

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First half ended 31/12/12 \$'000	First half ended 31/12/11 \$'000	Increase/ (Decrease) %
Revenue	65,894	65,220	1
Other operating income	21,654	31,410	(31)
Personnel expenses	(28,536)	(28,881)	(1)
Depreciation and amortisation expenses	(7,249)	(7,736)	(6)
Other operating expenses	(44,421)	(34,763)	28
Fair value gain on investment properties	13,570	-	NM
Finance costs	(3,915)	(5,393)	(27)
Share of results of associates	135	151	(11)
Profit before income tax	17,132	20,008	(14)
Income tax expense	(4,395)	(2,558)	72
Profit after tax from continuing operations	12,737	17,450	(27)
Discontinued operations – Note A (Loss)/profit after tax from discontinued operations	(632)	3,431	NM
	12,105	20,881	(42)
Other comprehensive income:			
Currency translation differences arising from consolidation of foreign operations	(17,427)	23,153	NM
Total comprehensive income	(5,322)	44,034	NM
Attributable to:			
Equity holders of the Company	8,879	21,242	(58)
Non-controlling interests	3,226	(361)	NM
Net profit	12,105	20,881	(42)
Attributable to:			
Equity holders of the Company	(6,770)	41,603	NM
Non-controlling interests	1,448	2,431	(40)
Total comprehensive income	(5,322)	44,034	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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First half ended 31/12/12 \$'000	First half ended 31/12/11 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ^{1,2}	871	923	(6)
Gain on disposal of investment properties ¹	18,308	413	4333
Gain on disposal of available-for-sale financial assets ¹	-	9,022	NM
Gain on disposal of interests in subsidiary ¹	19	15,902	(100)
Foreign exchange gain ¹	1,167	3,845	(70)
Foreign exchange loss ³	(3,481)	(888)	(292)
(Allowance)/write back for doubtful trade receivables ³	(2)	4	NM
Bad trade receivables written off ³	(121)	(146)	(17)
Rental expenses ³	(5,929)	(6,111)	(3)
Share-based payments ⁴	(7)	(279)	(97)
Amortisation of finance charge on non-current payables ⁵	(452)	(2,704)	(83)
Over/(under) provision of income tax expense in prior periods	24	(142)	NM

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of \$456,000 (1HFY2012: \$444,000)

³ included in other operating expenses

⁴ included in personnel expenses

⁵ included in finance cost

Note A :

	Group	
	First Half ended 31/12/12 \$'000	First Half ended 31/12/11 \$'000
Discontinued operations		
Revenue	-	6,778
Other operating income	59	144
Expenses	(691)	(3,211)
(Loss)/profit before tax from discontinued operations	(632)	3,711
Income tax expense	-	(280)
Net (loss)/profit from discontinued operations	(632)	3,431

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)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	Second Quarter ended 31/12/12 \$'000	Second Quarter ended 31/12/11 \$'000	Increase/ (Decrease) %
Revenue	33,116	32,570	2
Other operating income	1,722	12,703	(86)
Personnel expenses	(14,668)	(15,524)	(6)
Depreciation and amortisation expenses	(3,590)	(4,016)	(11)
Other operating expenses	(19,421)	(19,041)	2
Fair value gain on investment properties	13,570	-	NM
Finance costs	(1,849)	(2,899)	(36)
Share of results of associates	67	65	3
Profit before income tax	8,947	3,858	132
Income tax expense	(2,159)	(1,501)	44
Profit after tax from continuing operations	6,788	2,357	188
Discontinued operations – Note B (Loss)/profit after tax from discontinued operations	(78)	1,638	NM
	6,710	3,995	68
Other comprehensive income:			
Currency translation differences arising from consolidation of foreign operations	(701)	10,941	NM
Total comprehensive income	6,009	14,936	(60)
Attributable to:			
Equity holders of the Company	4,870	3,503	39
Non-controlling interests	1,840	492	274
Net profit	6,710	3,995	68
Attributable to:			
Equity holders of the Company	4,188	13,079	(68)
Non-controlling interests	1,821	1,857	NM
Total comprehensive income	6,009	14,936	(60)

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		
	Second Quarter ended 31/12/12 \$'000	Second Quarter ended 31/12/11 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ^{1,2}	487	502	(3)
Gain on disposal of investment properties ¹	-	413	NM
Gain on disposal of available-for-sale financial assets ¹	-	9,022	NM
Foreign exchange gain ¹	279	1,813	(85)
Foreign exchange loss ³	(525)	(572)	(8)
Write back for doubtful trade receivables ³	3	4	(25)
Bad trade receivables written off ³	(44)	(81)	(46)
Rental expenses ³	(3,004)	(3,117)	(4)
Share-based payments ⁴	-	(151)	NM
Amortisation of finance charge on non-current payables ⁵	(293)	(1,389)	(79)
Under provision of income tax expense in prior periods	(11)	(142)	(92)

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of \$234,000 (FY2012Q2: \$222,000)

³ included in other operating expenses

⁴ included in personnel expenses

⁵ included in finance cost

Note B:

Discontinued operations	Group	
	Second Quarter ended 31/12/12 \$'000	Second Quarter ended 31/12/11 \$'000
Revenue	-	3,506
Other operating income	33	34
Expenses	(111)	(1,725)
(Loss)/profit before tax from discontinued operations	(78)	1,815
Income tax expense	-	(177)
Net (loss)/profit from discontinued operations	(78)	1,638

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	
	31/12/12 \$'000	Restated* 30/06/12 \$'000	31/12/12 \$'000	30/06/12 \$'000
Non-current assets				
Property, plant and equipment	198,079	169,379	-	-
Investment properties	406,914	411,821	-	-
Investment in subsidiaries	-	-	304,969	301,152
Investment in associates	1,226	1,262	-	-
Available-for-sale financial assets	582	609	-	-
Intangible assets	130,556	131,609	164	172
Other receivables	-	21,888	-	-
	737,357	736,568	305,133	301,324
Current assets				
Inventories	104	128	-	-
Trade and other receivables	235,203	135,239	274,588	274,391
Cash and cash equivalents	58,474	42,143	7,951	111
	293,781	177,510	282,539	274,502
Assets classified as held for sale	41,072	255,847	-	-
	334,853	433,357	282,539	274,502
Less:				
Current liabilities				
Trade and other payables	145,615	289,508	63,933	67,934
Course and education service deferred income	36,998	15,405	-	-
Income tax payable	76,948	79,687	-	1,543
Borrowings	157,196	167,960	130,000	140,000
	416,757	552,560	193,933	209,477
Net current (liabilities)/assets	(81,904)	(119,203)	88,606	65,025
Less:				
Non-current liabilities				
Trade and other payables	46,595	24,613	-	-
Borrowings	45,800	47,450	-	-
Deferred tax liabilities	7,505	7,853	-	-
	99,900	79,916	-	-
Net assets	555,553	537,449	393,739	366,349
Capital and reserves				
Share capital	481,785	458,079	481,785	458,079
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	53,826	60,572	(66,663)	(70,347)
Equity attributable to equity holders of the Company	514,228	497,268	393,739	366,349
Non-controlling interests	41,325	40,181	-	-
	555,553	537,449	393,739	366,349

* Refer to paragraph 5

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

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	31/12/12 \$'000	30/06/12 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured	4,600	3,600
Unsecured	152,596	164,360
	157,196	167,960
<u>Amount repayable after one year:</u>		
Secured	45,800	47,450
Total borrowings	202,996	215,410

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**

UNAUDITED	Second Quarter ended 31/12/12 \$'000	Second Quarter ended 31/12/11 \$'000
CONSOLIDATED STATEMENT OF CASH FLOWS		
Cash flows from operating activities		
Profit before income tax from continuing operations	8,947	3,858
(Loss)/profit before income tax from discontinued operations	(78)	1,815
	8,869	5,673
Adjustments for:		
Write back for doubtful debts	(3)	(4)
Amortisation of intangible assets	648	551
Impairment of goodwill	-	5
Bad trade receivables written off	44	83
Depreciation for property, plant and equipment	2,942	3,525
Fair value gain on investment properties	(13,570)	-
Gain on disposal of investment properties	-	(413)
Gain on disposal of available-for-sale financial assets	-	(9,022)
Interest expense	1,849	2,899
Interest income	(487)	(523)
Net (gain)/loss on disposal of property, plant and equipment	(107)	18
Share of results of associates	(67)	(65)
Share-based payments	-	151
Operating profit before working capital changes	118	2,878
Working capital changes:		
Trade and other receivables	523	5,306
Inventories	(12)	(3)
Course and education service deferred income	(13,715)	(12,733)
Trade and other payables	(2,653)	9,514
Cash (use in)/generated from operations	(15,739)	4,962
Interest paid	(1,556)	(1,510)
Interest received	253	301
Income and withholding tax paid	(1,584)	(3,214)
Net cash (used in)/from operating activities	(18,626)	539
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	131	4
Proceeds from sale of investment properties	-	1,903
Proceeds from sale of available-for-sale financial assets	-	13,077
Advance payment for development cost of new projects	-	(616)
Purchase of property, plant and equipment	(4,124)	(6,069)
Dividend and redemption of available-for-sale financial asset	-	184
Payment of remaining purchase consideration for acquisition of subsidiaries	-	(16,219)
Addition of investment properties	(24)	-
Additions of development costs	(52)	(270)
Additions of computer software	(99)	(132)
Additions of trademarks	-	(5)
Acquisition of non-controlling interests	-	(16)
Dividends received from associate	44	65
Net cash used in investing activities	(4,124)	(8,094)

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 (cont'd)	Second Quarter ended 31/12/12 \$'000	Second Quarter ended 31/12/11 \$'000
Cash flows from financing activities		
Net proceeds from rights issue	23,706	-
Draw down of borrowings	1,150	-
Repayment of borrowings	(3,900)	(10,023)
Dividend paid on ordinary share	-	(3,845)
Net cash from/(used in) financing activities	20,956	(13,868)
Net change in cash and cash equivalents	(1,794)	(21,423)
Cash and cash equivalents at beginning of financial period	60,059	90,670
Net effect of exchange rate changes	209	(1,552)
Cash and cash equivalents at end of financial period	58,474	67,695

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			
						reserve	profits		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
FY2013									
Balance at 1 October 2012	458,079	(21,383)	1,255	(27,709)	2,453	73,639	486,334	39,504	525,838
Total comprehensive income	-	-	-	(682)	-	4,870	4,188	1,821	6,009
Issue of shares	23,706	-	-	-	-	-	23,706	-	23,706
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012	481,785	(21,383)	1,255	(28,391)	2,453	78,509	514,228	41,325	555,553
FY2012									
Balance at 1 October 2011 (restated*)	458,079	(21,383)	-	(18,313)	2,217	160,686	581,286	44,992	626,278
Total comprehensive income	-	-	-	9,576	-	3,503	13,079	1,857	14,936
Share-based payments	-	-	-	-	151	-	151	-	151
Dividends on ordinary shares	-	-	-	-	-	(3,845)	(3,845)	-	(3,845)
Acquisition of non-controlling interests	-	-	-	-	-	(2)	(2)	(14)	(16)
Balance at 31 December 2011	458,079	(21,383)	-	(8,737)	2,368	160,342	590,669	46,835	637,504

* Refer to paragraph 5

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated profits/(losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	FY2013				
Balance at 1 October 2012	458,079	(21,383)	2,453	(71,974)	367,175
Total comprehensive income	-	-	-	2,858	2,858
Issue of shares	23,706	-	-	-	23,706
Share-based payments	-	-	-	-	-
Repurchase of shares	-	-	-	-	-
Balance at 31 December 2012	481,785	(21,383)	2,453	(69,116)	393,739
FY2012					
Balance at 1 October 2011	458,079	(21,383)	2,217	4,404	443,317
Total comprehensive income	-	-	-	175	175
Share-based payments	-	-	151	-	151
Repurchase of shares	-	-	-	(3,845)	(3,845)
Balance at 31 December 2011	458,079	(21,383)	2,368	734	439,798

- 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

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).

During the financial period ended 31 December 2012, no ordinary shares were issued in respect of the conversion of share options.

As at 31 December 2012, the company has 1,045,295,233 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

SHARE OPTIONS

As at 31 December 2012, there was unexercised share option for 3,843,907 unissued ordinary shares (31 December 2011: 4,557,878) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 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 1,025,363,233 (excluding treasury shares) as at 31 December 2012 (30 June 2012: 854,469,361)

- 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 December 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 and second quarter ended 30 September 2011 and 31 December 2011 respectively.

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
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Income tax	(52,431)	(61,508)
Attributable to:		
Equity holder of the company	(69,404)	(76,756)
Non-controlling interests	(6,337)	(8,062)
Net loss	(75,741)	(84,818)
Attributable to:		
Equity holder of the company	(51,934)	(59,286)
Non-controlling interests	(3,711)	(5,436)
Total comprehensive income	(55,645)	(64,722)

(Group)	30/06/12 (as restated) \$'000	30/06/12 (as previously reported) \$'000
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Deferred tax liabilities	7,854	3,975
Non-current liabilities	79,917	76,038
Net assets	537,448	541,327
Reserves	60,571	63,713
Non-controlling interests	40,181	40,918
Capital and reserves	537,448	541,327

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

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 +/- %
	Second Quarter ended 31/12/12#	Restated# Second Quarter ended 31/12/11	
i) Based on the weighted average number of shares (in cents)	0.48	0.37	30
- Weighted average number of shares	1,009,323,357	958,287,388	
ii) On a fully diluted basis (in cents)	0.48	0.37	30
- Adjusted weighted average number of shares	1,009,323,357	958,287,306	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	Second Quarter ended 31/12/12#	Restated# Second Quarter ended 31/12/11	
i) Based on the weighted average number of shares (in cents)	0.49	0.19	158
- Weighted average number of shares	1,009,323,357	958,287,388	
ii) On a fully diluted basis (in cents)	0.49	0.19	158
- Adjusted weighted average number of shares	1,009,323,357	958,287,306	

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 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)

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	31/12/12	Restated* 30/06/12		31/12/12	Restated* 30/06/12	
NAV per ordinary share	50.15	58.20	(13.8)	38.40	42.87	(10.4)

* Refer to paragraph 5

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 COMPREHENSIVE INCOME

Quarter ended 31 December 2012

1. Group revenue increased from \$32.6 million for FY2012 Q2 to \$33.1 million for FY2013 Q2 taking into account the following:
 - a) Increase in Asia Pacific (Ex-People's Republic of China "PRC") revenue by \$1.4 million from \$13.2 million in FY2012 Q2 to \$14.6 million in FY2013 Q2;
 - b) Increase in OUC revenue by \$0.5 million from \$5.9 million to \$6.4 million.
 - c) Decrease in PRC college revenue by \$0.9 million from \$19.4 million in FY2012 Q2 to \$18.5 million in FY2013 Q2.
 - d) The revenue from the colleges in Vietnam has been excluded in both the comparative and current year amounting to \$nil (FY2012: \$3.5 million). The loss from discontinued operations has been reflected in paragraph 8 item 7.
2. The decrease in other operating income from \$12.7 million for FY2012 Q2 to \$1.7 million for FY2013 Q2 was mainly due to an absence of a \$9.0 million disposal gain pertaining to an available-for-sale financial assets in an unquoted equity interests in OUC recorded in FY2012 Q2.
3. Other operating expenses increase from \$19.0 million for FY2012 Q2 to \$19.4 million for FY 2013 Q2.
4. Fair value gain of \$13.6 million in FY2013 Q2 pertains to certain 47.9 mu education use land in OUC that the Langfang City Government, PRC has confirmed in December 2012, that OUC has been given the rights to convert to commercial and residential use.
5. Decrease in finance costs from \$2.9 million for FY2012 Q2 to \$1.8 million for FY2013 Q2 was due to the absence of amortization of finance charge for non-current purchase consideration in OUC.
6. Income tax expense provision increase from \$1.5 million to \$2.2 million.
7. 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.
8. Non-controlling interests represent mainly the non-controlling shareholders' share of profits 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

9. Property, plant and equipment increased from \$169.4 million in FY2012 ("ended 30 June 2012") to \$198.1 million in FY2013 Q2 ("ended 31 December 2012") due to additions of \$41.3 million.

The increase was partially offset by depreciation charge of \$6.0 million, foreign currency translation loss of \$6.1 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 \$406.9 million in FY2013 Q2 was mainly due to:

- a) Sale of 118 mu land and properties of \$13.1 million by OUC;
- b) Foreign currency translation loss of \$14.1 million mainly due to investment properties in OUC;

However, the decreases were offset by an addition of \$8.7 million in investment properties by Raffles Assets (Singapore) Pte Ltd and a revaluation gain of \$13.6 million for 47.9 mu land by OUC based on management's valuation with reference to previous transactions as per paragraph 8 item 4.

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 Q2 as per paragraph 8 item 12 a) below.

12. Current trade and other receivables increased from \$135.2 million in FY2012 to \$235.2 million in FY2013 Q2 mainly due to:

- a) non-current other receivable of \$21.9 million in FY12 has been reclassified to current other receivables as per paragraph 10 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.

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)

14. Current trade and other payables decreased from \$289.5 million in FY2012 to \$145.6 million in FY2013 Q2 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.
 - c) However, the decreases are offset by increase of \$2.9 million due to recent land purchase by Raffles American School and \$8.0 million due to creditors related to renovation done at Merchant Square.
15. Course and education service deferred income increased from \$15.4 million in FY2012 to \$37.0 million in FY2013 Q2 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 2 financial quarters in FY2013.
16. Current borrowings decreased from \$168.0 million in FY2012 to \$157.2 million in FY2013 Q2 was mainly due to repayment of \$12.5 million during the period and offset by an additional borrowing of \$1.0 million.
17. Non-current trade and other payables increased from \$24.6 million in FY2012 to \$46.6 million in FY2013 Q2 mainly due to the addition of \$22.0 million payable for the land in Iskandar, Malaysia for the Raffles American School development.
18. Non-controlling interests as at 31 December 2012 represent mainly the non-controlling shareholders' equity interests in OUC.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

19. Net cash outflow from operations amounted to \$18.6 million.
20. Other major cash outflows were for the repayment to borrowings of \$3.9 million and payment of property, plant and equipment of \$4.1 million.
21. Major contributor of cash inflows was the net proceeds from rights issue of \$23.7 million.
22. The Group's cash position is \$58.5 million at the end of FY2013 Q2 (FY2012 Q1: \$67.7 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 college revenue declining and is expected to continue to be affected by the challenging operating conditions in PRC. The Group has also seen an increase in OUC revenue this quarter. The Group will continue repositioning its business and implementation of its new strategies in PRC.

The Group is seeing positive outcomes from its expansion in the Ex-PRC region.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

13. 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.

14. Negative assurance confirmation 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 December 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)

- 15. 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.

- 16. A breakdown of sales**

Not applicable.

- 17. 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
7 February 2013