

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First Quarter ended 30/09/13 \$'000	First Quarter ended 30/09/12 \$'000	Increase/ (Decrease) %
Revenue	31,790	32,778	(3)
Other operating income	1,674	19,932	(92)
Personnel expenses	(13,965)	(13,868)	1
Depreciation and amortisation expenses	(4,196)	(3,659)	15
Other operating expenses	(14,857)	(25,000)	(41)
Finance costs	(2,744)	(2,066)	33
Share of results of associates	33	68	(51)
(Loss)/profit before income tax	(2,265)	8,185	NM
Income tax expense	(462)	(2,236)	(79)
(Loss)/profit after tax from continuing operations	(2,727)	5,949	NM
Discontinued operations – Note A			
Loss after tax from discontinued operations	(198)	(554)	(64)
	(2,925)	5,395	NM
Other comprehensive income:			
Revaluation gain on transferring owner occupied property to investment property	4,853	-	NM
Currency translation differences arising from consolidation of foreign operations	(5,761)	(16,726)	(66)
Total comprehensive loss	(3,833)	(11,331)	(66)
Attributable to:			
Equity holders of the Company	(2,566)	4,009	NM
Non-controlling interests	(359)	1,386	NM
Net (loss)/profit	(2,925)	5,395	NM
Attributable to:			
Equity holders of the Company	(3,853)	(10,958)	(65)
Non-controlling interests	20	(373)	NM
Total comprehensive loss	(3,833)	(11,331)	(66)

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 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First Quarter ended 30/09/13 \$'000	First Quarter ended 30/09/12 \$'000	Increase/ (Decrease) %
Continuing operations			
Interest income ^{1,2}	306	384	(20)
Gain on disposal of interests in subsidiary ¹	-	19	NM
Gain on disposal of investment properties ¹	-	18,308	NM
Foreign exchange gain ¹	839	888	(6)
Allowance for doubtful trade receivables ³	(59)	(5)	1080
Bad trade receivables written off ³	(18)	(77)	(77)
Foreign exchange loss ³	(1,661)	(2,956)	(44)
Rental expenses ³	(2,676)	(2,925)	(9)
Share-based payments ⁴	-	(7)	NM
Amortisation of finance charge on non-current payables ⁵	(143)	(159)	(10)
Over provision of income tax expense in prior financial periods	-	35	NM

NM – Not meaningful

¹ included in other operating income

² included amortization of finance income on non-current receivable of nil (FY2013Q1: \$222,000)

³ included in other operating expenses

⁴ included in personnel expenses

⁵ included in finance cost

Note A :

	Group	
	First Quarter ended 30/09/13 \$'000	First Quarter ended 30/09/12 \$'000
Discontinued operations		
Revenue	-	-
Other operating income	6	26
Expenses	(204)	(580)
Loss before tax from discontinued operations	(198)	(554)
Income tax expense	-	-
Net loss from discontinued operations	(198)	(554)

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	
	30/09/13 \$'000	30/06/13 \$'000	30/09/13 \$'000	30/06/13 \$'000
Non-current assets				
Property, plant and equipment	303,617	304,417	-	-
Investment properties	369,395	368,006	-	-
Investment in subsidiaries	-	-	300,031	300,031
Investment in associates	1,336	1,304	-	-
Available-for-sale financial assets	609	616	-	-
Intangible assets	128,590	129,037	142	157
Deferred tax assets	853	857	-	-
	804,400	804,237	300,173	300,188
Current assets				
Inventories	116	109	-	-
Trade and other receivables	131,943	151,741	289,833	286,606
Cash and cash equivalents	101,367	70,895	6,976	8,277
	233,426	222,745	296,809	294,883
Assets classified as held for sale	41,088	41,101	-	-
	274,514	263,846	296,809	294,883
Less:				
Current liabilities				
Trade and other payables	110,630	103,705	65,925	62,173
Course and education service deferred income	50,683	16,690	-	-
Income tax payable	50,011	50,486	421	421
Borrowings	22,800	47,736	18,000	19,000
	234,124	218,617	84,346	81,594
Net current assets	40,390	45,229	212,463	213,289
Less:				
Non-current liabilities				
Trade and other payables	46,083	46,363	-	-
Borrowings	178,191	178,517	128,096	127,962
Deferred tax liabilities	21,052	21,289	-	-
	245,326	246,169	128,096	127,962
Net assets	599,464	603,297	384,540	385,515
Capital and reserves				
Share capital	481,785	481,785	481,785	481,785
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Accumulated profits/(losses) and other reserves	90,163	94,016	(75,862)	(74,887)
Equity attributable to equity holders of the Company	550,565	554,418	384,540	385,515
Non-controlling interests	48,899	48,879	-	-
	599,464	603,297	384,540	385,515

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	30/09/13 \$'000	30/06/13 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured	4,800	4,800
Unsecured	18,000	42,936
	22,800	47,736
<u>Amount repayable after one year:</u>		
Secured	50,095	50,555
Unsecured	128,096	127,962
	178,191	178,517
Total borrowings	200,991	226,253

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	First Quarter ended 30/09/13 \$'000	First Quarter ended 30/09/12 \$'000
Cash flows from operating activities		
(Loss)/profit before income tax from continuing operations	(2,265)	8,185
(Loss)/profit before income tax from discontinued operations	(198)	(554)
	(2,463)	7,631
Adjustments for:		
Allowance for doubtful debts	59	5
Amortisation of intangible assets	531	648
Bad trade receivables written off	18	77
Depreciation for property, plant and equipment	3,665	3,014
Gain on sale of investment properties	-	(18,308)
Gain on sale of interest of a subsidiary#	-	(19)
Interest expense	2,744	2,066
Interest income	(306)	(384)
Net loss on disposal of property, plant and equipment	248	67
Property, plant and equipment written off	-	7
Share of results of associates	(33)	(68)
Share-based payments	-	7
Operating profit/(loss) before working capital changes	4,463	(5,257)
Working capital changes:		
Trade and other receivables	(11,293)	(3,181)
Inventories	(7)	36
Course and education service deferred income	33,993	35,308
Trade and other payables	(3,636)	3,396
Cash generated from operations	23,520	30,302
Interest paid	(2,859)	(1,907)
Interest received	306	162
Income and withholding tax paid	(357)	(2,113)
Net cash from operating activities	20,610	26,444
Cash flows from investing activities		
Proceeds from sale of plant and equipment	85	426
Proceeds from sale of investment properties	28,045	4,912
Cash received from sale of interest in subsidiary	-	776
Advance payment for development cost of new projects	(805)	(47)
Purchases of property, plant and equipment	(2,424)	(6,555)
Additions of development costs	(165)	(58)
Additions of computer software	-	(83)
Deposits from disposal of investment properties	10,155	-
Dividends received from associate	-	127
Net cash from/(used in) investing activities	34,891	(502)

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)	First Quarter ended 30/09/13 \$'000	First Quarter ended 30/09/12 \$'000
Cash flows from financing activities		
Draw down of borrowings	2,740	-
Repayment of borrowings	(28,137)	(8,583)
Net cash used in financing activities	(25,397)	(8,583)
Net change in cash and cash equivalents	30,104	17,359
Cash and cash equivalents at beginning of financial period	70,895	42,143
Effect of exchange rate changes on cash and cash equivalents	368	557
Cash and cash equivalents at end of financial period	101,367	60,059

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

Sale of interests in subsidiary	30/09/13 \$'000	30/09/12 \$'000
Non-current assets	-	59
Current assets	-	1,581
Current liabilities	-	(596)
Non-controlling interests	-	(304)
Reserves	-	17
Net assets disposed	-	757
Gain on sale of interest	-	19
Total sale proceeds	-	776
Cash received	-	776
Cash disposed in the sale of interests	-	-
Net cash proceeds from disposal of subsidiary	-	776

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	Share-based	Accumulated profits	Total		
				translation reserve	payment reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2014									
Balance at 1 July 2013	481,785	(21,383)	1,255	(9,135)	2,453	99,443	554,418	48,879	603,297
Total comprehensive income	-	-	3,931	(5,218)	-	(2,566)	(3,853)	20	(3,833)
Balance at 30 September 2013	481,785	(21,383)	5,186	(14,353)	2,453	96,877	550,565	48,899	599,464
2013									
Balance at 1 July 2012	458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
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)
Balance at 30 September 2012	458,079	(21,383)	1,255	(27,709)	2,453	76,780	489,475	40,241	529,716

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2014				
Balance at 1 July 2013	481,785	(21,383)	2,453	(77,340)	385,515
Total comprehensive income	-	-	-	(975)	(975)
Balance at 30 September 2013	481,785	(21,383)	2,453	(78,315)	384,540
2013					
Balance at 1 July 2012	458,079	(21,383)	2,446	(72,793)	366,349
Total comprehensive income	-	-	-	819	819
Share-based payments	-	-	7	-	7
Balance at 30 September 2012	458,079	(21,383)	2,453	(71,974)	367,175

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

SHARE CAPITAL

During the financial period ended 30 September 2013, no ordinary shares were issued in respect of the conversion of share options.

As at 30 September 2013, the company has 1,045,295,233 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

SHARE OPTIONS

As at 30 September 2013, there was unexercised share option for 3,388,921 unissued ordinary shares (30 September 2012: 3,997,233) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 September 2013, there were 19,932,000 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 1,025,363,233 (excluding treasury shares) as at both 30 September 2013 and 30 June 2013.

- 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 2013.

- 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	Group		Change +/- %
	First Quarter ended 30/09/13	First Quarter ended 30/09/12	
i) Based on the weighted average number of shares (in cents)	-0.25	0.42	NM
- Weighted average number of shares	1,025,363,233	958,287,388	
ii) On a fully diluted basis (in cents)	-0.25	0.42	NM
- Adjusted weighted average number of shares	1,025,363,233	958,287,388	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	First Quarter ended 30/09/13	First Quarter ended 30/09/12	
i) Based on the weighted average number of shares (in cents)	-0.23	0.48	NM
- Weighted average number of shares	1,025,363,233	958,287,388	
ii) On a fully diluted basis (in cents)	-0.23	0.48	NM
- Adjusted weighted average number of shares	1,025,363,233	958,287,388	

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	30/09/13	30/06/13		30/09/13	30/06/13	
NAV per ordinary share (in cents)	53.69	54.07	(0.7)	37.50	37.60	(0.3)

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

1. Group revenue decreased from \$32.8 million for FY2013 Q1 to \$31.8 million for FY2014 Q1 mainly due to a decrease in PRC revenue.
2. The decrease in other operating income from \$19.9 million in FY2013 Q1 to \$1.7 million in FY2014 Q1 was mainly due to the absence of \$18.3 million gain on disposal of investment properties in Oriental University City ("OUC") which was included in FY2013 Q1.
3. Decrease in other operating expenses from \$25.0 million for FY2013 Q1 to \$14.9 million for FY 2014 Q1 is mainly due to the following:
 - a) absence of \$6.9 million provision for compensation to tenants and provision for estimated cost of demolition work relating to the sale of investment properties in OUC incurred in FY2013 Q1.
 - b) decrease in unrealised foreign exchange loss of \$1.3 million in current period.
4. Increase in finance costs from \$2.1 million for FY2013 Q1 to \$2.7 million for FY2014 Q1 was due to higher interest expense from bonds.
5. Loss from discontinued operations pertained to the results of subsidiaries in Vietnam ("Raffles Vietnam"). The Group has suspended operations in Vietnam since December 2011.
6. The Group recorded \$5.8 million in currency translation losses arising from consolidation of foreign operations.
7. Non-controlling interests represent mainly the non-controlling shareholders' share of profits in OUC.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION

8. Property, plant and equipment decreased from \$304.4 million in FY2013 ("ended 30 June 2013") to \$303.6 million in FY2014 Q1 ("ended 30 September 2013") due to:
 - a) depreciation charge of \$3.7 million;
 - b) foreign currency translation loss of \$2.9 million;
 - c) reclassification from PPE to investment properties of \$5.4 million in OUC and
 - d) disposal of property, plant and equipment of \$0.3 million.

The decrease was offset by :

- e) additions of \$3.1 million,
- f) \$3.5 million advance payment reclassified from prepayment, and
- g) revaluation gain on transferring owner occupied property to investment property of \$4.9 million relating to c) 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)

9. The increase of investment properties from \$368.0 million in FY2013 to \$369.4 million in FY2014 Q1 was mainly due to transfer from PPE to investment properties of \$5.4 million in OUC. The increase was offset by foreign currency translation loss of \$4.0 million mainly arising from investment properties in OUC.
10. Current trade and other receivables decreased from \$151.7 million in FY2013 to \$131.9 million in FY2014 Q1 mainly due to payment of \$28.0 million by Langfang International Golf Club Co., Ltd for the disposal of 670 mu land and properties in OUC;
- However the decrease was partially offset by the increase in trade receivable of \$11.4 million due to annual billing cycle for the National Education System ("NES") colleges and OUC.
11. Assets classified as held for sale of \$41.1 million in FY2014 Q1 mainly relates to sale of remaining 50% equity interests in Value Vantage Pte. Ltd ("VVPL").
12. Current trade and other payables increased from \$103.7 million in FY2013 to \$110.6 million in FY2014 Q1 mainly due to the deposit received from Langfang He Ying Property Development Co., Ltd for the disposal of 490 mu land and properties in OUC.
13. Course and education service deferred income increased from \$16.7 million in FY2013 to \$50.7 million in FY2014 Q1 mainly due to annual fee collections from students in NES 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 FY2014.
14. Current borrowings decreased from \$47.7 million in FY2013 to \$22.8 million in FY2014 Q1 was mainly due to repayment of \$28.1 million during the period.
15. Non-current trade and other payables mainly relates to amount payable for the purchase of 65 acres of land for Raffles University Iskandar and 45 acres of land for Raffles American School in Iskandar Economic Region, Johor, Malaysia.
16. Non-controlling interests as at 30 September 2013 represent mainly the non-controlling shareholders' equity interests in OUC.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

17. Net cash generated from operations amounted to \$20.6 million.
18. Major cash outflows were for :
- the repayment to borrowings of \$28.1 million and
 - purchase of property, plant and equipment of \$2.4 million mainly for the construction of buildings in Tianjin University of Commerce Boustead College, China and Educomp-Raffles Higher Education Limited, India

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)

19. Major contributor of cash inflows were :
- a. the proceeds from sale of 670mu investment properties of \$28.0 million,
 - b. deposit of \$10.2 million received in relation to the sale of 490mu land and properties in Langfang, and
 - c. drawdown of borrowings of \$2.7 million.
20. The Group's cash position is \$101.4 million at the end of FY2014 Q1 (FY2013 Q1: \$60.1 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 albeit at a slower rate and is expected to stabilize as the Group begins 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.

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

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 2013 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
7 November 2013**