RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 31/12/18 $'000	First half ended 31/12/17 $'000	Increase/ (Decrease) %
Revenue	48,687	48,832	-
Other operating income	4,582	2,680	71
Personnel expenses	(21,643)	(20,919)	3
Other operating expenses	(24,141)	(24,123)	-
Finance costs	(7,420)	(6,592)	13
Depreciation and amortisation expenses	(6,863)	(5,331)	29
Fair value gain on investment properties	-	255	NM
Share of results of joint ventures	(140)	(826)	(83)
Share of results of associates	(240)	(55)	336
Operating loss before income tax	(7,178)	(6,079)	18
Non-recurring costs arising from closure of colleges	(8,111)	-	NM
Loss before income tax	(15,289)	(6,079)	152
Income tax expense	(221)	(744)	(70)
Loss after tax	(15,510)	(6,823)	127
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	(26,359)	1,528	NM
Total comprehensive loss	(41,869)	(5,295)	691
Attributable to:			
Equity holders of the Company	(16,067)	(7,302)	120
Non-controlling interests	557	479	16
Net loss	(15,510)	(6,823)	127
Attributable to:			
Equity holders of the Company	(38,471)	(6,535)	489
Non-controlling interests	(3,398)	1,240	NM
Total comprehensive loss	(41,869)	(5,295)	691

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 31/12/18 $'000	First half ended 31/12/17 $'000	Increase/ (Decrease) %
Interest income[1]	249	577	(57)
Government grant[1]	41	-	NM
Foreign exchange gain[1]	4,240	2,026	109
Gain on disposal of property, plant and equipment[1]	5	54	(91)
Write back/(allowance) for doubtful trade receivables[2]	29	(1)	NM
Bad trade receivables written off[2 4]	(200)	(91)	120
Foreign exchange loss[2]	(2,485)	(1,671)	49
Property, plant and equipment written off[4]	(883)	-	NM
Loss on disposal of property, plant and equipment[2 4]	(374)	-	NM
Rental expenses[2]	(3,261)	(3,153)	3
Impairment of goodwill[4]	(6,192)	-	NM
Share-based payment[3]	(51)	-	NM
Over/(under)provision of income tax expense in prior financial periods	457	(95)	NM

NM – Not meaningful

[1] included in other operating income

[2] included in other operating expenses

[3] included in personnel expenses

[4] included in non-recurring costs arising from closure of colleges, refer to item 8.7

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 was 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 31/12/18 $'000	First half ended 31/12/17 $'000
Loss after tax	(15,510)	(6,823)
Add/(less):		
Government grant	(41)	-
Finance costs	7,420	6,592
Income tax expense	221	744
Depreciation and amortisation	6,863	5,331
Impairment of goodwill	6,192	-
Net foreign exchange gain	(1,755)	(355)
Property, plant and equipment written off	883	-
Net loss/(gain) on disposal of property, plant and equipment	369	(54)
Share of results of joint ventures	140	826
Share of results of associates	240	55
Adjusted EBITDA	5,022	6,316

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 31/12/18 $'000	Second Quarter ended 31/12/17 $'000	Increase/ (Decrease) %
Revenue	8.1	25,261	24,637	3
Other operating income	8.2	674	2,266	(70)
Personnel expenses	8.3	(11,322)	(10,526)	8
Other operating expenses	8.4	(13,915)	(11,873)	17
Finance costs	8.5	(3,585)	(3,022)	19
Depreciation and amortisation expenses	8.6	(3,443)	(2,584)	33
Fair value gain on investment properties		-	255	NM
Share of results of joint ventures		(127)	(192)	(34)
Share of results of associates		(117)	(23)	409
Operating loss before income tax		(6,574)	(1,062)	519
Non-recurring costs arising from closure of colleges	8.7	(8,111)	-	NM
Loss before income tax		(14,685)	(1,062)	1,283
Income tax expense		(303)	(258)	17
Loss after tax		(14,988)	(1,320)	1,035
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.8	(3,784)	(1,445)	162
Total comprehensive (loss)/income		(18,772)	(2,765)	579
Attributable to:				
Equity holders of the Company		(15,208)	(1,443)	954
Non-controlling interests		220	123	79
Net loss		(14,988)	(1,320)	1,035
Attributable to:				
Equity holders of the Company		(18,632)	(3,073)	506
Non-controlling interests		(140)	308	NM
Total comprehensive (loss)/income		(18,772)	(2,765)	579

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 31/12/18 $'000	Second Quarter ended 31/12/17 $'000	Increase/ (Decrease) %
Interest income[1]	197	536	(63)
Foreign exchange gain[1]	382	1,666	(77)
Gain on disposal of property, plant and equipment[1]	2	46	(96)
Write back for doubtful trade receivables[2]	13	-	NM
Bad trade receivables written off[2 4]	(182)	(50)	264
Foreign exchange loss[2]	(1,693)	(283)	498
Property, plant and equipment written off[4]	(883)	-	NM
Loss on disposal of property, plant and equipment[2 4]	(362)	-	NM
Rental expenses[2]	(1,639)	(1,536)	7
Impairment of goodwill[4]	(6,192)	-	NM
Share-based payment[3]	(44)	-	NM
Overprovision of income tax expense in prior financial periods	11	71	(85)

NM – Not meaningful

[1] included in other operating income

[2] included in other operating expenses

[3] included in personnel expenses

[4] included in non-recurring costs arising from closure of colleges, refer to item 8.7

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 was 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 31/12/18 $'000	Second Quarter ended 31/12/17 $'000
Loss after tax	(14,988)	(1,320)
Add/(less):		
Finance costs	3,585	3,022
Income tax expense	303	258
Depreciation and amortisation	3,443	2,584
Non-recurring costs arising from closure of colleges	6,192	-
Net foreign exchange loss/(gain)	1,311	(1,383)
Property, plant and equipment written off	883	-
Net loss/(gain) on disposal of property, plant and equipment	360	(46)
Share of results of joint ventures	127	192
Share of results of associates	117	23
Adjusted EBITDA	1,333	3,330

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 30/12/18 $'000	Group Restated* 30/6/18 $'000	Company 30/12/18 $'000	Company 30/6/18 $'000
Non-current assets					
Property, plant and equipment	8.9	433,257	441,604	-	-
Investment properties	8.10	504,409	520,311	-	-
Investment in subsidiaries		-	-	450,092	455,625
Investment in joint ventures		21,247	21,429	-	-
Investment in associates		5,780	6,704	-	-
Financial assets at fair value through other comprehensive income		597	620	-	-
Intangible assets		112,045	118,962	378	358
Deferred tax assets		3,162	2,883	-	-
Other receivable		-	-	32,399	32,326
Restricted bank balances		3,527	3,496	-	-
		1,084,024	1,116,009	482,869	488,309
Current assets					
Inventories		105	135	-	-
Trade and other receivables	8.11	102,959	97,822	212,436	213,479
Cash and bank balances		44,888	46,127	266	423
		147,952	144,084	212,702	213,902
Less:					
Current liabilities					
Bank overdrafts		6,960	3,269	-	-
Trade and other payables	8.12	55,655	46,007	240,866	216,181
Course and education service deferred income	8.13	35,205	11,909	-	-
Income tax payable		3,075	3,335	51	51
Borrowings	8.14	214,174	195,334	68,550	86,051
		315,069	259,854	309,467	302,283
Net current liabilities	8.15	(167,117)	(115,770)	(96,765)	(88,381)
Less:					
Non-current liabilities					
Trade and other payables	8.16	19,136	19,726	-	-
Borrowings	8.14	133,471	171,122	-	-
Deferred tax liabilities	8.17	78,917	81,661	-	-
		231,524	272,509	-	-
Net assets		685,383	727,730	386,104	399,928
Capital and reserves					
Share capital		554,337	554,337	554,337	554,337
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		68,518	106,938	(128,550)	(114,726)
Equity attributable to equity holders of the Company		583,172	621,592	386,104	399,928
Non-controlling interests	8.18	102,211	106,138	-	-
Total equity		685,383	727,730	386,104	399,928

* Refer to item 5.

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

GROUP BORROWINGS AND DEDT SECURITIES	Group	
	31/12/18 $'000	30/06/18 $'000
Amount repayable in one year or less, or on demand:		
Secured[1,2]	203,552	183,461
Unsecured	10,622	11,873
	214,174	195,334
Amount repayable after one year:		
Secured[1]	133,471	171,122
	133,471	171,122
Total borrowings	347,645	366,456

Details of collateral

[1] Property mortgage loans of 308,783,000.

[2] Bank borrowings of $24,928,000 were secured by standby letter of credit based on cash deposit with the bank and/or a letter of guarantee provided by the Company. The standby letter of credit was secured by bank deposit of $25,911,000

For more details, refer to items 8.14

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	Item No.	Second Quarter ended 31/12/18 $'000	Second Quarter ended 31/12/17 $'000
Cash flows from operating activities			
Loss before income tax		(14,685)	(1,062)
Adjustments for:			
Amortisation of intangible assets		132	132
Write back for doubtful trade receivables		(13)	-
Bad trade receivables written off		182	50
Depreciation for property, plant and equipment		3,311	2,452
Impairment of goodwill		6,192	-
Interest expense		3,585	3,022
Interest income		(197)	(536)
Net loss/(gain) on disposal of property, plant and equipment		360	(46)
Fair value gain on investment properties		-	(255)
Property, plant and equipment written off		883	-
Intangible assets written off		270	-
Share-based payment		44	-
Share of results of joint ventures		127	192
Share of results of associates		117	23
Operating profit before working capital changes		308	3,972
Working capital changes:			
Trade and other receivables		9,020	10,837
Inventories		33	(4)
Course and education service deferred income		(12,156)	(12,831)
Trade and other payables		1,835	(6,103)
Cash used in operations		(960)	(4,129)
Interest paid		(3,553)	(4,082)
Interest received		197	536
Income and withholding taxes paid		(362)	(321)
Net cash used in operating activities	8.19	(4,678)	(7,996)
Cash flows from investing activities			
Additions for development cost and computer software		(24)	(175)
Additions of trademarks and licenses		(219)	(14)
Additions of investment properties		(1,125)	(2,301)
Proceeds from sale of property, plant and equipment		73	47
Purchases of property, plant and equipment	8.21	(4,382)	(10,100)
Advance to a third party	8.21	(15,920)	-
Refund of deposit for cancellation of purchase of land		-	10,235
Payment for acquisitions of non-controlling interests		-	(1,960)
Net cash used in investing activities		(21,597)	(4,268)

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	Item No.	Second Quarter ended 31/12/18 $'000	Second Quarter ended 31/12/17 $'000
Cash flows from financing activities			
Increase in short-term deposits pledged		(247)	(6,628)
Repayment of loan to a director of subsidiaries		-	(394)
Drawdown of borrowings	8.20	6,357	19,330
Repayment of borrowings	8.21	(9,631)	(24,218)
Dividends payment to non-controlling interests		(529)	(312)
Loan from a director		885	37,793
Net proceeds from issue of shares		-	28,249
Net cash from/(used in) financing activities		(3,165)	53,820
Net change in cash and cash equivalents		(29,440)	41,556
Cash and cash equivalents at beginning of financial period		40,015	26,018
Effect of exchange rate changes on cash and cash equivalents		680	(1,951)
Cash and cash equivalents at end of financial period – *Note A*	8.22	**11,255**	**65,623**

Note A:

Cash and cash equivalents	Item No.	Second Quarter ended 31/12/18 $'000	Second Quarter ended 31/12/17 $'000
Current			
Fixed deposits with banks		25,911	78,079
Cash and bank balances		18,977	63,812
Bank overdrafts		(6,960)	-
Non-current			
Restricted bank balances		3,527	3,471
Cash and bank balances in the statement of financial position		41,455	145,362
Pledged fixed deposits and bank balances		(26,673)	(76,268)
Restricted bank balances		(3,527)	(3,471)
Cash and cash equivalents in the statement of cash flow		**11,255**	**65,623**

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

	Attributable to equity holders of the Company								
GROUP	**Share Capital $'000**	**Treasury Shares $'000**	**Revaluation reserve $'000**	**Foreign currency translation reserve $'000**	**Share-based payment reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling Interests $'000**	**Total Equity $'000**
FY2019									
Balance at 1 October 2018	**554,337**	**(39,683)**	**11,571**	**(11,815)**	**2,460**	**84,890**	**601,760**	**102,880**	**704,640**
Total comprehensive loss	-	-	-	(3,424)	-	(15,208)	(18,632)	(140)	(18,772)
Share-based payment	-	-	-	-	44	-	44	-	44
Dividends	-	-	-	-	-	-	-	(529)	(529)
Balance at 31 December 2018	**554,337**	**(39,683)**	**11,571**	**(15,239)**	**2.504**	**69,682**	**583,172**	**102,211**	**685,383**
FY2018									
Balance at 1 October 2017 (restated*)	**481,785**	**(39,683)**	**7,435**	**2,397**	**2,453**	**69,301**	**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)
Balance at 31 December 2017	**510,034**	**(39,683)**	**7,435**	**767**	**2,453**	**67,858**	**548,864**	**94,009**	**642,873**

* Refer to item 5

COMPANY	**Share capital $'000**	**Treasury shares $'000**	**Share-based payment reserve $'000**	**Accumulated losses $'000**	**Total $'000**
FY2019					
Balance at 1 October 2018	**554,337**	**(39,683)**	**2,460**	**(117,581)**	**399,533**
Share-based payment	-	-	44	-	44
Total comprehensive loss	-	-	-	(13,473)	(13,473)
Balance at 31 December 2018	**554,337**	**(39,683)**	**2,504**	**(131,054)**	**386,104**
FY2018					
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
Balance at 31 December 2017	**510,034**	**(39,683)**	**2,453**	**(101,495)**	**371,309**

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 2018, no ordinary shares were repurchased.

No ordinary shares were issued in respect of the conversion of share options.

As at 31 December 2018, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 December 2018, there was unexercised share option for 3,824,973 unissued ordinary shares (31 December 2017: 1,444,955) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 2018, there were 79,790,100 treasury shares (31 December 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 1,378,656,672 (excluding treasury shares) as at 31 December 2018 (30 June 2018: 1,378,656,672).

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 2018.

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 2018, except as disclosed in note 5 below.

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

Singapore-incorporated companies listed on Singapore Exchange are required to apply a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") for annual periods beginning on or after 1 January 2018.

The Group has adopted the new/revised SFRS(I)s and interpretations of SFRS(I) ("INT SFRS(I)") on 1 July 2018.

In adopting the new framework, the Group has applied the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I)s.

The adoption of these SFRS(I) and INT SFRS(I) did not have any significant impact on the Group's financial statements except for the following:

Optional exemption – cumulative translation differences

SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates requires an entity to recognise translation differences arising from the translation of foreign operations' results and financial position to the Group's presentation currency in other comprehensive income and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal. However, SFRS(I) 1 allows the Group (on initial adoption of the new framework on 1 July 2018) to be exempted from these requirements for cumulative translation differences that existed at the date of transition to SFRS(I)s (i.e. 1 July 2017).

The Group has elected to apply this exemption in the financial year beginning on 1 July 2018. Accordingly, the negative foreign currency translation reserve of $17,021,000 as at 1 July 2017 will be deemed to be zero; and this amount was reclassified to accumulated profits on the same date.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

The Group previously accounts certain available-for-sale investment in unquoted equity instruments at cost less impairment loss. The Group has elected to recognise changes in the fair value of this unquoted equity instruments in other comprehensive income. On adoption of SFRS(I) 9, the impact of the change in fair value is assessed to be insignificant. "Available-for sale financial asset" is now shown as "Financial assets at fair value through other comprehensive income" in the Statement of Financial Position of the Group.

The Group has applied the simplified approach and record lifetime expected losses on all trade receivables and assessed to have no significant impact on the financial statements.

SFRS(I) 15 and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has assessed that there is no significant impact to the financial statements.

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 31/12/18	Second Quarter ended 31/12/17	
i) Based on the weighted average number of shares (in cents)	-1.10	-0.14	686
- Weighted average number of shares	1,378,656,672	1,052,153,485	
ii) On a fully diluted basis (in cents)	-1.10	-0.14	686
- Adjusted weighted average number of shares	1,378,656,672	1,052,153,485	

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 +/(-) %
	31/12/18	30/06/18		31/12/18	30/06/18	
NAV per ordinary share (in cents)	42.30	45.09	(6)	28.01	29.01	(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 3% from $24.6 million for FY2018 Q2 to $25.3 million for FY2019 Q2.

(2) Decrease in other operating income from $2.3 million for FY2018 Q2 to $0.7 million for FY2019 Q2 was mainly due to the decrease in foreign exchange gain from $1.7 million for FY2018 Q2 to $0.4 million for FY2019 Q2.

(3) Increase in personnel expenses from $10.5 million for FY2018 Q2 to $11.3 million for FY2019 Q2 was mainly due to increase in headcounts in Raffles American School ("RASJB") in Iskandar, Malaysia and Raffles American School (RASBK) in Bangkok, Thailand and Raffles Milan college.

(4) Increase in other operating expenses from $11.9 million for FY2018 Q2 to $13.9 million for FY2019 Q2 was mainly due to increase in foreign exchange loss of $1.4 million.

(5) Increase in finance costs from $3.0 million for FY2018 Q2 to $3.6 million for FY2019 Q2 was mainly due to RASJB's completion of its campus construction and ceased capitalising the interest relating to the construction late last year.

(6) Increase in depreciation and amortisation expenses from $2.6 million for FY2018 Q2 to $3.4 million for FY2019 Q2 was mainly due to the commencement of depreciation by RASJB upon completion of its campus construction late last year.

(7) Costs of closure of Raffles College Pty Ltd ("RCDC") and Raffles College Beijing ("RABJ") in FY2019 Q2 to stem out continued losses are as follows:

   (a) Impairment of goodwill of $6.2 million;

   (b) Property, plant and equipment ("PPE") written off of $0.9 million;

   (c) Loss on disposal of PPE of $0.4 million;

   (d) Bad trade receivables written off of $0.2 million;

   (e) Personnel expenses of $0.2 million;

   (f) Intangible assets written off of $0.2 million; and

   (g) Related closure expenses of $0.1 million.

(8) The Group recorded $3.8 million in currency translation loss arising from consolidation of foreign operations.

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 (AS AT 31 DECEMBER 2018 AND 30 JUNE 2018)

(9) Decrease in PPE from $441.6 million in FY2018 ("ended 30 June 2018") to $433.3 million in FY2019 Q2 ("ended 31 December 2018") was mainly due to:

(a) Depreciation charge of $6.6 million,

(b) Write off of $0.9 million,

(c) Loss on foreign currency translation of $9.4 million.

Increase was offset by:

(d) Additions of $9.0 million mainly from:

i. RASJB of 3.1 million;

ii. Wanbo Institute of Science & Technology ("WB") of $1.8 million;

iii. Gelin Nursery School of Suzhou National New & Hi-tech Industrial Zone of 1.4 million; and

iv. Raffles University Iskandar of $1.4 million.

(10) Decrease in investment properties from $520.3 million in FY2018 to $504.4 million in FY2019 Q2 was mainly due to foreign currency translation loss of $16.8 million.

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

	31/12/18 $'000	30/06/18 $'000
Trade receivables:		
Trade receivables, (net)[(a)]	5,106	2,242
Other receivables:		
Third parties[(b)]	16,692	184
Receivable from sale of investment properties[(c)]	47,595	55,329
Prepayments	13,073	17,978
Deposits	8,569	9,925
Receivable from former joint venture	146	153
Joint ventures	8,865	8,813
Tax recoverable	1,785	1,796
Others	1,128	1,402
	97,853	95,580
Total trade and other receivables	102,959	97,822

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 (AS AT 31 DECEMBER 2018 AND 30 JUNE 2018)

(11) Breakdown of current trade and other receivables as follows: (Cont'd)

Notes to current trade and other receivables:

(a) Increase in trade receivables by $2.9 million was mainly due to annual billing cycle for Oriental University Holdings (H.K.) Limited ("OUCHK") and OUCL (collectively "OUC").

(b) Included an advance to a third party of $15.9 million (FY2018: $nil).

(c) Amount due from sale of 490 mu land and properties of $47.6 million (FY2018: $55.3 million).

(12) Breakdown of current trade and other payables as follows:

	31/12/18 $'000	30/06/18 $'000
Trade payables (Current):		
Third parties	3,395	1,979
Other payables (Current):		
Other accruals	12,831	8,848
Accrual for property and land use tax	138	203
Accrual for business tax	1,199	787
Accruals for capital expenditure	4,480	3,666
Amount due to joint venture	9,932	9,913
Loan from a Director	17,261	13,066
Payable for land in Iskandar	2,439	2,519
Dividend payable to non-controlling interest	-	368
Other payables	3,980	4,658
	52,260	44,028
Total trade and other payables	55,655	46,007

(13) Increase in course and education service deferred income from $11.9 million in FY2018 to $35.2 million in FY2019 Q2 was mainly due to annual fee collections from students in Tianjin University of Commerce Boustead College and WB and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue over the next 2 financial quarters in FY2019.

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 (AS AT 31 DECEMBER 2018 AND 30 JUNE 2018) (CONT'D)

(14) Decrease in borrowings from $366.5 million in FY2018 to $347.6 million in FY2019 Q2 was mainly due to:

(a) Repayment of $21.8 million borrowings

(b) Foreign currency translation gain of $4.2 million

Decrease was offset by:

(c) Drawdown of $7.1 million in borrowings.

(15) Net current liabilities was mainly a result of the re-classification of borrowings in FY2018 and FY2019 Q1 from non-current to current borrowings of mortgage borrowings of $98.6 million and $30.0 million.

(16) Non-current trade and other payables mainly relates to amount payable for the purchase of 45 acres of land for RASJB of $18.8 million (FY2018: $19.4 million).

(17) Breakdown of deferred tax liabilities for FY2019 Q2 as follows:

	Accelerated tax depreciation on PPE $'000	Fair value adjustment on investment properties $'000	Divestment of land and properties $'000	Others $'000	Total $'000
Balance at 1 July 2018	550	48,893	32,233	(15)	81,661
Credited to profit or loss	(13)	-	-	1	(12)
Foreign currency realignment	69	(1,592)	(1,209)	-	(2,732)
Balance at 31 Dec 2018	**606**	**47,301**	**31,024**	**(14)**	**78,917**

(18) Non-controlling interests as at 31 December 2018 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(19) Net cash used in operating activities amounted to $4.7 million.

(20) Major contributor of cash inflows was proceeds from drawdown of borrowings of $6.4 million.

(21) Major cash outflows were for:

(a) Purchase of property, plant and equipment of $4.4 million;

(b) Advance to a third party of $15.9 million; and

(c) Repayment of borrowings of $9.6 million.

(22) The Group's cash position was $11.3 million at the end of FY2019 Q2 (FY2018 Q2: $65.6 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 2018.

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, rising interest rates and increasing competition continue to impact the Group.

As part of the streamlining strategy, the Group has closed its non-profitable colleges in Sydney and Beijing.

The Group will continue to restructure its operations for better focus and efficiency.

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 and the reason(s) for the decision

No interim dividend has been declared for the current financial period as the Group has incurred net losses.

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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 2018 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
13 February 2019