced a renounceable non-underwritten rights issue at an issue price of \$0.14 for each rights share, on the basis of one rights share for every five ordinary shares in the capital of the Company. On 23 October 2012, pursuant to the rights issue, the Company issued and allotted 170,893,872 new ordinary shares resulting in the number of issued and paid up shares of the Company increasing from 854,469,361 (excluding treasury shares) to 1,025,363,233 Shares (excluding treasury shares).

#### **SHARE OPTIONS**

As at 30 September 2012, there was unexercised share option for 3,997,233 unissued ordinary shares (30 September 2011: 4,720,873) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 30 September 2012, there were 19,932,000 treasury shares (30 June 2012: 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 854,469,361 (excluding treasury shares) as at both 30 September 2012 and 30 June 2012.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 September 2012.

- 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 2012.

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 2012. Except as stated in Note 5 below, 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**

On 1 July 2012, the Group adopted the Amendments to FRS 12 – *Deferred Taxes: Recovery of Underlying Assets* that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provision in the FRS.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 *Investment Property*, including investment property acquired in business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the amendments have introduced a rebuttable presumption that carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group previously provided for deferred tax liabilities for its investment properties in OUC on the basis that the carrying amount of the investment properties will be recovered through use. The Group has determined that deferred tax liabilities for certain investment properties which is held under the business model of education facilities, leasing to universities or colleges and commercial leasing for supporting such education facilities will continue to be recovered through use. Upon adoption of the Amendments to FRS 12, except for above mentioned investment properties, there is presumption that the carrying amount of the other investment property measured at fair value will be recovered entirely through sale.

The change in accounting policy has been applied retrospectively and comparatives have been restated accordingly. However, there is no impact on the result for the first quarter ended 30 September 2011.

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 (Cont'd)

(Group)	Financial year 2012 (as restated) \$'000	Financial year 2012 (as previously reported) \$'000
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		
Income tax	(52,431)	(61,508)
Attributable to:		
Equity holder of the company	(69,404)	(76,756)
Non-controlling interests	(6,337)	(8,062)
<b>Net profit</b>	<b>(75,741)</b>	<b>(84,818)</b>
Attributable to:		
Equity holder of the company	(51,934)	(59,286)
Non-controlling interests	(3,711)	(5,436)
<b>Total comprehensive income</b>	<b>(55,645)</b>	<b>(64,722)</b>

(Group)	30/06/12 (as restated) \$'000	30/06/12 (as previously reported) \$'000
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		
Deferred tax liabilities	7,853	3,975
<b>Non-current liabilities</b>	<b>79,916</b>	<b>76,038</b>
<b>Net assets</b>	<b>537,449</b>	<b>541,327</b>
Reserves	60,572	63,713
Non-controlling interests	40,181	40,918
<b>Capital and reserves</b>	<b>537,449</b>	<b>541,327</b>

(Group)	30/06/11 (as restated) \$'000	30/06/11 (as previously reported) \$'000
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		
Deferred tax liabilities	33,714	20,758
<b>Non-current liabilities</b>	<b>285,566</b>	<b>272,610</b>
<b>Net assets</b>	<b>593,793</b>	<b>606,749</b>
Reserves	114,704	125,198
Non-controlling interests	42,393	44,855
<b>Capital and reserves</b>	<b>593,793</b>	<b>606,749</b>

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

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/- %
	First Quarter ended 30/09/12#	Restated# First Quarter ended 30/09/11	
i) Based on the weighted average number of shares (in cents)	0.42	1.85	(77)
- Weighted average number of shares	958,287,388	958,287,388	
ii) On a fully diluted basis (in cents)	0.42	1.85	(77)
- Adjusted weighted average number of shares	958,287,388	958,287,388	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	First Quarter ended 30/09/12#	Restated# First Quarter ended 30/09/11	
i) Based on the weighted average number of shares (in cents)	0.48	1.66	(71)
- Weighted average number of shares	958,287,388	958,287,388	
ii) On a fully diluted basis (in cents)	0.48	1.66	(71)
- Adjusted weighted average number of shares	958,287,388	958,287,388	

# On 23 October 2012, the Company issued and allotted 170,893,872 new ordinary shares in capital of the Company pursuant to a renounceable and non-underwritten right issue on the basis of one right share for every five existing ordinary shares in the capital of the Company. The right shares were offered at \$0.14 per share and represented a discount to the fair value of existing shares. The number of shares used for current and prior period calculation of earnings per share was adjusted for the discounted rights issue. An adjustment factor of 1.1215 was applied based on the Company's share price of \$0.400 per share on 24 September 2012, and the theoretical ex-right price at that date of \$0.357 per share.

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			Company		
	30/09/12	Restated* 30/06/12	Change +/- %	30/09/12	Restated* 30/06/12	Change +/- %
NAV per ordinary share	56.92	58.20	(2.2)	42.97	42.87	0.2

\* Refer to paragraph 5

The Net Asset Value per share computation is based on number of shares as at 30 September 2012, as the rights issue was completed after 30 September 2012.

**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 (Cont'd)**

If an adjustment factor of 1.1215 (refer to paragraph 6 note #) was applied in relation to the rights shares allotted on 23 October, the NAV per share will be as follows:

NET ASSET VALUE (NAV)	Group		Change +/(-) %	Company		Change +/(-) %
	30/09/12	Restated* 30/06/12		30/09/12	Restated* 30/06/12	
NAV per ordinary share	50.75	51.89	(2.2)	38.32	38.23	0.2

**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 COMPREHENSIVE INCOME**

1. Group revenue increased from \$32.7 million for FY2012 Q1 to \$32.8 million for FY2013 Q1 taking into account the following:
  - a) Increase in Asia Pacific (Ex-People's Republic of China "PRC") revenue by \$1.5 million from \$13.2 million in FY2012 Q1 to \$14.7 million in FY2013 Q1;
  - b) Decrease in PRC revenue by \$1.3 million from \$19.4 million in FY2012 Q1 to \$18.1 million in FY2013 Q1 as a result of:
    - i) Lower enrolments in PRC's Private Education System ("PES") institutions due to:
      - a. the continuing decline in university-going students as a result of demographic changes because of the one-child policy;
      - b. increase in the overall acceptance rate into National Education System ("NES") universities and institutions; and
      - c. increasing number of students choosing to pursue higher education overseas.
    - ii) Absence of contribution by Raffles Wuhan, Raffles Ningbo and Raffles Yunan as the group has disposed all the interests in these investments respectively. These three colleges contributed \$0.2 million in FY2012 Q1 and \$nil in FY2013 Q1.
  - c) The revenue from the colleges in Vietnam has been excluded in both the comparative and current year amounting to \$nil (FY2012: \$3.3 million). The loss from discontinued operations has been reflected in paragraph 8 item 6.
2. Other operating income of \$19.9 million in FY2013 Q1 mainly contributed from gain on disposal of investment properties in OUC amounting to \$18.3 million as disclosed on 19 July 2012.

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 COMPREHENSIVE INCOME  
(CONT'D)**

3. Increase in other operating expenses from \$15.7 million for FY2012 Q1 to \$25.0 million for FY 2013 Q1 is mainly due to the following:
- a) Provision for compensation to tenants and provision for estimated cost of demolition work relating to the sale of investment properties in OUC amounting to \$6.9 million as per paragraph 8 item 2 above.
  - b) An unrealised foreign exchange loss of \$3.0 million in current period. This unrealised foreign exchange loss was a result of more volatile foreign exchange rates movement between Singapore Dollars and Renminbi and United States Dollar and India Rupee.
4. Decrease in finance costs from \$2.5 million for FY2012 Q1 to \$2.1 million for FY2013 Q1 was due to the absence of amortization of finance charge for non-current purchase consideration in OUC.
5. Income tax expense increase from \$1.1 million to \$2.2 million mainly resulting from the estimated tax expense on the gain on disposal of the 118 mu land and properties in OUC.
6. Loss from discontinued operations pertains to the results of subsidiaries in Vietnam ("Raffles Vietnam"). As disclosed in the Group's announcement on 16 March 2012, the Group has suspended operations in Vietnam since December 2011.
7. The Group suffered a loss of \$16.7 million in currency translation losses arising from consolidation of foreign operations mainly due to the appreciation of Singapore Dollar against Renminbi and Australia Dollar from last reporting date 30 June 2012 as the presentation currency of the Group is in Singapore dollar.
8. Non-controlling interests represent mainly the non-controlling shareholders' share of profits in OUC.

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

9. Property, plant and equipment increased from \$169.4 million in FY2012 ("ended 30 June 2012") to \$192.7 million in FY2013 Q1 ("ended 30 September 2012") due to additions of \$32.2 million of which the purchase of land in Iskandar for Raffles American School amounting to \$28.6 million.

The increase was partially offset by depreciation charge of \$3.0 million, foreign currency translation loss of \$5.3 million and disposal of property, plant and equipment of \$0.6 million.

10. The decrease of investment properties from \$411.8 million in FY2012 to \$385.7 million in FY2013 Q1 was mainly due to:-
- a) Sale of 118 mu land and properties of \$13.1 million by OUC as per paragraph 8 item 2 above;
  - b) Foreign currency translation loss of \$13.9 million mainly due to investment properties in OUC.

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)**

11. Non-current other receivable of \$21.9 million in FY12 relates to receivable on sale of 50% equity interest in Value Vantage Pte. Ltd ("VVPL") which has been reclassified to current other receivable in FY2013 Q1 as per paragraph 12 item 12 a) below.
12. Current trade and other receivables increased from \$135.2 million in FY2012 to \$240.4 million in FY2013 Q1 mainly due to:
- a) non-current other receivable of \$21.9 million in FY12 has been reclassified to current other receivables as per paragraph 11 above;
  - b) \$52.8 million of receivable from Langfang International Golf Club Co., Ltd for the disposal of 670 mu land and properties in OUC;
  - c) \$29.9 million of receivable from Langfang Tian Ying Trading & Commercial Co., Ltd for the disposal of 118 mu land and properties in OUC.
13. Assets classified as held for sale of \$41.1 million in FY2013 Q1 relates only to sale of remaining 50% equity interests in VVPL. The sale is expected to be completed in FY13.
- Assets classified as held for sale in FY2012 consists of the sale of 670 mu land and properties in OUC and sale of remaining 50% equity interest in VVPL. The sale of 670 mu land and properties was completed in FY2013 Q1.
14. Current trade and other payables decreased from \$289.5 million in FY2012 to \$140.1 million in FY2013 Q1 mainly due to:
- a) \$130.9 million for the outstanding balance of purchase consideration payable for OUC has been novated to Langfang International Golf Club Co., Ltd as part payment for sale of 670 mu land and properties in OUC in FY2013 Q1.
  - b) \$24.6 million of deposit received from Langfang International Golf Club Co., Ltd in FY2012 for the disposal of 670 mu land and properties in OUC has been recognized as sales proceeds.
15. Course and education service deferred income increased from \$15.4 million in FY2012 to \$50.7 million in FY2013 Q1 mainly due to annual fee collections from students in NES (National Education System) segment and annual education service fees from colleges in OUC. These deferred income will be recognized as revenue over the next 3 financial quarters in FY2013.
16. Current borrowings decreased from \$168.0 million in FY2012 to \$159.2 million in FY2013 Q1 was mainly due to repayment of \$8.6 million during the period.
17. Non-current trade and other payables increased from \$24.6 million in FY2012 to \$46.6 million in FY2013 Q1 mainly due to the addition of \$22.0 million payable for the land in Iskandar for the Raffles American School development.
18. Non-controlling interests as at 30 September 2012 represent mainly the non-controlling shareholders' equity interests in OUC.

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**

19. Net cash generated from operations amounted to \$26.4 million.
20. Major cash outflows were for the repayment to borrowings of \$8.6 million and purchase of property, plant and equipment of \$6.6 million.
21. Major contributor of cash inflows were the proceeds from sale of investment properties of \$4.9 million and proceeds from disposal of interest in subsidiary of \$0.8 million.
22. The Group's cash position is \$60.1 million at the end of FY2013 Q1 (FY2012 Q1: \$90.7 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 revenue declining and is expected to continue to be affected by the challenging operating conditions in PRC. However, the Group has been repositioning and implementing new strategies in PRC.

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

The performance this quarter included the gain on disposal of the 118 mu of investment properties in OUC amounting to S\$18.3 million. In the absence of this disposal gain, the Group's performance would be adversely affected. We do not expect further disposal of investment properties in this current financial year. Nevertheless, should opportunities arise, the Group will consider divesting its non-core assets to realize returns on investments.

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

**11. Dividend (Cont'd)**

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

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the three months ended 30 September 2012 to be false or misleading in any material aspect. A statement signed by two directors is on record.

**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**

Not applicable.

**15. A breakdown of sales**

Not applicable.

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

Not applicable.

**17. 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 did not obtain any general mandate from its shareholders for interested party transactions.

**BY ORDER OF THE BOARD**

**Chew Hua Seng  
Chairman  
9 November 2012**