

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THIRD FINANCIAL QUARTER ENDED 31 MARCH 2019

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

UNAUDITED NINE MONTHS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/19 \$'000	9 months ended 31/03/18 \$'000	Increase/ (Decrease) %
Revenue	73,594	72,638	1
Other operating income	5,825	4,201	39
Personnel expenses	(32,136)	(31,527)	2
Other operating expenses	(35,931)	(37,144)	(3)
Finance costs	(11,114)	(9,869)	13
Depreciation and amortisation expenses	(10,279)	(8,175)	26
Fair value gain on investment properties	-	255	NM
Impairment loss on investment properties	(21)	-	NM
Share of results of joint ventures	(445)	(1,422)	(69)
Share of results of associates	(393)	1,781	NM
Operating loss before income tax	(10,900)	(9,262)	18
Non-recurring costs from revamp and closure of colleges	(8,283)	-	NM
Loss before income tax	(19,183)	(9,262)	107
Income tax credit/(expense)	3,453	(908)	NM
Loss after tax	(15,730)	(10,170)	55
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Share of fair value reserve changes of an associate	-	(518)	NM
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation of foreign operations	(20,038)	10,591	NM
Total comprehensive loss	(35,768)	(97)	36,774
Attributable to:			
Equity holders of the Company	(16,693)	(11,277)	48
Non-controlling interests	963	1,107	(13)
Net loss	(15,730)	(10,170)	55
Attributable to:			
Equity holders of the Company	(33,877)	(3,133)	981
Non-controlling interests	(1,891)	3,036	NM
Total comprehensive loss	(35,768)	(97)	36,774

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 THIRD QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	9 months ended 31/03/19 \$'000	9 months ended 31/03/18 \$'000	Increase/ (Decrease) %
Interest income ¹	309	891	(65)
Government grant ¹	86	-	NM
Foreign exchange gain ¹	5,285	3,162	67
Gain on disposal of property, plant and equipment ¹	11	61	(82)
Write back/(allowance) for doubtful trade receivables ²	25	(1)	NM
Bad trade receivables written off ^{2 4}	(238)	(110)	116
Foreign exchange loss ²	(4,348)	(4,301)	1
Property, plant and equipment written off ⁴	(883)	(1)	88,200
Loss on disposal of property, plant and equipment ^{2 4}	(376)	(33)	1,039
Rental expenses ²	(4,356)	(4,699)	(7)
Impairment of goodwill ⁴	(6,192)	-	NM
Share-based payment ³	(90)	-	NM
Over/(under)provision of income tax expense in prior financial periods	466	(105)	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 from revamp and closure of colleges

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	
	9 months ended 31/03/19 \$'000	9 months ended 31/03/18 \$'000
Loss after tax	(15,730)	(10,170)
<u>Add/(less):</u>		
Government grant	(86)	-
Finance costs	11,114	9,869
Income tax (credit)/expense	(3,453)	908
Depreciation and amortisation	10,279	8,175
Impairment of goodwill	6,192	-
Net foreign exchange gain	(937)	1,139
Property, plant and equipment written off	883	1
Net loss/(gain) on disposal of property, plant and equipment	365	(28)
Share of results of joint ventures	445	1,422
Share of results of associates	393	(1,781)
Adjusted EBITDA	9,465	9,535

**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		
		Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000	Increase/ (Decrease) %
Revenue	8.1	24,907	23,806	5
Other operating income	8.2	1,243	1,521	(18)
Personnel expenses		(10,493)	(10,608)	(1)
Other operating expenses	8.3	(11,790)	(13,021)	(9)
Finance costs	8.4	(3,694)	(3,277)	13
Depreciation and amortisation expenses	8.5	(3,416)	(2,844)	20
Impairment loss on investment properties		(21)	-	NM
Share of results of joint ventures		(305)	(596)	(49)
Share of results of associates	8.6	(153)	1,836	NM
Operating loss before income tax		(3,722)	(3,183)	17
Non-recurring costs from revamp and closure of colleges	8.7	(172)	-	NM
Loss before income tax		(3,894)	(3,183)	22
Income tax credit/(expense)	8.8	3,674	(164)	NM
Loss after tax		(220)	(3,347)	(93)
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Share of fair value reserve changes of an associate		-	(518)	NM
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.9	6,321	9,063	(30)
Total comprehensive income		6,101	5,198	17
Attributable to:				
Equity holders of the Company		(626)	(3,975)	(84)
Non-controlling interests		406	628	(35)
Net loss		(220)	(3,347)	(93)
Attributable to:				
Equity holders of the Company		4,594	3,402	35
Non-controlling interests		1,507	1,796	(16)
Total comprehensive income		6,101	5,198	17

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		
	Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000	Increase/ (Decrease) %
Interest income ¹	60	314	(81)
Government grant ¹	45	-	NM
Foreign exchange gain ¹	1,045	1,136	(8)
Gain on disposal of property, plant and equipment ¹	6	7	(14)
Provision for doubtful trade receivables ²	(4)	-	NM
Bad trade receivables written off ^{2 4}	(38)	(19)	100
Foreign exchange loss ²	(1,863)	(2,630)	(29)
Property, plant and equipment written off ^{2 4}	-	(1)	NM
Loss on disposal of property, plant and equipment ^{2 4}	(2)	(33)	(94)
Rental expenses ²	(1,095)	(1,546)	(29)
Share-based payment ³	(39)	-	NM
Over/(under)provision of income tax expense in prior financial periods	9	(10)	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 from revamp and closure of colleges

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	
	Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000
Loss after tax	(220)	(3,347)
<u>Add/(less):</u>		
Government grant	(45)	-
Finance costs	3,694	3,277
Income tax (credit)/expense	(3,674)	164
Depreciation and amortisation	3,416	2,844
Net foreign exchange loss/(gain)	818	1,494
Property, plant and equipment written off	-	1
Net loss/(gain) on disposal of property, plant and equipment	(4)	26
Share of results of joint ventures	305	596
Share of results of associates	153	(1,836)
Adjusted EBITDA	4,443	3,219

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	
		31/03/19 \$'000	Restated* 30/6/18 \$'000	31/03/19 \$'000	30/6/18 \$'000
Non-current assets					
Property, plant and equipment	8.10	436,308	441,604	-	-
Investment properties	8.11	515,231	520,311	-	-
Investment in subsidiaries		-	-	486,062	455,625
Investment in joint ventures		20,967	21,429	-	-
Investment in associates		5,261	6,704	-	-
Financial assets at fair value through other comprehensive income		604	620	-	-
Intangible assets		112,009	118,962	463	358
Deferred tax assets		3,153	2,883	-	-
Other receivable			-	32,499	32,326
Restricted bank balances		3,463	3,496	-	-
		1,096,996	1,116,009	519,024	488,309
Current assets					
Inventories		109	135	-	-
Trade and other receivables	8.12	95,073	97,822	216,351	213,479
Cash and bank balances		40,865	46,127	998	423
		136,047	144,084	217,349	213,902
Less:					
Current liabilities					
Bank overdrafts		8,157	3,269	-	-
Trade and other payables	8.13	52,756	46,007	285,880	216,181
Course and education service deferred income	8.14	22,627	11,909	-	-
Income tax payable		4,194	3,335	51	51
Borrowings	8.15	216,815	195,334	66,133	86,051
		304,549	259,854	352,064	302,283
Net current liabilities	8.16	(168,502)	(115,770)	(134,715)	(88,381)
Less:					
Non-current liabilities					
Trade and other payables	8.17	340	19,726	-	-
Borrowings	8.15	162,031	171,122	-	-
Deferred tax liabilities	8.18	74,522	81,661	-	-
		236,893	272,509	-	-
Net assets		691,601	727,730	384,309	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		73,151	106,938	(130,345)	(114,726)
Equity attributable to equity holders of the Company		587,805	621,592	384,309	399,928
Non-controlling interests	8.19	103,796	106,138	-	-
Total equity		691,601	727,730	384,309	399,928

* Refer to item 5.

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	31/03/19 \$'000	30/06/18 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2}	206,610	183,461
Unsecured	10,205	11,873
	216,815	195,334
<u>Amount repayable after one year:</u>		
Secured ¹	162,031	171,122
	162,031	171,122
Total borrowings	378,846	366,456

Details of collateral

¹ Property mortgage loans of 330,324,000.

² Bank borrowings of \$24,928,000 were secured by standby letter of credit collateralised by cash deposit of \$26,234,000.

For more details, refer to items 8.15

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.	Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000
Cash flows from operating activities			
Loss before income tax		(3,894)	(3,183)
Adjustments for:			
Amortisation of intangible assets		133	140
Provision for doubtful trade receivables		4	-
Bad trade receivables written off		38	19
Depreciation for property, plant and equipment		3,283	2,704
Interest expense		3,694	3,277
Interest income		(60)	(314)
Net (gain)/loss on disposal of property, plant and equipment		(4)	26
Impairment loss on investment properties		21	-
Property, plant and equipment written off		-	1
Share-based payment		39	-
Share of results of joint ventures		305	596
Share of results of associates		153	(1,836)
Operating profit before working capital changes		3,712	1,430
Working capital changes:			
Trade and other receivables		2,137	1,518
Inventories		(4)	13
Course and education service deferred income		(12,578)	(11,139)
Trade and other payables		7,651	(1,695)
Cash used in operations		918	(9,873)
Interest paid		(3,661)	(1,978)
Interest received		60	314
Income and withholding taxes paid		(305)	(261)
Net cash used in operating activities	8.20	(2,988)	(11,798)
Cash flows from investing activities			
Additions for development cost and computer software		(93)	(139)
Additions of trademarks and licenses		(29)	(39)
Additions of investment properties		(890)	-
Proceeds from sale of property, plant and equipment		7	17
Purchases of property, plant and equipment	8.22	(29,696)	(3,799)
Net cash used in investing activities		(30,701)	(3,960)

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.	Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000
Cash flows from financing activities			
(Increase)/Decrease in short-term deposits pledged		(1)	12,362
Drawdown of borrowings	8.21	36,446	9,305
Repayment of borrowings	8.22	(6,202)	(18,185)
Repayment of loan from a director		(2,836)	(21,982)
Capital contribution from non-controlling interest		465	-
Net cash from/(used in) financing activities		27,872	(18,500)
Net change in cash and cash equivalents		(5,817)	(34,258)
Cash and cash equivalents at beginning of financial period		11,255	65,623
Effect of exchange rate changes on cash and cash equivalents		262	156
Cash and cash equivalents at end of financial period	8.23	5,700	31,521
- Note A			

Note A:

	Item No.	Third Quarter ended 31/03/19 \$'000	Third Quarter ended 31/03/18 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		26,234	64,545
Cash and bank balances		14,631	32,287
Bank overdrafts		(8,157)	-
<u>Non-current</u>			
Restricted fixed deposits		3,463	3,535
Cash and bank balances in the statement of financial position		36,171	100,367
Pledged fixed deposits and bank balances		(27,008)	(65,311)
Restricted fixed deposits		(3,463)	(3,535)
Cash and cash equivalents in the statement of cash flow		5,700	31,521

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	Fair value reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
					\$'000	\$'000				
FY2019										
Balance at 1 January 2019	554,337	(39,683)	11,571	-	(15,239)	2,504	69,682	583,172	102,211	685,383
Total comprehensive income	-	-	-	-	5,220	-	(626)	4,594	1,507	6,101
Share-based payment	-	-	-	-	-	39	-	39	-	39
Dividends	-	-	-	-	-	-	-	-	(387)	(387)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	465	465
Balance at 31 March 2019	554,337	(39,683)	11,571	-	(10,019)	2,543	69,056	587,805	103,796	691,601
FY2018										
Balance at 1 January 2018 (restated*)	510,034	(39,683)	7,435	-	767	2,453	67,858	548,864	94,009	642,873
Total comprehensive income	-	-	-	(388)	7,765	-	(3,975)	3,402	1,796	5,198
Dividends	-	-	-	-	-	-	-	-	(377)	(377)
Change of ownership interest without loss of control	-	-	-	-	51	-	(78)	(27)	27	-
Balance at 31 March 2018	510,034	(39,683)	7,435	(388)	8,583	2,453	63,805	552,239	95,455	647,694

* Refer to item 5

COMPANY	Share-based				
	Share capital	Treasury shares	payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
FY2019					
Balance at 1 January 2019	554,337	(39,683)	2,504	(131,054)	386,104
Share-based payment	-	-	39	-	39
Total comprehensive loss	-	-	-	(1,834)	(1,834)
Balance at 31 March 2019	554,337	(39,683)	2,543	(132,888)	384,309
FY2018					
Balance at 1 January 2018	510,034	(39,683)	2,453	(101,495)	371,309
Total comprehensive Income	-	-	-	23,416	23,416
Balance at 31 March 2018	510,034	(39,683)	2,453	(78,079)	394,725

- 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 March 2019, no ordinary shares were repurchased.

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

As at 31 March 2019, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 March 2019, there was unexercised share option for 3,374,000 unissued ordinary shares (31 March 2018: 639,639) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 March 2019, there were 79,790,100 treasury shares (31 March 2018: 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 March 2019 (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 March 2019.

- 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 +/- %
	Third Quarter ended 31/03/19	Third Quarter ended 31/03/18	
i) Based on the weighted average number of shares (in cents)	-0.05	-0.37	(86)
- Weighted average number of shares	1,378,656,672	1,060,505,133	
ii) On a fully diluted basis (in cents)	-0.05	-0.37	(86)
- Adjusted weighted average number of shares	1,378,656,672	1,060,505,133	

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 +/- %
	31/03/19	30/06/18		31/03/19	30/06/18	
NAV per ordinary share (in cents)	42.64	45.09	(5)	27.88	29.01	(4)

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 5% from \$23.8 million for FY2018 Q3 to \$24.9 million for FY2019 Q3.
- (2) Decrease in other operating income from \$1.5 million for FY2018 Q3 to \$1.2m million for FY2019 Q3 was mainly due to the decrease in interest income of \$0.3 million.
- (3) Decrease in other operating expenses from \$13.0 million for FY2018 Q3 to \$11.8 million for FY2019 Q3 was mainly due to:
 - (a) Decrease in foreign exchange loss of \$0.8 million; and
 - (b) Decrease in rental expenses of \$0.5 million as certain colleges reduced rental space.
- (4) Increase in finance costs from \$3.3 million for FY2018 Q3 to \$3.7 million for FY2019 Q3 was mainly due to the completion of campus construction for Raffles American School ("RASJB") in Iskandar and ceased capitalising the interest relating to the construction late last year.
- (5) Increase in depreciation and amortisation expenses from \$2.8 million for FY2018 Q3 to \$3.4 million for FY2019 Q3 was mainly due to the commencement of depreciation by RASJB upon completion of its campus construction late last year.
- (6) Share of results of associates decreased to a loss of \$0.2 million for FY2019 Q3 from a profit of \$1.8 million for FY2018 Q3 was mainly due to divestment of property by Axiom Properties Limited during the last financial year.
- (7) Costs from revamp and of closure of colleges are mainly personnel expenses of \$0.1 million.
- (8) Oriental University Limited ("OUCL") sold certain properties to Oriental University City Holdings (H.K.) Limited ("OUCHK") (OUCL and OUCHK collectively "OUC") which the Shareholders of the Company approved on 29 October 2018. Pursuant to this sale, OUC underwent a special re-organisation scheme this quarter whereby :
 - (a) The deferred tax provision for these sale properties of \$5.1 million is no longer required and thus reversed this quarter, and
 - (b) Income tax provision of \$1.1 million was made instead for this sale.
- (9) The Group recorded \$6.3 million in currency translation gain arising from consolidation of foreign operations.

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 MARCH 2019 AND 30 JUNE 2018)

- (10) Decrease in PPE from \$441.6 million in FY2018 ("ended 30 June 2018") to \$436.3 million in FY2019 Q3 ("ended 31 March 2019") was mainly due to:
 - (a) Depreciation charge of \$9.9 million,
 - (b) Write off of \$0.9 million,
 - (c) Disposal of \$0.4 million,
 - (d) Loss on foreign currency translation of \$5.6 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 31 MARCH 2019 AND 30 JUNE 2018) (CONT'D)

Decrease was offset by:

- (e) Additions of \$11.4 million mainly from:
- i. RASJB of \$2.8 million;
 - ii. Wanbo Institute of Science & Technology ("WB") of \$3.4 million; and
 - iii. Raffles University Iskandar of \$1.8 million.

- (11) Decrease in investment properties from \$520.3 million in FY2018 to \$515.2 million in FY2019 Q3 was mainly due to foreign currency translation loss of \$13.4 million.

The decrease was offset by a transfer into investment properties from prepayments of \$6.4 million.

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

	31/03/19 \$'000	30/06/18 \$'000
Trade receivables:		
Trade receivables, (net)	3,253	2,242
Other receivables:		
Third parties ^(a)	16,932	184
Receivable from sale of investment properties ^(b)	48,188	55,329
Prepayments	6,272	17,978
Deposits	8,534	9,925
Receivable from former joint venture	148	153
Joint ventures	8,951	8,813
Tax recoverable	1,647	1,796
Others	1,148	1,402
	91,820	95,580
Total trade and other receivables	95,073	97,822

Notes to current trade and other receivables:

- (a) Included an advance to a third party of \$16.1 million (FY2018: \$nil).
- (b) Amount due from sale of 490 mu land and properties of \$48.2 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 31 MARCH 2019 AND 30 JUNE 2018) (CONT'D)

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

	31/03/19 \$'000	30/06/18 \$'000
Trade payables (Current):		
Third parties	3,324	1,979
Other payables (Current):		
Other accruals	15,503	8,848
Accrual for property and land use tax	45	203
Accrual for business tax	775	787
Accruals for capital expenditure	3,764	3,666
Amount due to joint venture	9,769	9,913
Loan from a Director	14,431	13,066
Payable for land in Iskandar	-	2,519
Dividend payable to OUCHK's minority interest	387	368
Other payables	4,758	4,658
	49,432	44,028
Total trade and other payables	52,756	46,007

- (14) Increase in course and education service deferred income from \$11.9 million in FY2018 to \$22.6 million in FY2019 Q3 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 financial quarter in FY2019.
- (15) Increase in borrowings from \$366.5 million in FY2018 to \$378.8 million in FY2019 Q3 was mainly due to:
- (a) Drawdown of \$43.5 million in borrowings.
- Increase was offset by:
- (b) Repayment of \$28.0 million borrowings
 - (c) Foreign currency translation gain of \$3.3 million
- (16) 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.

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 MARCH 2019 AND 30 JUNE 2018) (CONT'D)

(17) Non-current trade and other payables mainly relates to amount payable for the purchase of 45 acres of land for RASJB of \$Nil (FY2018: \$19.4 million). RASJB has fully paid for the land during this quarter.

(18) Breakdown of deferred tax liabilities for FY2019 Q3 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	(29)	(5,056)	-	1	(5,084)
Foreign currency realignment	72	(1,303)	(823)	(1)	(2,055)
Balance at 31 March 2019	593	42,534	31,410	(15)	74,522

(19) Non-controlling interests as at 31 March 2019 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiaries in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(20) Net cash used in operating activities amounted to \$3.0 million.

(21) Major contributor of cash inflows was proceeds from drawdown of borrowings of \$36.4 million.

(22) Major cash outflows were for:

- (a) Purchase of property, plant and equipment of \$29.7 million; and
- (b) Repayment of borrowings of \$6.2 million.

(23) The Group's cash position was \$5.7 million at the end of FY2019 Q3 (FY2018 Q3: \$31.5 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 31 December 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 ever changing global education environment and volatility in the financial markets continue to impact the Group.

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/recommendeded, 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.

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 March 2019 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 May 2019