

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**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 31/12/17 \$'000	First half ended 31/12/16 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	48,832	49,241	(1)
Other operating income	2,680	4,885	(45)
Personnel expenses	(20,919)	(20,318)	3
Depreciation and amortisation expenses	(5,331)	(5,424)	(2)
Other operating expenses	(24,123)	(28,890)	(17)
Reversal of provision for land restructuring cost	-	619	NM
Reversal of government grant receivable for land restructuring	-	(30,565)	NM
Fair value gain on investment properties, net	255	-	NM
Finance costs	(6,592)	(6,076)	8
Share of results of joint ventures	(826)	(551)	50
Share of results of associates	(55)	885	NM
<b>Loss before income tax</b>	(6,079)	(36,194)	(83)
Income tax (expense)/credit	(744)	589	NM
Reversal of tax payable for land restructuring	-	30,563	NM
<b>Loss after tax</b>	(6,823)	(5,042)	35
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation of foreign operations	1,528	12,724	(88)
<b>Total comprehensive (loss)/ income</b>	(5,295)	7,682	NM
Attributable to:			
<b>Equity holders of the Company</b>	(7,302)	(5,619)	30
Non-controlling interests	479	577	(17)
<b>Net loss</b>	(6,823)	(5,042)	35
Attributable to:			
<b>Equity holders of the Company</b>	(6,535)	5,511	NM
Non-controlling interests	1,240	2,171	(43)
<b>Total comprehensive (loss)/income</b>	(5,295)	7,682	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 31/12/17 \$'000	First half ended 31/12/16 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	577	499	16
Foreign exchange gain <sup>1</sup>	2,026	3,798	(47)
Allowance for doubtful trade receivables <sup>2</sup>	(1)	-	NM
Bad trade receivables written off <sup>2</sup>	(91)	(80)	14
Foreign exchange loss <sup>2</sup>	(1,671)	(5,486)	(70)
Rental expenses <sup>2</sup>	(3,153)	(3,199)	1
(Under)/overprovision of income tax expense in prior financial periods (excluding reversal of tax payable for land restructuring)	(95)	1,203	NM

NM – Not meaningful

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

<sup>2</sup> included in other operating expenses

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

Net fair value gain on investment properties and gain on disposal of investment properties were included in the Adjusted EBITDA as the real estate investment and development segment is part of our core business.

ADJUSTED EBITDA	Group	
	First half ended 31/12/17 \$'000	First half ended 31/12/16 \$'000
Loss after tax	(6,823)	(5,042)
<u>Add/(less):</u>		
Reversal of provision for land restructuring cost	-	(619)
Reversal of government grant receivable for land restructuring	-	30,565
Finance costs	6,592	6,076
Income tax expense/(credit)	744	(589)
Reversal of income tax in relation to land restructuring	-	(30,563)
Depreciation and amortisation	5,331	5,424
Net foreign exchange (gain)/loss	(355)	1,688
Share of results of joint ventures	826	551
Share of results of associates	55	(885)
Adjusted EBITDA	6,370	6,606

**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	Item No.	Group		
		Second Quarter ended 31/12/17 \$'000	Second Quarter ended 31/12/16 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	8.1	24,637	24,443	1
Other operating income	8.2	2,266	3,655	(38)
Personnel expenses		(10,526)	(10,248)	3
Depreciation and amortisation expenses		(2,584)	(2,782)	(7)
Other operating expenses	8.3	(11,873)	(16,770)	(29)
Fair value gain on investment properties, net		255	-	NM
Finance costs	8.4	(3,022)	(2,797)	8
Share of results of joint ventures		(192)	(43)	346
Share of results of associates	8.5	(23)	910	NM
<b>Loss before income tax</b>		(1,062)	(3,632)	(71)
Income tax expense		(258)	(137)	88
Loss after tax		(1,320)	(3,769)	(65)
<b>Items that may be reclassified subsequent to profit or loss:</b>				
Currency translation differences arising from consolidation of foreign operations	8.6	(1,445)	13,741	NM
<b>Total comprehensive (loss)/income</b>		(2,765)	9,972	NM
Attributable to:				
<b>Equity holders of the Company</b>		(1,443)	(3,905)	(63)
Non-controlling interests		123	136	(10)
<b>Net loss</b>		(1,320)	(3,769)	(65)
Attributable to:				
<b>Equity holders of the Company</b>		(3,073)	7,841	NM
Non-controlling interests		308	2,131	(86)
<b>Total comprehensive (loss)/income</b>		(2,765)	9,972	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		
	Second Quarter ended 31/12/17 \$'000	Second Quarter ended 31/12/16 \$'000	Increase/ (Decrease) %
Interest income <sup>1</sup>	536	378	42
Foreign exchange gain <sup>1</sup>	1,666	2,798	(40)
Bad trade receivables written off <sup>2</sup>	(50)	(33)	52
Foreign exchange loss <sup>2</sup>	(283)	(4,282)	(93)
Rental expenses <sup>2</sup>	(1,536)	(1,611)	(5)
Overprovision of income tax expense in prior financial periods	71	281	(75)

NM – Not meaningful

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

<sup>2</sup> included in other operating expenses

We have included Adjusted EBITDA in this results announcement because it can provide a useful measure for period-to-period comparisons of our core business.

Net fair value gain on investment properties and gain on disposal of investment properties were included in the Adjusted EBITDA as the real estate investment and development segment is part of our core business.

ADJUSTED EBITDA	Group	
	Second Quarter ended 31/12/17 \$'000	Second Quarter ended 31/12/16 \$'000
Loss after tax	(1,320)	(3,769)
<u>Add/(less):</u>		
Finance costs	3,022	2,797
Income tax expense	258	137
Depreciation and amortisation	2,584	2,782
Net foreign exchange (gain)/ loss	(1,383)	1,484
Share of results of joint ventures	192	43
Share of results of associates	23	(910)
Adjusted EBITDA	3,376	2,564

**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 STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		31/12/17 \$'000	30/06/17 \$'000	31/12/17 \$'000	30/06/17 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	8.7	447,025	418,119	-	-
Investment properties	8.8	439,802	459,097	-	-
Investment in subsidiaries		-	-	466,729	465,919
Investment in joint ventures	8.9	23,467	29,700	-	-
Investment in associates		8,725	7,122	-	-
Available-for-sale financial assets		613	612	-	-
Intangible assets		119,070	119,037	341	344
Deferred tax assets		2,403	2,510	-	-
Other receivable		-	-	31,788	30,230
Restricted bank balances		3,471	3,677	-	-
		<b>1,044,576</b>	<b>1,039,874</b>	<b>498,858</b>	<b>496,493</b>
<b>Current assets</b>					
Inventories		134	104	-	-
Trade and other receivables	8.10	103,744	114,166	221,850	214,383
Cash and bank balances		141,891	74,013	904	661
		<b>245,769</b>	<b>188,283</b>	<b>222,754</b>	<b>215,044</b>
Less:					
<b>Current liabilities</b>					
Trade and other payables	8.11	82,321	66,061	140,233	149,026
Course and education service deferred income	8.12	32,399	10,919	-	-
Income tax payable		2,900	3,767	51	51
Borrowings	8.13	148,563	173,085	137,491	158,997
		<b>266,183</b>	<b>253,832</b>	<b>277,775</b>	<b>308,074</b>
<b>Net current liabilities</b>	8.14	<b>(20,414)</b>	<b>(65,549)</b>	<b>(55,021)</b>	<b>(93,030)</b>
Less:					
<b>Non-current liabilities</b>					
Trade and other payables	8.15	19,215	23,789	47,600	47,600
Borrowings	8.13	301,137	269,621	24,928	5,766
Deferred tax liabilities	8.16	60,937	60,684	-	-
		<b>381,289</b>	<b>354,094</b>	<b>72,528</b>	<b>53,366</b>
<b>Net assets</b>		<b>642,873</b>	<b>620,231</b>	<b>371,309</b>	<b>350,097</b>
<b>Capital and reserves</b>					
Share capital	1(d)(ii)	510,034	481,785	510,034	481,785
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		78,513	85,048	(99,042)	(92,005)
Equity attributable to equity holders of the Company		<b>548,864</b>	<b>527,150</b>	<b>371,309</b>	<b>350,097</b>
Non-controlling interests	8.17	94,009	93,081	-	-
<b>Total equity</b>		<b>642,873</b>	<b>620,231</b>	<b>371,309</b>	<b>350,097</b>

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

<b>GROUP BORROWINGS AND DEBT SECURITIES</b>	<b>Group</b>	
	<b>31/12/17 \$'000</b>	<b>30/06/17 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured <sup>1,2,3,4,5,6,7</sup>	55,572	73,949
Unsecured	92,991	99,136
	148,563	173,085
<b><u>Amount repayable after one year:</u></b>		
Secured <sup>1,2,3,4,6</sup>	301,137	269,621
Unsecured	-	-
	301,137	269,621
<b>Total borrowings</b>	<b>449,700</b>	<b>442,706</b>

**Details of collateral**

- <sup>1</sup> Bank borrowings of \$248,025,000 were secured by certain properties of the Group and a letter of guarantee by the Company.
- <sup>2</sup> Bank borrowings of \$18,077,000 were secured by certain properties in Switzerland, rental income from the properties, restricted bank balances and letter of guarantee by the Company.
- <sup>3</sup> Bank borrowings of \$8,863,000 were secured by certain properties of a subsidiary in Malaysia and a letter of guarantee by its holding company.
- <sup>4</sup> Bank borrowings of \$8,694,000 were secured by certain property of a subsidiary in Italy, rental income from the property and letter of guarantee by the Company.
- <sup>5</sup> Bank borrowings of \$36,150,000 were secured by a standby letter of credit based on cash deposit with the bank and a letter of guarantee provided by the Company. The standby letter of credit were secured by bank deposit of \$45,090,000.
- <sup>6</sup> Bank borrowings of \$28,550,000 were secured by standby letters of credit based on cash deposit with the banks. The standby letters of credit were secured by bank deposit of \$30,435,000.
- <sup>7</sup> Bank borrowings of \$8,350,000 were secured by letter of guarantee by a subsidiary.

For more details, refer to items 8.13.

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>Item No.</b>	<b>Second Quarter ended 31/12/17 \$'000</b>	<b>Second Quarter ended 31/12/16 \$'000</b>
<b>Cash flows from operating activities</b>			
Loss before income tax		(1,062)	(3,632)
Adjustments for:			
Amortisation of intangible assets		132	158
Bad trade receivables written off		50	33
Depreciation for property, plant and equipment		2,452	2,624
Interest expense		3,022	2,797
Interest income		(536)	(378)
Net gain on disposal of property, plant and equipment		(46)	(352)
Fair value gain on investment properties, net		(255)	-
Property, plant and equipment written off		-	5
Share of results of joint ventures		192	43
Share of results of associates		23	(910)
Operating profit before working capital changes		3,972	388
Working capital changes:			
Trade and other receivables		10,837	6,158
Inventories		(4)	13
Course and education service deferred income		(12,831)	(13,325)
Trade and other payables		(6,103)	9,423
Cash generated (used in)/ from operations		(4,129)	2,657
Interest paid		(4,082)	(3,865)
Interest received		536	378
Income and withholding taxes paid		(321)	(33)
Net cash used in operating activities	8.18	(7,996)	(863)
<b>Cash flows from investing activities</b>			
Additions for development cost of and computer software		(175)	(281)
Additions of trademarks and licenses		(14)	(656)
Additions of investment properties		(2,301)	(833)
Proceeds from sale of property, plant and equipment		47	3,508
Proceeds from sale of investment properties		-	4,137
Purchases of property, plant and equipment	8.20	(10,100)	(21,788)
Refund of deposit for cancellation of purchase of land	8.19	10,235	-
Payment for acquisitions of non-controlling interests		(1,960)	-
Net cash used in investing activities		(4,268)	(15,913)
<b>Cash flows from financing activities</b>			
Increase in short-term deposits pledged		(6,628)	(23,694)
Repayment of loan to a director of subsidiaries		(394)	(700)
Draw down of borrowings	8.19	19,330	19,487
Repayment of borrowings	8.20	(24,218)	(7,483)
Dividends payment to non-controlling interests		(312)	(327)
Loan from a director	8.19	37,793	-
Net proceeds from issue of shares	8.19	28,249	-
Net cash from/(used in) financing activities		53,820	(12,717)

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</b>	<b>Item No.</b>	<b>Second Quarter ended 31/12/17 \$'000</b>	<b>Second Quarter ended 31/12/16 \$'000</b>
Net change in cash and cash equivalents		41,556	(29,493)
Cash and cash equivalents at beginning of financial period		26,018	56,902
Effect of exchange rate changes on cash and cash equivalents		(1,951)	1,368
<b>Cash and cash equivalents at end of financial period</b> – Note A	8.21	<b>65,623</b>	<b>28,777</b>

Note A:

	<b>Item No.</b>	<b>Second Quarter ended 31/12/17 \$'000</b>	<b>Second Quarter ended 31/12/16 \$'000</b>
<b>Cash and cash equivalents</b>			
<u>Current</u>			
Fixed deposits with banks		78,079	48,789
Cash and bank balances		63,812	26,534
<u>Non-current</u>			
Restricted bank balances		3,471	3,586
<b>Cash and bank balances in the statement of financial position</b>		145,362	78,909
Pledged fixed deposits and bank balances		(76,268)	(46,546)
Restricted bank balances		(3,471)	(3,586)
<b>Cash and cash equivalents in the statement of cash flow</b>		<b>65,623</b>	<b>28,777</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	Share-	Accumulated profits	Total		
				currency translation reserve	based payment reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>FY2018</b>									
Balance at 1 October 2017	481,785	(39,683)	7,435	(14,624)	2,453	86,322	523,688	94,013	617,701
Total comprehensive loss	-	-	-	(1,630)	-	(1,443)	(3,073)	308	(2,765)
Issue of shares	28,249	-	-	-	-	-	28,249	-	28,249
Dividends	-	-	-	-	-	-	-	(312)	(312)
<b>Balance at 31 December 2017</b>	<b>510,034</b>	<b>(39,683)</b>	<b>7,435</b>	<b>(16,254)</b>	<b>2,453</b>	<b>84,879</b>	<b>548,864</b>	<b>94,009</b>	<b>642,873</b>
<b>FY2017</b>									
Balance at 1 October 2016	481,785	(39,683)	7,020	(19,701)	2,453	93,999	525,873	90,729	616,602
Total comprehensive loss	-	-	-	11,746	-	(3,905)	7,841	2,131	9,972
Dividends	-	-	-	-	-	-	-	(327)	(327)
<b>Balance at 31 December 2016</b>	<b>481,785</b>	<b>(39,683)</b>	<b>7,020</b>	<b>(7,955)</b>	<b>2,453</b>	<b>90,094</b>	<b>533,714</b>	<b>92,533</b>	<b>626,247</b>

COMPANY	Share-based				
	Share capital	Treasury shares	payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FY2018</b>					
Balance at 1 October 2017	481,785	(39,683)	2,453	(99,124)	345,431
Total comprehensive loss	-	-	-	(2,371)	(2,371)
Issue of shares	28,249	-	-	-	28,249
<b>Balance at 31 December 2017</b>	<b>510,034</b>	<b>(39,683)</b>	<b>2,453</b>	<b>(101,495)</b>	<b>371,309</b>
<b>FY2017</b>					
Balance at 1 October 2016	481,785	(39,683)	2,453	(80,765)	363,790
Total comprehensive loss	-	-	-	(4,838)	(4,838)
<b>Balance at 31 December 2016</b>	<b>481,785</b>	<b>(39,683)</b>	<b>2,453</b>	<b>(85,603)</b>	<b>358,952</b>

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

#### **SHARE CAPITAL**

During the financial period ended 31 December 2017, no ordinary shares were repurchased.

Subsequent to the financial period ended 31 December 2017, no ordinary shares were repurchased.

During the financial period ended 31 December 2017, 95,000,000 ordinary shares have been allotted and issued in the share capital of the Company at an issue price of \$0.30 for each ordinary share. Net proceeds of \$28.2 million after deducting the issuance expenses was received.

As at 31 December 2017, the Company has 1,140,295,233 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

#### **SHARE OPTIONS**

As at 31 December 2017, there was unexercised share option for 1,444,955 unissued ordinary shares (31 December 2016: 2,083,604) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 31 December 2017, there were 79,790,100 treasury shares (30 June 2017: 79,790,100).

- 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 1,060,505,133 (excluding treasury shares) as at 31 December 2017 (30 June 2017: 965,505,133).

- 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 2017.

- 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 2017.

In the current financial period, the Group has adopted all applicable new/amended/revise Singapore Financial Reporting Standards ("FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2017. The adoption of these new/revise 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 loss attributable to shareholders of the Group	Group		Change +/- %
	Second Quarter ended 31/12/17	Second Quarter ended 31/12/16	
i) Based on the weighted average number of shares (in cents)	-0.14	-0.40	(65)
- Weighted average number of shares	1,052,153,485	965,505,133	
ii) On a fully diluted basis (in cents)	-0.14	-0.40	(65)
- Adjusted weighted average number of shares	1,052,153,485	965,505,133	

**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 +/- %
	31/12/17	30/06/17		31/12/17	30/06/17	
NAV per ordinary share (in cents)	51.75	54.60	(5)	35.01	36.26	(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 increased by 1% from \$24.4 million for FY2017 Q2 to \$24.6 million for FY2018 Q2.
- (2) Decrease in other operating income from \$3.7 million for FY2017 Q2 to \$2.3 million for FY2018 Q2 was mainly due to the decrease in foreign exchange gain of \$1.1 million.
- (3) Decrease in other operating expenses from \$16.8 million for FY2017 Q2 to \$11.9 million for FY2018 Q2 was mainly due to decrease in foreign exchange loss of \$4.0 million.
- (4) Increase in finance costs from \$2.8 million for FY2017 Q2 to \$3.0 million for FY2018 Q2 was mainly due to the increase in cost of borrowings and increase in borrowings.
- (5) Share of results of associates for FY2018 Q2 included share of fair value gain on investment properties of \$Nil (FY2017 Q2: \$1.0 million) recorded by Axiom Properties Limited.
- (6) The Group recorded \$1.4 million in currency translation loss arising from consolidation of foreign operations.

#### **COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2017 AND 30 JUNE 2017)**

- (7) Increase in property, plant and equipment ("PPE") from \$418.1 million in FY2017 ("ended 30 June 2017") to \$447.0 million in FY2018 Q2 ("ended 31 December 2017") was mainly due to:
  - a) additions of \$10.4 million, mainly from construction work-in-progress of \$6.7 million for Raffles American School ("RASJB") in Iskandar, Malaysia;
  - b) gain on foreign currency translation of \$3.1 million.
  - c) \$20.4 million reclassification from investment properties for the campus in Milan, Italy.Increase was offset by:
  - d) depreciation charge of \$5.1 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 FINANCIAL POSITION (CONT'D)**

- (8) Decrease in investment properties from \$459.1 million in FY2017 to \$439.8 million in FY2018 Q2 was mainly due to:

- a) \$20.4 million reclassification of the new campus in Milan to PPE (refer to item 8.7c); and
- b) foreign currency translation loss of \$1.2 million.

Decrease was offset by

- c) additions of \$2.1 million, mainly for the renovation of the new campus in Milan, Italy

- (9) Decrease in investment in joint ventures from \$29.7 million in FY2017 to \$23.5 million in FY2018 Q2 was mainly due to \$5.2 million capital distribution arising from capital reduction of Value Vantage Pte Ltd.

- (10) Breakdown of current trade and other receivables as follows:

	31/12/17 \$'000	30/06/17 \$'000
<b>Trade receivables:</b>		
Trade receivables	4,341	2,721
<b>Other receivables:</b>		
Third parties <sup>(a)</sup>	178	10,304
Receivable from sale of investment properties <sup>(b)</sup>	54,661	58,934
Prepayments	22,649	22,726
Deposits	9,651	8,411
Receivable from former joint venture	145	338
Joint ventures	8,944	8,347
Tax recoverable	1,915	34
Others	1,260	2,351
	99,403	111,445
<b>Total trade and other receivables</b>	<b>103,744</b>	<b>114,166</b>

Notes to current trade and other receivables:

- a) included is a refund of deposit receivable for the cancellation of purchase of land by Tianjin University of Commerce Boustead College ("BC") of \$Nil (FY2017: \$10.2 million).
- b) amounts due from sale of 490 mu and 27.9 mu land and properties of \$54.9 million (FY2017: \$54.5 million) and \$Nil (FY2017: \$4.5 million) respectively.

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) Breakdown of current trade and other payables as follows:

	31/12/17 \$'000	30/06/17 \$'000
<b>Trade payables (Current):</b>		
Third parties	2,157	3,554
<b>Other payables (Current):</b>		
Other accruals	9,956	12,376
Advance from third party (refer to item 8.15b)	5,107	-
Accrual for property and land use tax	2,569	2,366
Accrual for business taxes	907	2,129
Accruals for capital expenditure	5,610	18,660
Amount due to joint venturers	-	5,152
Loan from a Director	48,428	10,941
Loan from a director of subsidiaries	-	2,144
Purchase from non-controlling interest of additional interest in subsidiary	-	1,960
Payable for land in Iskandar	2,456	2,399
Other payables	5,131	4,380
	80,164	62,507
<b>Total trade and other payables (Current)</b>	<b>82,321</b>	<b>66,061</b>

- (12) Increase in course and education service deferred income from \$10.9 million in FY2017 to \$32.4 million in FY2018 Q2 was mainly due to annual fee collections from students in BC and Wanbo Institute of Science & Technology ("WBC") and annual education service fees from colleges in Oriental University City Holdings (H.K.) Limited ("OUCHK") and Oriental University City Limited ("OUCL") (collectively "OUC"). These deferred income will be recognised as revenue over the next 2 financial quarters in FY2018.
- (13) (1) Increase in borrowings from \$442.7 million in FY2017 to \$449.7 million in FY2018 Q2 was mainly due to:
- drawdown of \$11.7 million in borrowings for construction work of RASJB.
  - drawdown of \$2.0 million in borrowings for renovation by Raffles Assets Italy in Milan, Italy.
  - drawdown of \$20.8 million in borrowings for working capital.
- Increase was offset by:
- repayment of \$31.2 million borrowings
- (2) Included in current borrowings are Bonds of \$79.9 million which will be due in May 2018.

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) Net current liabilities was mainly a result of the re-classification of bonds payable from non-current to current borrowings as stated in item 8.13 above.
- (15) Non-current trade and other payables mainly relates to:
- a) amount payable for the purchase of 45 acres of land for RASJB of \$18.9 million (FY2017: \$18.5 million);
  - b) advance from third party of \$Nil (FY2017: \$5.1 million) which has been reclassified to current liability (refer to item 8.11).
- (16) Breakdown of deferred tax liabilities for FY2018 Q2 as follows:

	<b>Accelerated tax depreciation on PPE \$'000</b>	<b>Fair value adjustment on investment properties \$'000</b>	<b>Divestment of land and properties \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2017	638	28,302	31,729	15	60,684
Charged to profit or loss	147	61	-	1	209
Foreign currency realignment	2	(75)	116	1	44
<b>Balance at 31 Dec 2017</b>	<b>787</b>	<b>28,288</b>	<b>31,845</b>	<b>17</b>	<b>60,937</b>

- (17) Non-controlling interests as at 31 December 2017 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

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

- (18) Net cash used in operating activities amounted to \$8.0 million.
- (19) Major contributor of cash inflows were:
- a) refund of deposits for cancellation of land purchase of \$10.2 million;
  - b) drawdown of borrowings of \$19.3 million.
  - c) loan from a Director of \$37.8 million.
  - d) net proceeds from issuance of shares of \$28.2 million.
- (20) Major cash outflows were for:
- a) purchase of property, plant and equipment of \$10.1 million; and
  - b) repayment of borrowings of \$24.2 million.
- (21) The Group's cash position was \$65.6 million at the end of FY2018 Q2 (FY2017 Q2: \$28.8 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 30 September 2017.

**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 challenging global education environment, currency volatility and increasing interest rate continue to impact the Group.

The Group is also facing increasing competition, higher manpower costs, a more stringent regulatory environment which are expected to have an adverse effect on the Group's operations.

The Group will also seek opportunities in new territories.

**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. If the Company has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual. If no IPT mandate has been obtained, a statement to that effect**

Not applicable as the Group does not have in place a general mandate for interested person transactions.



**14. Negative assurance confirmation on second 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 31 December 2017 to be false or misleading in any material aspect. A statement signed by two directors is on record.

**15. Confirmation that the company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual**

The Board confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

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

**16. 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.

**17. A breakdown of sales**

Not applicable.

**18. 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  
14 February 2018**