RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018

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		
		First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000	Increase/ (Decrease) %
Revenue	8.1	23,426	24,195	(3)
Other operating income	8.2	3,908	414	844
Personnel expenses		(10,321)	(10,393)	(1)
Depreciation and amortisation expenses	8.3	(3,420)	(2,747)	24
Other operating expenses	8.4	(10,226)	(12,250)	(17)
Finance costs		(3,835)	(3,570)	7
Share of results of joint ventures	8.5	(13)	(634)	(98)
Share of results of associates		(123)	(32)	284
Loss before income tax		(604)	(5,017)	(88)
Income tax credit/(expense)		82	(486)	NM
Loss after tax		(522)	(5,503)	(91)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.6	(22,575)	2,973	NM
Total comprehensive loss		(23,097)	(2,530)	813
Attributable to:				
Equity holders of the Company		(859)	(5,859)	(85)
Non-controlling interests		337	356	(5)
Net loss		(522)	(5,503)	(91)
Attributable to:				
Equity holders of the Company		(19,839)	(3,462)	473
Non-controlling interests		(3,258)	932	NM
Total comprehensive loss		(23,097)	(2,530)	813

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		
	First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000	Increase/ (Decrease) %
Interest income[1]	52	41	27
Government grant[1]	41	-	NM
Foreign exchange gain[1]	3,858	360	972
Write back/(allowance) for doubtful trade receivables[2]	16	(1)	NM
Bad trade receivables written off[2]	(18)	(41)	(56)
Foreign exchange loss[2]	(792)	(1,388)	(43)
Rental expenses[2]	(1,622)	(1,617)	-
Share-based payment[3]	(7)	-	NM
Overprovision of income tax expense in prior financial periods	(446)	(166)	169

NM – Not meaningful

[1] included in other operating income

[2] included in other operating expenses

[3] included in personnel 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.

ADJUSTED EBITDA	Group	
	First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000
Loss after tax	(522)	(5,503)
Add/(less):		
Government grant	(41)	-
Finance costs	3,835	3,570
Income tax (credit)/expenses	(82)	486
Depreciation and amortisation	3,420	2,747
Net foreign exchange (gain)/loss	(3,066)	1,028
Share of results of joint ventures	13	634
Share of results of associates	123	32
Adjusted EBITDA	3,680	2,994

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 30/9/18 $'000	Group Restated* 30/6/18 $'000	Company 30/9/18 $'000	Company 30/6/18 $'000
Non-current assets					
Property, plant and equipment	8.7	435,756	441,604	-	-
Investment properties	8.8	508,046	520,311	-	-
Investment in subsidiaries		-	-	456,155	455,625
Investment in joint ventures		21,275	21,429	-	-
Investment in associates		5,942	6,704	-	-
Financial assets at fair value through other comprehensive income		599	620	-	-
Intangible assets		118,775	118,962	343	358
Deferred tax assets		3,206	2,883		-
Other receivable		-	-	32,715	32,326
Restricted bank balances		3,617	3,496	-	-
		1,097,216	1,116,009	489,213	488,309
Current assets					
Inventories		138	135	-	-
Trade and other receivables	8.9	95,760	97,822	212,844	213,479
Cash and bank balances		71,601	46,127	900	423
		167,499	144,084	213,744	213,902
Less:					
Current liabilities					
Bank overdraft		5,087	3,269	-	-
Trade and other payables	8.10	52,784	46,007	226,998	216,181
Course and education service deferred income	8.11	47,361	11,909	-	-
Income tax payable		3,139	3,335	51	51
Borrowings	8.12	215,097	195,334	76,375	86,051
		323,468	259,854	303,424	302,283
Net current liabilities	8.13	(155,969)	(115,770)	(89,680)	(88,381)
Less:					
Non-current liabilities					
Trade and other payables	8.14	19,242	19,726	-	-
Borrowings	8.12	138,041	171,122	-	-
Deferred tax liabilities	8.15	79,324	81,661	-	-
		236,607	272,509	-	-
Net assets		704,640	727,730	399,533	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		87,106	106,938	(115,121)	(114,726)
Equity attributable to equity holders of the Company		601,760	621,592	399,533	399,928
Non-controlling interests	8.16	102,880	106,138	-	-
Total equity		704,640	727,730	399,533	399,928

* Refer to item 5.

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

GROUP BORROWINGS AND DEDT SECURITIES	Group	
	30/09/18 $'000	30/06/18 $'000
Amount repayable in one year or less, or on demand:		
Secured[1,2]	203,850	183,461
Unsecured	11,247	11,873
	215,097	195,334
Amount repayable after one year:		
Secured[1]	138,041	171,122
	138,041	171,122
Total borrowings	353,138	366,456

Details of collateral

[1]Property mortgage loans of $315,740,000.

[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 $25,738,000.

For more details, refer to item 8.12.

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.	First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000
Cash flows from operating activities			
Loss before income tax		(604)	(5,017)
Adjustments for:			
Amortisation of intangible assets		135	121
(Write back)/allowance for doubtful trade receivables		(16)	1
Bad trade receivables written off		18	41
Depreciation for property, plant and equipment		3,285	2,626
Interest expense		3,835	3,570
Interest income		(52)	(41)
Net loss/(gain) on disposal of property, plant and equipment		9	(8)
Share-based payment		7	-
Share of results of joint ventures		13	634
Share of results of associates		123	32
Operating profit before working capital changes		6,753	1,959
Working capital changes:			
Trade and other receivables		(5,933)	(14,188)
Inventories		(3)	(25)
Course and education service deferred income		35,452	34,310
Trade and other payables		2,149	2,293
Cash generated from operations		38,418	24,349
Interest paid		(3,803)	(2,266)
Interest received		52	41
Income and withholding taxes paid		(274)	(1,004)
Net cash from operating activities	8.17	34,393	21,120
Cash flows from investing activities			
Additions of development costs and computer software		(44)	(90)
Addition of trademarks and licenses		(10)	
Additions of investment properties		(124)	(2,654)
Proceeds from disposal of property, plant and equipment		10	8
Proceeds from disposal of investment properties	8.18	5,683	4,489
Purchases of property, plant and equipment	8.19	(3,383)	(11,443)
Additional investment in a joint venture		(10)	-
Net cash generated from/(used in) investing activities		2,122	(9,690)
Cash flows from financing activities			
Decrease/(Increase) in bank balances pledged		3	(10,584)
Loan from/(Repayment to) a Director	8.18	4,105	(270)
Draw down of borrowings		738	17,691
Repayment of borrowings	8.19	(12,124)	(6,991)
Repayment of loan to a director of subsidiaries		-	(1,750)
Net cash used in financing activities		(7,278)	(1,904)

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.	First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000
Net change in cash and cash equivalents		29,237	9,526
Cash and cash equivalents at beginning of financial period		15,436	15,143
Effect of exchange rate changes on cash and cash equivalents		(4,658)	1,349
Cash and cash equivalents at end of financial period *– Note A*	8.20	**40,015**	**26,018**

Note A:

Cash and cash equivalents	Item No.	First Quarter ended 30/09/18 $'000	First Quarter ended 30/09/17 $'000
Current			
Fixed deposits with banks		25,737	70,199
Cash and bank balances		45,864	25,694
Bank overdraft		(5,087)	-
Non-current			
Restricted bank balances		3,617	3,562
Cash and bank balances in the statement of financial position		70,131	99,455
Pledged fixed deposits and bank balances		(26,499)	(69,875)
Restricted bank balances		(3,617)	(3,562)
Cash and cash equivalents in the statement of cash flow	8.20	**40,015**	**26,018**

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

	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 July 2018, previously reported	**554,337**	**(39,683)**	**11,571**	**(9,856)**	**2,453**	**102,770**	**621,592**	**106,138**	**727,730**
Effects of adoption of SFRS(I)	-	-	-	17,021	-	(17,021)	-	-	-
Balance at 1 July 2018, restated	**554,337**	**(39,683)**	**11,571**	**7,165**	**2,453**	**85,749**	**621,592**	**106,138**	**727,730**
Total comprehensive income	-	-	-	(18,980)		(859)	(19.839)	(3,258)	(23,097)
Share based payment	-	-	-	-	7	-	7	-	7
Balance at 30 September 2018	**554,337**	**(39,683)**	**11,571**	**(11,815)**	**2,460**	**84,890**	**601,760**	**102,880**	**704,640**
FY2018									
Balance at 1 July 2017, previously reported	**481,785**	**(39,683)**	**7,435**	**(17,021)**	**2,453**	**92,181**	**527,150**	**93,081**	**620,23**
Effects of adoption of SFRS(I) 1	**-**	**-**	**-**	**17,021**	**-**	**(17,021)**	**-**	**-**	**-**
Balance at 1 July 2017, restated	**481,785**	**(39,683)**	**7,435**	**-**	**2,453**	**75,160**	**527,150**	**93,081**	**620,231**
Total comprehensive income	-	-	-	2,397	-	(5,859)	(3,462)	932	(2,530)
Balance at 30 September 2018	**481,785**	**(39,683)**	**7,435**	**2,397**	**2,453**	**69,301**	**523,688**	**94,013**	**617,701**

COMPANY	**Share capital** $'000	**Treasury shares** $'000	**Share-based payment reserve** $'000	**Accumulated losses** $'000	**Total** $'000
FY2018					
Balance at 1 July 2018	**554,337**	**(39,683)**	**2,453**	**(117,179)**	**399,928**
Share based payment	**-**	**-**	**7**	**-**	**7**
Total comprehensive loss	-	-	-	(402)	(402)
Balance at 30 September 2018	**554,337**	**(39,683)**	**2,460**	**(117,581)**	**399,533**
FY2018					
Balance at 1 July 2017	**481,785**	**(39,683)**	**2,453**	**(94,458)**	**350,097**
Total comprehensive loss	-	-	-	(4,666)	(4,666)
Balance at 30 September 2018	**481,785**	**(39,683)**	**2,453**	**(99,124)**	**345,431**

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

SHARE CAPITAL

During the financial period ended 30 September 2018, no ordinary shares were repurchased.

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

As at 30 September 2018, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 30 September 2018, there was unexercised share option for 3,824,973 unissued ordinary shares (30 September 2017: 2,078,605) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 September 2018, there were 79,790,100 treasury shares (30 September 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 30 September 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 30 September 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 profit attributable to shareholders of the Group		Group		Change +/(-) %
		First Quarter ended 30/09/18	First Quarter ended 30/09/17	
i)	Based on the weighted average number of shares (in cents)	-0.06	-0.61	(90)
	- Weighted average number of shares	1,378,656,672	965,505,133	
ii)	On a fully diluted basis (in cents)	-0.06	-0.61	(90)
	- Adjusted weighted average number of shares	1,378,656,672	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 +/(-) %
	30/09/18	30/06/18		30/09/18	30/06/18	
NAV per ordinary share (in cents)	43.65	45.09	(3)	28.98	29.01	-

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

(1) Group revenue decreased by 3% from $24.2 million for FY2018 Q1 to $23.4 million for FY2019 Q1.

(2) Increase in other operating income from $0.4 million for FY2018 Q1 to $3.9 million for FY2019 Q1 mainly due to increase in foreign exchange gain of $3.5 million due to RMB payables.

(3) Increase in depreciation and amortisation expenses from $2.7 million for FY2018 Q1 to $3.4 million for FY2019 Q1 was mainly due to the commencement of depreciation by Raffles American School ("RASJB") in Iskandar, Malaysia, upon completion of its campus construction late last year.

(4) Decrease in other operating expenses from $12.3 million for FY2018 Q1 to $10.2 million for FY2019 Q1 was mainly due to higher legal expenses incurred last year for the on-going arbitrations/legal proceedings against the joint venture partner in India, Educomp Solutions Limited ("ESL") as well as ESL's subsidiaries.

(5) Share of results of joint venture for FY2019 Q1 included share of exchange gain of $148,000 (FY2018 Q1: loss of $383,000) recorded by a joint venture.

(6) The Group recorded $22.6 million in currency translation loss arising from consolidation of foreign operations. The currency translation loss arose mainly from the translation of Oriental University Holdings (H.K.) Limited ("OUCHK") and Oriental University Limited ("OUCL") (collectively "OUC") net asset value.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 SEPTEMBER 2018 AND 30 JUNE 2018)

(7) Decrease in property, plant and equipment ("PPE") from $441.6 million in FY2018 ("ended 30 June 2018") to $435.8 million in FY2019 Q1 ("ended 30 September 2018") mainly due to:

(a) Depreciation charge of $3.3 million:

(b) Loss on foreign currency translation of $6.9 million

Decrease was offset by:

(c) Additions of $4.3 million.

(8) Decrease in investment properties from $520.3 million in FY2018 to $508.0 million in FY2019 Q1 was mainly due to foreign currency translation loss of $12.4 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 (AS AT 30 SEPTEMBER 2018 AND 30 JUNE 2018) (CONT"D)

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

	30/09/18 $'000	30/06/18 $'000
Trade receivables:		
Trade receivables, (net)[(a)]	13,948	2,242
Other receivables:		
Third parties	104	184
Receivable from sale of investment properties[(b)]	47,718	55,329
Prepayments	13,485	17,978
Deposits	8,658	9,925
Receivable from former joint venture	147	153
Joint ventures	8,575	8,813
Tax recoverable	2,191	1,796
Others	934	1,402
	81,812	95,580
Total trade and other receivables	95,760	97,822

Notes to current trade and other receivables:

a) Increase in trade receivables by $11.7 million was mainly due to the annual billing cycle for Tianjin University of Commerce Boustead College ("BC"), Wanbo Institute of Science & Technology ("WBC") and OUC.

b) Amount due from sale of 490 mu land and properties of $47.7 million (FY2018: $55.3 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 (AS AT 30 SEPTEMBER 2018 AND 30 JUNE 2018) (CONT'D)

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

	30/09/18 $'000	30/06/18 $'000
Trade payables (Current):		
Third parties	2,419	1,979
Other payables (Current):		
Other accruals	11,193	8,848
Accrual for property and land use tax	93	203
Accrual for business tax	1,170	787
Accruals for capital expenditure	4,254	3,666
Amount due to joint venture	9,906	9,913
Loan from a Director	16,377	13,066
Payable for land in Iskandar	2,459	2,519
Dividend payable to non-controlling interest	-	368
Other payables	4,913	4,658
	50,365	44,028
Total trade and other payables	52,784	46,007

(11) Increase in course and education service deferred income from $11.9 million in FY2018 to $47.4 million in FY2019 Q1 was mainly due to annual fee collections from students in BC and WBC and annual education service fees from colleges in OUC. These deferred income will be recognised as revenue over the next 3 financial quarters in FY2019.

(12) Decrease in borrowings from $366.5 million in FY2018 to $353.1 million in FY2019 Q1 was mainly due to:

a) Repayment of $12.1 million borrowings

b) Foreign currency translation gain of $2.0 million

(13) 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.

(14) Non-current trade and other payables mainly relates to amount payable for the purchase of 45 acres of land for RASJB of $18.9 million (FY2018: $19.4 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 (AS AT 30 SEPTEMBER 2018 AND 30 JUNE 2018) (CONT'D)

(15) Breakdown of deferred tax liabilities for FY2018 Q1 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	-	-	-	(2)	(2)
Foreign currency realignment	69	(1,275)	(1,129)	-	(2,335)
Balance at 30 Sep 2018	**619**	**47,618**	**31,104**	**(17)**	**79,324**

(16) Non-controlling interests as at 30 September 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

(17) Net cash from operating activities amounted to $34.4 million.

(18) Major cash inflows were:

a) Proceeds from disposal of investment properties of $5.7 million; and

b) Loan from a Director of $4.1 million.

(19) Major cash outflows were for:

a) Purchase of property, plant and equipment of $3.4 million; and

b) Repayment of borrowings of $12.1 million.

(20) The Group's cash position was $40.0 million at the end of FY2019 Q1 (FY2018 Q1: $26.0 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 year ended 30 June 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.

The Group continues to streamline and restructure its operations for better cost management and improved 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

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 first quarter financial results pursuant to Rule 705(5) of the Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the three months ended 30 September 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
8 November 2018