

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED  
31 DECEMBER 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 HALF YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First half ended 31/12/13 \$'000	First half ended 31/12/12 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	63,415	65,894	(4)
Other operating income	13,891	21,654	(36)
Personnel expenses	(26,219)	(28,536)	(8)
Depreciation and amortisation expenses	(7,919)	(7,249)	9
Other operating expenses	(30,712)	(44,421)	(31)
Fair value gain on investment properties	-	13,570	NM
Finance costs	(5,849)	(3,915)	49
Share of results of associates	55	135	(59)
<b>Profit before income tax</b>	6,662	17,132	(61)
Income tax expense	(3,062)	(4,395)	(30)
Profit after tax from continuing operations	3,600	12,737	(72)
<b>Discontinued operations – Note A</b>			
Profit/(loss) after tax from discontinued operations	84	(632)	NM
	3,684	12,105	(70)
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	1,314	(17,427)	NM
<b>Total comprehensive income/(loss)</b>	9,851	(5,322)	NM
Attributable to:			
<b>Equity holders of the Company</b>	3,278	8,879	(63)
Non-controlling interests	406	3,226	(87)
<b>Net profit</b>	3,684	12,105	(70)
Attributable to:			
<b>Equity holders of the Company</b>	8,797	(6,770)	NM
Non-controlling interests	1,054	1,448	(27)
<b>Total comprehensive income/(loss)</b>	9,851	(5,322)	NM

**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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	First half ended 31/12/13 \$'000	First half ended 31/12/12 \$'000	Increase/ (Decrease) %
<b>Continuing operations</b>			
Interest income <sup>1,2</sup>	552	871	(37)
Government grant <sup>1</sup>	5,929	-	NM
Gain on disposal of investment properties <sup>1</sup>	-	18,308	NM
Gain on disposal of interests in subsidiary <sup>1</sup>	-	19	NM
Compensation income <sup>1</sup>	4,048	-	NM
Foreign exchange gain <sup>1</sup>	2,216	1,167	90
Foreign exchange loss <sup>3</sup>	(2,331)	(3,481)	(33)
Allowance for doubtful trade receivables <sup>3</sup>	(19)	(2)	850
Bad trade receivables written off <sup>3</sup>	(105)	(121)	(13)
Rental expenses <sup>3</sup>	(5,228)	(5,929)	(12)
Share-based payments <sup>4</sup>	-	(7)	NM
Amortisation of finance charge on non-current payables <sup>5</sup>	(286)	(452)	(37)
(Under)/over provision of income tax expense in prior periods	(393)	24	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 \$nil (1HFY2013: \$456,000)

<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 Half ended 31/12/13 \$'000	First Half ended 31/12/12 \$'000
<b>Discontinued operations</b>		
Revenue	-	-
Other operating income	288	59
Expenses	(204)	(691)
Profit/(loss) before tax from discontinued operations	84	(632)
Income tax expense	-	-
Net profit /(loss) from discontinued operations	84	(632)

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Group		
	Second Quarter ended 31/12/13 \$'000	Second Quarter ended 31/12/12 \$'000	Increase/ (Decrease) %
Revenue	31,625	33,116	(5)
Other operating income	12,217	1,722	609
Personnel expenses	(12,254)	(14,668)	(16)
Depreciation and amortisation expenses	(3,723)	(3,590)	4
Other operating expenses	(15,855)	(19,421)	(18)
Fair value gain on investment properties	-	13,570	NM
Finance costs	(3,105)	(1,849)	68
Share of results of associates	22	67	(67)
<b>Profit before income tax</b>	8,927	8,947	-
Income tax expense	(2,600)	(2,159)	20
Profit after tax from continuing operations	6,327	6,788	(7)
<b>Discontinued operations – Note B</b>			
Profit/(loss) after tax from discontinued operations	282	(78)	NM
	6,609	6,710	(2)
Other comprehensive income:			
Currency translation differences arising from consolidation of foreign operations	7,075	(701)	NM
<b>Total comprehensive income</b>	13,684	6,009	128
Attributable to:			
<b>Equity holders of the Company</b>	5,844	4,870	20
Non-controlling interests	765	1,840	(58)
<b>Net profit</b>	6,609	6,710	(2)
Attributable to:			
<b>Equity holders of the Company</b>	12,650	4,188	202
Non-controlling interests	1,034	1,821	(43)
<b>Total comprehensive income</b>	13,684	6,009	128

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		
	Second Quarter ended 31/12/13 \$'000	Second Quarter ended 31/12/12 \$'000	Increase/ (Decrease) %
<b>Continuing operations</b>			
Interest income <sup>1,2</sup>	246	487	(49)
Government grant <sup>1</sup>	5,929	-	NM
Compensation income <sup>1</sup>	4,048	-	NM
Foreign exchange gain <sup>1</sup>	1,377	279	394
Foreign exchange loss <sup>3</sup>	(670)	(525)	28
Write back for doubtful trade receivables <sup>3</sup>	40	3	1233
Bad trade receivables written off <sup>3</sup>	(87)	(44)	98
Rental expenses <sup>3</sup>	(2,552)	(3,004)	(15)
Amortisation of finance charge on non-current payables <sup>4</sup>	(143)	(293)	(51)
Under provision of income tax expense in prior periods	(393)	(11)	3473

NM – Not meaningful

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

<sup>2</sup> included amortization of finance income on non-current receivable of \$nil (FY2013Q2: \$234,000)

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

<sup>4</sup> included in finance cost

Note B:

Discontinued operations	Group	
	Second Quarter ended 31/12/13 \$'000	Second Quarter ended 31/12/12 \$'000
Revenue	-	-
Other operating income	282	33
Expenses	-	(111)
Profit /(loss) before tax from discontinued operations	282	(78)
Income tax expense	-	-
Net profit /(loss) from discontinued operations	282	(78)

**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	
	31/12/13 \$'000	30/06/13 \$'000	31/12/13 \$'000	30/06/13 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	317,958	304,417	-	-
Investment properties	374,862	368,006	-	-
Investment in subsidiaries	-	-	355,138	300,031
Investment in associates	1,358	1,304	-	-
Available-for-sale financial assets	620	616	-	-
Intangible assets	128,029	129,037	134	157
Deferred tax assets	823	857	-	-
	<b>823,650</b>	<b>804,237</b>	<b>355,272</b>	<b>300,188</b>
<b>Current assets</b>				
Inventories	111	109	-	-
Trade and other receivables	133,809	151,741	293,265	286,606
Cash and cash equivalents	96,689	70,895	1,155	8,277
	<b>230,609</b>	<b>222,745</b>	<b>294,420</b>	<b>294,883</b>
Assets classified as held for sale	41,084	41,101	-	-
	<b>271,693</b>	<b>263,846</b>	<b>294,420</b>	<b>294,883</b>
Less:				
<b>Current liabilities</b>				
Trade and other payables	93,519	103,705	35,030	62,173
Course and education service deferred income	38,741	16,690	-	-
Income tax payable	51,994	50,486	747	421
Borrowings	107,300	47,736	102,500	19,000
	<b>291,554</b>	<b>218,617</b>	<b>138,277</b>	<b>81,594</b>
<b>Net current (liabilities)/assets</b>	<b>(19,861)</b>	<b>45,229</b>	<b>156,143</b>	<b>213,289</b>
Less:				
<b>Non-current liabilities</b>				
Trade and other payables	45,321	46,363	-	-
Borrowings	177,909	178,517	128,232	127,962
Deferred tax liabilities	22,487	21,289	-	-
	<b>245,717</b>	<b>246,169</b>	<b>128,232</b>	<b>127,962</b>
<b>Net assets</b>	<b>558,072</b>	<b>603,297</b>	<b>383,183</b>	<b>385,515</b>
<b>Capital and reserves</b>				
Share capital	481,785	481,785	481,785	481,785
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	77,592	94,016	(77,219)	(74,887)
Equity attributable to equity holders of the Company	537,994	554,418	383,183	385,515
Non-controlling interests	20,078	48,879	-	-
	<b>558,072</b>	<b>603,297</b>	<b>383,183</b>	<b>385,515</b>

\* Refer to paragraph 5

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

<b>GROUP BORROWINGS AND DEBTS SECURITIES</b>	<b>Group</b>	
	<b>31/12/13 \$'000</b>	<b>30/06/13 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured	22,300	4,800
Unsecured	85,000	42,936
	107,300	47,736
<b><u>Amount repayable after one year:</u></b>		
Secured	49,677	50,555
Unsecured	128,232	127,962
	177,909	178,517
<b>Total borrowings</b>	285,209	226,253

**Details of collateral**

Bank borrowings of \$54,477,000 were secured by letter of guarantee by the Company and certain properties of the Group.

Bank borrowings of \$17,500,000 were secured by a standby letter of credit issued by a bank, which is secured by letter of guarantee from the Company.

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>Second Quarter ended 31/12/13 \$'000</b>	<b>Second Quarter ended 31/12/12 \$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax from continuing operations	8,927	8,947
Profit/(loss) before income tax from discontinued operations	282	(78)
	9,209	8,869
Adjustments for:		
Write back for doubtful debts	(40)	(3)
Amortisation of intangible assets	546	648
Bad trade receivables written off	87	44
Depreciation for property, plant and equipment	3,177	2,942
Fair value gain on investment properties	-	(13,570)
Compensation income	(4,048)	-
Interest expense	3,105	1,849
Interest income	(246)	(487)
Net gain on disposal of property, plant and equipment	(20)	(107)
Share of results of associates	(22)	(67)
Operating profit before working capital changes	11,748	118
Working capital changes:		
Trade and other receivables	1,726	523
Inventories	5	(12)
Course and education service deferred income	(11,942)	(13,715)
Trade and other payables	(957)	(2,653)
Cash generated/(used in) from operations	580	(15,739)
Interest paid	(2,408)	(1,556)
Interest received	246	253
Income and withholding tax paid	(481)	(1,584)
Net cash used in operating activities	(2,063)	(18,626)
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	24	131
Advance payment for development cost of new projects	(785)	-
Purchase of property, plant and equipment	(6,146)	(4,124)
Acquisition of non-controlling interests	(81,273)	-
Addition of investment properties	-	(24)
Additions of development costs	-	(52)
Additions of computer software	-	(99)
Additions of trademarks	(1)	-
Dividends received from associate	-	44
Net cash used in investing activities	(88,181)	(4,124)

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>Second Quarter ended 31/12/13 \$'000</b>	<b>Second Quarter ended 31/12/12 \$'000</b>
<b>Cash flows from financing activities</b>		
Net proceeds from rights issue	-	23,706
Draw down of borrowings	98,282	1,150
Repayment of borrowings	(14,200)	(3,900)
Net cash from financing activities	84,082	20,956
Net change in cash and cash equivalents	(6,162)	(1,794)
Cash and cash equivalents at beginning of financial period	101,367	60,059
Net effect of exchange rate changes	1,484	209
<b>Cash and cash equivalents at end of financial period</b>	<b>96,689</b>	<b>58,474</b>



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

#### UNAUDITED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company							Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
				\$'000	\$'000				
<b>FY2014</b>									
Balance at 1 October 2013	481,785	(21,383)	5,186	(14,353)	2,453	96,877	550,565	48,899	599,464
Total comprehensive income	-	-	-	6,806	-	5,844	12,650	1,034	13,684
Acquisition of non-controlling interests	-	-	576	(156)	-	(25,641)	(25,221)	(29,855)	(55,076)
Balance at 31 December 2013	481,785	(21,383)	5,762	(7,703)	2,453	77,080	537,994	20,078	558,072
<b>FY2013</b>									
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
Balance at 31 December 2012	481,785	(21,383)	1,255	(28,391)	2,453	78,509	514,228	41,325	555,553

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated profits/(losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>FY2014</b>				
Balance at 1 October 2013	481,785	(21,383)	2,453	(78,315)	384,540
Total comprehensive income	-	-	-	(1,357)	(1,357)
Balance at 31 December 2013	481,785	(21,383)	2,453	(79,672)	383,183
<b>FY2013</b>					
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
Balance at 31 December 2012	481,785	(21,383)	2,453	(69,116)	393,739

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

#### **SHARE CAPITAL**

During the financial period ended 31 December 2013, no ordinary shares were issued in respect of the conversion of share options.

As at 31 December 2013, 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 2013, there was unexercised share option for 3,271,593 unissued ordinary shares (31 December 2012: 3,843,907) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 31 December 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 31 December 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 31 December 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 +/- %
	Second Quarter ended 31/12/13	Second Quarter ended 31/12/12	
i) Based on the weighted average number of shares (in cents)	0.57	0.48	19
- Weighted average number of shares	1,025,363,233	1,009,323,357	
ii) On a fully diluted basis (in cents)	0.57	0.48	19
- Adjusted weighted average number of shares	1,025,363,233	1,009,323,357	

EPS based on net profit from continuing operations attributable to shareholders of the Group	Group		Change +/- %
	Second Quarter ended 31/12/13	Second Quarter ended 31/12/12	
i) Based on the weighted average number of shares (in cents)	0.54	0.49	10
- Weighted average number of shares	1,025,363,233	1,009,323,357	
ii) On a fully diluted basis (in cents)	0.54	0.49	10
- Adjusted weighted average number of shares	1,025,363,233	1,009,323,357	

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 +/(-) %
	31/12/13	30/06/13		31/12/13	30/06/13	
NAV per ordinary share	52.47	54.07	(3)	37.37	37.60	(1)

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

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

Quarter ended 31 December 2013

- (1) Group revenue decreased from \$33.1 million for FY2013 Q2 to \$31.6 million for FY2014 Q2 mainly due to a decrease in student numbers resulting from the closure of colleges as part of rationalisation.
- (2) The increase in other operating income from \$1.7 million for FY2013 Q2 to \$12.2 million for FY2014 Q2 was mainly due to:
  - a) compensation income of \$4.0 million confirmed by Langfang City Government, PRC, in October 2013 as Oriental University City ("OUC") had assumed certain liabilities on their behalf in prior years.
  - b) government grant of \$5.9 million received by Oriental University City ("OUC") from Langfang Development Zone Treasury Authority as fund for education development during FY2014 Q2.
- (3) The increase in depreciation and amortisation expenses from \$3.6 million for FY2013 Q2 to \$3.7 million for FY2014 Q2 was mainly due to depreciation of the Raffles Education Square upon change of use from investment property to owner-occupied property during last financial year Q4. Despite this increase in depreciation, rental expense has decreased from \$3.0 million for FY2013 Q2 to \$2.6 million for FY2014 Q2.
- (4) Decrease in other operating expenses from \$19.4 million for FY2013 Q2 to \$15.9 million for FY 2014 Q2 mainly due to the following:
  - a) Decrease in professional fees of \$1.6 million
  - b) Decrease in property and land use tax of \$1.5 million.
- (5) Increase in finance costs from \$1.8 million for FY2013 Q2 to \$3.1 million for FY2014 Q2 was due to higher interest expense from bonds and higher borrowings.
- (6) Income tax expense increase from \$2.2 million for FY2013 Q2 to \$2.6 million for FY2014 Q2 mainly contributed by the deferred tax expense of \$1.0 million in OUC for the compensation income.

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

**COMMENTARY ON THE GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)**

- (7) Profit/(loss) from discontinued operations pertains to the results of subsidiaries in Vietnam. The Group has suspended operations in Vietnam since December 2011.
- (8) Non-controlling interests represent mainly the non-controlling shareholder's share of profits in OUC.

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

- (9) Property, plant and equipment ("PPE") increased from \$304.4 million in FY2013 ("ended 30 June 2012") to \$318.0 million in FY2014 Q2 ("ended 31 December 2013") due to:
- a) Net additions of \$18.0 million;
  - b) \$4.7 million advance payment reclassified from prepayment;
  - c) revaluation gain of \$4.9 million on transferring owner occupied property to investment property relating to (g) below.

The increase was partially offset by:

- d) depreciation charge of \$6.8 million;
  - e) foreign currency translation loss of \$1.5 million;
  - f) disposal of property, plant and equipment of \$0.3 million; and
  - g) reclassification from PPE to investment properties of \$5.4 million in OUC.
- (10) The increase of investment properties from \$368.0 million in FY2013 to \$374.9 million in FY2014 Q2 was mainly due to:
- a) transfer from PPE to investment properties of \$5.4 million in OUC;
  - b) Foreign currency translation gain of \$1.5 million mainly arising from investment properties in OUC.
- (11) Current trade and other receivables decreased from \$151.7 million in FY2013 to \$133.8 million in FY2014 Q2 mainly due to:
- a) payment of \$28.0 million by Langfang International Golf Club Co., Ltd for the disposal of 670 mu land and properties in OUC
  - b) partially offset by the receivable for compensation of \$4.1 million.

Included in other receivable was a government grant receivable of \$34.0 million, adjusted for foreign currency translation, (FY2013: \$33.8 million) for land restructuring. The corresponding liabilities were recorded in other payables and income tax payable reflected in paragraph 8 item (13 Note) and (15) below.

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

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

- (12) Assets classified as held for sale of \$41.1 million in FY2014 Q2 relates to the sale of remaining 50% equity interests in Value Vantage Pte. Ltd.
- (13) Current trade and other payables decreased from \$103.7 million in FY2013 to \$93.5 million in FY2014 Q2 mainly due to:
- a) derecognition of contractual commitments to increase in investment in OUC of \$26.2 million, as a result of the put option exercised by Khazanah Nasional Berhad ("Khazanah").
  - b) partially offset by an increase in deposit of \$10.3 million received from Langfang He Ying Property Development Co., Ltd for the disposal of 490 mu land and properties in OUC.
- (Note :  
Included in the other payables was \$2.0 million (FY2013: \$2.0 million) of revenue tax, stamp duty and deed tax payable in relation to land restructuring in OUC. There is a related grant receivable reflected in paragraph 8 item (11) above.)
- (14) Course and education service deferred income increased from \$16.7 million in FY2013 to \$38.7 million in FY2014 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 FY2014.
- (15) Income tax payable included income tax and land appreciation tax payable in relation to land restructuring in OUC amounting to \$32.0 million, adjusted for foreign currency translation, (FY2013: \$31.8 million). There is related grant receivable reflected in paragraph 8 item (11) above.
- (16) Current borrowings increased from \$47.7 million in FY2013 to \$107.3 million in FY2014 Q2 for purchase of 10% interest in OUC from Khazanah.
- (17) 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.
- (18) Non-controlling interests as at 31 December 2013 represent mainly the non-controlling shareholder's equity interests in OUC. The decrease is due to purchase of 10% interest in OUC from Khazanah.

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

- (19) Net cash outflow from operations amounted to \$2.1 million.

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

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

(20) Other major cash outflows were for:

- a) payment to Khazanah of \$81.3 million for the purchase of 10% interest in OUC;
- b) the repayment to borrowings of \$14.2 million; and
- c) payment for purchase of property, plant and equipment of \$6.1 million.

(21) Major contributor of cash inflows was the drawdown of bank borrowings of \$98.3 million.

(22) The Group's cash position is \$96.7 million at the end of FY2014 Q2 (FY2013 Q2: \$58.5 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 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.

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

**(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 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 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  
13 February 2014**