TMC Education Corporation Ltd
Every Step With You

**TMC EDUCATION CORPORATION LTD**
(Incorporated in the Republic of Singapore)
Co. Reg. No.200507226K

## UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.*

## PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 ("HY2015")

### 1(a) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Group | | |
|---|---|---|---|
| | **Unaudited HY2015 ($'000)** | **Unaudited HY2014 ($'000) (Restated)** | **% Change Increase/ (Decrease)** |
| **Revenue and other income** | | | |
| Course and examination fees | 4,540 | 4,855 | (6.5%) |
| Other income | 742 | 434 | 71.0% |
| | 5,282 | 5,289 | (0.1%) |
| **Less: Operating expenses** | | | |
| Course materials and subscriptions | (423) | (438) | (3.4%) |
| Staff costs | (3,552) | (3,462) | 2.6% |
| Property, plant and equipment related expenses | (888) | (646) | 37.5% |
| Advertising and promotion | (327) | (448) | (27.0%) |
| Operating lease expenses | (1,704) | (1,709) | (0.3%) |
| Other operating expenses | (857) | (865) | (0.9%) |
| | **(2,469)** | **(2,279)** | **8.3%** |
| Finance costs | (46) | (8) | 475.0% |
| **Loss before income tax** | **(2,515)** | **(2,287)** | **10.0%** |
| Income tax expenses | - | - | - |
| **Loss for the period** | **(2,515)** | **(2,287)** | **10.0%** |
| **(Loss)/profit attributable to:** | | | |
| Equity holders of the Company | (2,549) | (2,271) | 12.2% |
| Non-controlling interest | 34 | (16) | NM |
| | **(2,515)** | **(2,287)** | **10.0%** |

*NM – not meaningful

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

| | Group | |
|---|---|---|
| | Unaudited HY2015 ($'000) | Unaudited HY2014 ($'000) (Restated) |
| **Loss for the period** | **(2,515)** | **(2,287)** |
| **Other comprehensive income** | | |
| Foreign currency translation differences for foreign operations | **(199)** | **(35)** |
| **Other comprehensive loss for the period, net of income tax** | **(199)** | **(35)** |
| Total comprehensive loss for the period | **(2,714)** | **(2,322)** |
| **Total comprehensive income attributable to :** | | |
| Equity holders of the Company | **(2,702)** | **(2,298)** |
| Non-controlling interest | **(12)** | **(24)** |
| **Total comprehensive loss for the period** | **(2,714)** | **(2,322)** |

**(Loss)/profit before income tax of the Group is arrived at after (charging)/crediting the following:**

| | Group | | |
|---|---|---|---|
| | Unaudited HY2015 ($'000) | Unaudited HY2014 ($'000) (Restated) | % Change Increase/ (Decrease) |
| Interest income | 2 | 1 | 100.0% |
| Interest on borrowings | (46) | (8) | 475.0% |
| Depreciation of property, plant and equipment | (323) | (329) | (1.8%) |
| Amortisation of intangible assets | (27) | (31) | (12.9%) |
| Foreign exchange gain, net | 214 | 28 | 664.3% |

*NM – not meaningful

TMC Education Corporation Ltd
Every Step With You

## 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|---|---|---|---|---|
| | Unaudited 31/12/2014 ($'000) | Audited 30/06/2014 ($'000) | Unaudited 31/12/2014 ($'000) | Audited 30/06/2014 ($'000) |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,745 | 2,058 | 1,718 | 2,029 |
| Investment properties | 23,080 | 23,080 | 23,080 | 23,080 |
| Subsidiaries | - | - | 2,000 | 2,000 |
| Intangible assets | | | | |
| - Development expenditure | 178 | 177 | 178 | 177 |
| | **25,003** | **25,315** | **26,976** | **27,286** |
| **Current assets** | | | | |
| Trade receivables | 96 | 88 | 95 | 86 |
| Other receivables, deposits and prepayments | 476 | 480 | 417 | 433 |
| Fixed deposits | 291 | 291 | 291 | 291 |
| Cash and bank balances | 1,629 | 2,599 | 413 | 124 |
| | **2,492** | **3,458** | **1,216** | **934** |
| **Total assets** | **27,495** | **28,773** | **28,192** | **28,220** |
| **Equity attributable to the equity holders of the Company** | | | | |
| Share capital | 11,477 | 11,477 | 11,477 | 11,477 |
| Reserves | 3,642 | 6,344 | 798 | 3,415 |
| | **15,119** | **17,821** | **12,275** | **14,892** |
| Non-controlling interest | (295) | (283) | - | - |
| **Total equity** | **14,824** | **17,538** | **12,275** | **14,892** |
| **Non-current liabilities** | | | | |
| Bank borrowings | 4,284 | 3,243 | 4,284 | 3,243 |
| | **4,284** | **3,243** | **4,284** | **3,243** |
| **Current liabilities** [(1)] | | | | |
| Trade payables | 1,486 | 1,401 | 1,440 | 1,385 |
| Other payables | 5,085 | 5,343 | 2,057 | 1,870 |
| Due to subsidiaries | - | - | 6,320 | 5,582 |
| Bank borrowings | 1,816 | 1,248 | 1,816 | 1,248 |
| | **8,387** | **7,992** | **11,633** | **10,085** |
| **Total liabilities** | **12,671** | **11,235** | **15,917** | **13,328** |
| **Total equity and liabilities** | **27,495** | **28,773** | **28,192** | **28,220** |

**Note:-**

(1) Please refer to para 10.2 for a discussion on the Group's working capital position.

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

**Amount repayable in one year or less, or on demand**

| 31/12/2014 | | 30/06/2014 | |
|---|---|---|---|
| **Secured ($'000)** | **Unsecured ($'000)** | **Secured ($'000)** | **Unsecured ($'000)** |
| 1,816 | - | 1,248 | - |

**Amount repayable after one year**

| 31/12/2014 | | 30/06/2014 | |
|---|---|---|---|
| **Secured ($'000)** | **Unsecured ($'000)** | **Secured ($'000)** | **Unsecured ($'000)** |
| 4,284 | - | 3,243 | - |

**Details of any collateral:**

The borrowings of the Group are secured by legal mortgages over certain properties held by the Company.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Group | |
|---|---|---|
| | **Unaudited HY2015 ($'000)** | **Unaudited HY2014 ($'000) (Restated)** |
| **Operating activities** | | |
| Loss before tax | (2,515) | (2,287) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 323 | 329 |
| Amortisation of intangible assets | 27 | 31 |
| Gain on disposal of property, plant & equipment | - | (13) |
| Interest expenses | 46 | 8 |
| Interest income | (2) | (1) |
| Operating loss before working capital changes | (2,121) | (1,933) |
| Changes in working capital: | | |
| Trade receivables | (8) | (59) |
| Other receivables, deposits and prepayments | 4 | 83 |
| Trade payables | 85 | (355) |
| Other payables | (258) | (299) |
| Cash used in operations | (2,298) | (2,563) |
| Income tax refund | - | - |
| **Net cash used in operating activities** | (2,298) | (2,563) |
| **Investing activities** | | |
| Interest received | 2 | 1 |
| Purchase of property, plant and equipment | (9) | (47) |
| Proceeds from disposal of property, plant and equipment | - | 24 |
| Development expenditure incurred | (28) | (35) |
| **Net cash used in investing activities** | (35) | (57) |
| **Financing activities** | | |
| Net (repayment)/proceeds from short-term borrowings | 568 | (446) |
| Net proceeds from long-term borrowings | 1,041 | 668 |
| Refund from fixed deposit pledged | - | 511 |
| Dividend paid | - | (100) |
| Interest paid | (46) | (8) |
| **Net cash generated from financing activities** | 1,563 | 625 |
| **Net decrease in cash and cash equivalents** | (770) | (1,995) |
| **Cash and cash equivalents at the beginning of period** | 2,599 | 3,348 |
| Effects of exchange rate fluctuations | (200) | (36) |
| **Cash and cash equivalents at end of period**[1] | 1,629 | 1,317 |

**Note:-**

| (1) | **Unaudited HY2015 ($'000)** | **Unaudited HY2014 ($'000)** |
|---|---|---|
| Fixed deposits | 291 | 291 |
| Cash and bank balances | 1,629 | 1,317 |
| Fixed deposit pledged | (291) | (291) |
| Cash and cash equivalents as per cash flow statement | 1,629 | 1,317 |

TMC Education Corporation Ltd
Every Step With You

**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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Ordinary shares $'000 | Translation reserves $'000 | Revenue reserves $'000 | Share option reserves $'000 | Total attributable to equity holders of the Company $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Group (unaudited)** | | | | | | | |
| **Balance at 1 July 2013 (as previously reported)** | 11,477 | 143 | (4,654) | 498 | 7,464 | (259) | 7,205 |
| Effects of change in accounting policy for investment property | - | - | 14,261 | - | 14,261 | - | 14,261 |
| **Balance at 1 July 2013 (as restated)** | **11,477** | **143** | **9,607** | **498** | **21,725** | **(259)** | **21,466** |
| **Total comprehensive loss for the period** | | | | | | | |
| Loss for the period (as previously reported) | - | - | (2,383) | - | (2,383) | (16) | (2,399) |
| Effects of change in accounting policy for investment property | - | - | 112 | - | 112 | - | 112 |
| Loss for the year (as restated) | - | - | (2,271) | - | (2,271) | (16) | (2,287) |
| **Other comprehensive loss** | | | | | | | |
| Foreign currency translation differences | - | (27) | - | - | (27) | (8) | (35) |
| **Total comprehensive loss for the period** | - | (27) | (2,271) | - | (2,298) | (24) | (2,322) |
| Dividends relating to 2013 paid | - | - | (100) | - | (100) | - | (100) |
| **Balance at 31 December 2013** | **11,477** | **116** | **7,236** | **498** | **19,327** | **(283)** | **19,044** |
| **Balance at 1 July 2014** | 11,477 | 199 | 5,647 | 498 | 17,821 | (283) | 17,538 |
| **Total comprehensive loss for the period** | | | | | | | |
| Loss for the period | - | - | (2,549) | - | (2,549) | 34 | (2,515) |
| Foreign currency translation differences | - | (153) | - | - | (153) | (46) | (199) |
| **Total comprehensive loss for the period** | - | (153) | (2,549) | - | (2,702) | (12) | (2,714) |
| **Balance at 31 December 2014** | **11,477** | **46** | **3,098** | **498** | **15,119** | **(295)** | **14,824** |

Note: No shares were issued under the TMC Share Option Scheme in HY2015 (HY2014: Nil). 1,258 of share options were exercised on 11 December 2014. However, the shares were not yet issued as at the date of this announcement.

**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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Ordinary shares $'000 | Translation reserves $'000 | Revenue reserves $'000 | Share option reserves $'000 | Total attributable to equity holders of the Company $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Company (unaudited)** | | | | | | | |
| **Balance at 1 July 2013 (as previously reported)** | **11,477** | **-** | **(7,478)** | **498** | **4,497** | **-** | **4,497** |
| Effects of change in accounting policy for investment property | - | - | 14,261 | - | 14,261 | - | 14,261 |
| **Balance at 1 July 2013 (as restated)** | **11,477** | **-** | **6,783** | **498** | **18,758** | **-** | **18,758** |
| **Total comprehensive loss for the period:** | | | | | | | |
| Loss for the period (as previously reported) | - | - | (2,326) | - | (2,326) | - | (2,326) |
| Effects of change in accounting policy for investment property | - | - | 112 | - | 112 | - | 112 |
| Loss for the period (as restated) | - | | (2,214) | - | (2,214) | - | (2,214) |
| **Total comprehensive loss for the period** | **-** | **-** | | | | | |
| Dividends relating to 2013 paid | - | - | (100) | - | (100) | - | (100) |
| **Balance at 31 December 2013** | **11,477** | **-** | **4,469** | **498** | **16,444** | **-** | **16,444** |
| **Balance at 1 July 2014** | 11,477 | - | 2,917 | 498 | 14,892 | - | 14,892 |
| **Total comprehensive loss for the period:** | | | | | | | |
| Loss for the period | - | - | (2,617) | - | (2,617) | - | (2,617) |
| **Balance at 31 December 2014** | **11,477** | **-** | **300** | **498** | **12,275** | **-** | **12,275** |

Note: No shares were issued under the TMC Share Option Scheme in HY2015 (HY2014: Nil).

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

As at 31 December 2014, the number of issued and paid-up share capital of the Company was 167,396,419 (as at 31 December 2013: 167,396,419).

TMC Education Corporation Ltd
Every Step With You

| Issued and paid-up share capital | Number of ordinary shares | Share Capital $ |
|---|---|---|
| As at 1 July 2014 | 167,396,419 | 11,477,119 |
| Share issued during the period | - | - |
| As at 31 December 2014 | 167,396,419 | 11,477,119 |

As at 31 December 2014, the number of outstanding and unexercised options granted under the TMC Share Options Scheme was 742,122 (as at 31 December 2013: 1,033,764).

The Company did not hold any treasury shares as at 31 December 2014 (31 December 2013: Nil) and 30 June 2014.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares (excluding treasury shares) as at 31 December 2014 was 167,396,419 (as at 30 June 2014: 167,396,419).

**1(d)(iv) A statement showing all sales, transfer, 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 2014.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 and the Company have consistently applied the same accounting policies and methods of computation as in the most recently audited financial statements for the financial year ended 30 June 2014.

**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.**

(i) The Group and the Company adopted the new/revised FRS and INT FRS that are effective for annual periods beginning on or after 1 July 2014. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS which are relevant to the Group and the Company:

| | |
|---|---|
| Amendments to FRS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to FRS 19 | Employee Benefits |
| Amendments to FRS 101 | Government Loans |
| Amendments to FRS 107 | Disclosures-Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 113 | Fair Value Measurement |
| Improvements to FRSs 2012 | |

The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the financial statements for the current or prior reporting periods.

(ii) On 1 July 2013, the Group changed its accounting policy with respect to subsequent measurement of investment properties from the "cost model" to the "fair value model", with changes in fair value to be recognised in profit or loss under FRS 40 Investment Property. FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors states that "an entity shall change an accounting policy only if the change results in the financial statements providing reliable and more relevant information about the effects on transactions, other events or conditions on the entity's financial position, financial performance or cash flows". According to FRS 40, a change from one model to the other is made only if the change results in a more appropriate presentation. The Group is of the view and has assessed that subsequent measurement of the Group's investment properties using the "fair value model" provides more relevant information about their financial performance, assists users of the Group's financial statements to better understand the risks associated with the investment properties, and provides better consistency with industry practice in relation to these types of assets.

In accordance with FRS 8, this change in accounting policy was applied retrospectively. As a result, certain line items and related notes disclosure information in the comparative financial information have been adjusted. The effects of FRS 8 to the change of accounting policy under FRS 40 are as follows:

| | Group | | |
|---|---|---|---|
| | 31 Dec 2013 (As previously reported) (S$'000) | Effect of retrospective adjustment (S$'000) | 31 Dec 2013 (As restated) (S$'000) |
| **Consolidated Income Statement** | | | |
| Plant and equipment, and investment properties related expenses | (758) | 112 | (646) |
| Loss for the period | (2,399) | 112 | (2,287) |
| Comprehensive income/(loss) for the period | (2,434) | 112 | (2,322) |
| Basic loss per share (cents) | (1.42) | 0.06 | (1.36) |
| Diluted loss per share (cents) | (1.42) | 0.06 | (1.36) |
| **Consolidated Balance Sheet** | | | |
| Investment properties | 7,887 | 14,373 | 22,260 |
| Opening retained earnings | (4,653) | 14,261 | 9,608 |
| Current year loss | (2,383) | 112 | (2,271) |

The retrospective adjustments from the above change in accounting policy were based on an independent valuation report from a firm of independent valuers.

6. **Earnings/(loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

| | HY2015 | HY2014 (Restated) |
|---|---|---|
| Loss per ordinary share of the Group for the financial period based on net loss attributable to shareholders:- | | |
| - on weighted average number of ordinary shares in issue (cents) | (1.52) | (1.36) |
| - on fully diluted basis (cents) | (1.52) | (1.36) |
| Weighted average number of shares in issue during the period | 167,396,419 | 167,396,419 |

Diluted loss per share is the same as the basic loss per share in both HY2015 and HY2014 as the potential ordinary shares to be converted are anti-dilutive and the effect of the share conversion would be to decrease the loss per share.

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 financial period reported on; and**
**(b) immediately preceding financial year.**

| | Group | Company |
|---|---|---|
| The total number of issued shares at the end of the: | | |
| (a) current financial period reported as at 31 December 2014 | 167,396,419 | 167,396,419 |
| (b) immediately preceding financial year as at 30 June 2014 | 167,396,419 | 167,396,419 |
| Net asset value per issued ordinary share (cents): | | |
| (a) as at 31 December 2014 | 9.03 | 7.33 |
| (b) as at 30 June 2014 | 10.65 | 8.89 |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

**(a) 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; and**

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### 8.1 Income statement review

The Group's revenue and other income for HY2015 amounted to $5.28 million (HY2014: $5.29 million). The lower revenue was due mainly to lower course and examination fee income of $4.54 million in HY2015 (HY2014: $4.86 million). The decrease in course and examination fee income was offset by the increase of other income.

The Group's operating expenses of $7.75 million in HY2015 were $183,000 higher than that of HY2014 ($7.57 million). The higher operating expenses in HY2015 were due mainly to the increase in staff costs and property, plant and equipment related expenses. These higher expenses were partially offset by lower course materials and subscriptions expenses, advertising and promotion expenses, operating lease expenses and other operating expenses.

Finance costs incurred in HY2015 amounted to $46,000 (HY2014: $8,000) and no income tax expense was incurred in HY2015 (HY2014: Nil). As a result, the Group incurred a loss attributable to equity holders of the Company of $2.55 million in HY2015 (HY2014: $2.27 million), resulting in a loss per share of 1.52 cents (HY2014: 1.36 cents).

### 8.1.1 Revenue and other income

The Group's revenue and other income for HY2015 amounted to $5.28 million (HY2014: $5.29 million). The lower revenue was due mainly to the lower course and exam fee income of $4.54 million in HY2015 (HY2014: $4.86 million). The decrease in course and exam fee income was offset by the higher rental income in the current period of $454,000 in HY2015 (HY2014: $394,000) and net foreign exchange gain of $214,000 in HY2015 (HY2014: $28,000).

### 8.1.2 Operating expenses

Operating expenses of the Group in HY2015 increased by $183,000 to $7.75 million (HY2014: $7.57 million). The higher operating expenses were due mainly to the increase in staff costs and property, plant and equipment related expenses. These higher expenses were partially offset by lower course materials and subscriptions expenses, advertising and promotion expenses, operating lease expenses and other operating expenses.

Course material and subscription expenses in HY2015 were $423,000 (HY2014: $438,000). The lower course material expenses in HY2014 were due mainly to the lower programme fees incurred for programmes conducted in conjunction with the Group's overseas university partners as well as lower amortisation of course materials, course materials and text book expenses incurred in HY2015.

Higher staff costs amounting to $3.55 million were incurred in HY2015 as compared to that of HY2014 ($3.46 million). The higher staff costs in HY2015 were due mainly to the staff cost incurred in HY2015 for the new tuition centre business.

Property, plant and equipment related expenses in HY2015 were $888,000 (HY2014: $646,000). The higher property, plant and equipment expenses in HY2015 were due mainly to the provision of reinstatement expenses to be incurred for the Bishan campus once the tenancy expires in October 2015.

Lower advertising and promotion expenses amounting to $327,000 were incurred in HY2015 as compared to that of HY2014 ($448,000). The lower expenses were due to a decrease in the advertisement expenses incurred in HY2015 as the Group relied on more direct marketing approach during this period.

Lower operating lease expenses of $1.70 million were incurred in HY2015 as compared to that of HY2014 ($1.71 million). This was due mainly to the lower lease expenses incurred in China as the Group reduced its lease expenses in China since January 2014 as a result of terminating the lease of its China office.

Other operating expenses in HY2015 amounted to $857,000 (HY2014: $865,000). The lower other operating expenses in HY2015 were due mainly to the lower agents' commission expenses incurred in relation to student recruitment, utility expenses, students' insurance expenses, bank charges and other general expenses.

#### 8.1.3 Finance costs

Finance costs incurred in HY2015 amounted to $46,000 (HY2014: $8,000) and the higher interest expense was due mainly to the higher amount of bank loans utilised by the Group in HY2015.

#### 8.1.4 Income tax expense

No income tax expenses were incurred in HY2015 (HY2014: Nil) as the Group had no taxable income.

### 8.2 Balance Sheet Review

#### 8.2.1 Total Equity

The Group's shareholders' equity as at 31 December 2014 amounted to $14.82 million (30 June 2014: $17.54 million). The reduction in the shareholders' equity was due mainly to the attributable loss of $2.52 million incurred during the period.

#### 8.2.2 Non-Current Assets

The non-current assets as at 31 December 2014 amounted to $25.00 million (30 June 2014: $25.32 million). In HY2015, the Group invested $9,000 in property, plant and equipment in its campus facilities and $28,000 in the development of teaching materials. Depreciation for fixed assets amounted to $323,000 and amortisation for development expenditure amounted to $27,000. This explains for the decrease of $312,000 in the non-current assets during this period.

#### 8.2.3 Current Assets

The current assets as at 31 December 2014 amounted to $2.49 million (30 June 2013: $3.46 million). The decrease in current assets was due mainly to the lower cash and bank balance, and other receivables balance.

#### 8.2.4 Current Liabilities

The current liabilities of $8.39 million as at 31 December 2014 were higher than that as at 30 June 2014 ($7.99 million). This was due mainly to higher payables in relation to short term bank loan, and trade and other payables.

The Group has a negative working capital of $5.90 million as at 31 December 2014 (30 June 2014: $4.53 million). Included in the other payable balances are non-refundable course fees received in advance from students amounting to $2.15 million as at 31 December 2014, which will be recognised as revenue after 31 December 2014. Please refer to para 10.2 for a discussion on the Group's plans to address the negative working capital position of the Group.

#### 8.2.5 Non-Current Liabilities

The non-current liabilities of $4.28 million as at 31 December 2014 (30 June 2014: $3.24 million) were in relation to the long term bank loan obtained to finance the deficit in the operating cash flow position as a result of the loss attributable to equity holders during this period.

### 8.3 Cash Flow Review

Cash and bank balances as at 31 December 2014, net of fixed deposits of $291,000 (31 December 2013: $291,000) pledged with the bank as security for the banking facilities, amounted to $1.63 million (31 December 2013: $1.32 million). This was also a decrease of $970,000 from June 2014 ($2.60 million).

Operating cash flow position in HY2015 was a negative sum of $2.30 million (HY2014: $2.56 million). This was due mainly to an operating loss before working capital changes of $2.12 million and an increase in working capital of $177,000 in HY2015.

The Group utilised net cash of $35,000 in HY2015 (HY2014: $57,000) for investing activities due mainly to the purchase of property, plant and equipment in its campus amounting to $9,000 and development of training materials amounting to $28,000.

The Group added a net cash funding from financing activities of $1.56 million in HY2015 (HY2014: $625,000). Net bank borrowings of $1.61 million (HY2014: $222,000) were used to fund part of the above cash flow requirements, with interest expense of $46,000 during this period (HY2014: $8,000).

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

## 10. A commentary at the date of the announcement of the significant trends and 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 Directors are of the view that the private education industry in Singapore will continue to be competitive and challenging in the next 12 months. As mentioned previously, the general reduction in the number of international students coming to Singapore, competition from public education institutions, higher compliance requirements from the Education authority in Singapore, higher wage costs and ability to recruit and retain highly qualified professionals are challenges faced in the industry.

To address the challenges faced by the Group, the Board and management are looking at looking into various initiatives to increase our competitiveness and financial position. This includes the following:

### 10.1 Improving and Streamlining Operations

Management will continue to improve the Group’s core education business by continuing the following initiatives:

(a) Reviewing our current programmes to make improvements in our offerings;

(b) Expanding our range of programmes in line with the future trend of the economic growth in Singapore and the region;

(c) Making our programmes more industry-ready and incorporating internship in our programmes;

(d) Tapping on the availability of government grants made available for our programmes in Singapore and marketing these grants to make our programmes more attractive to local students; and

(e) Continuing to streamline our processes with the view to controlling our operating expenses.

As part of our streamlining efforts, the Group has also entered into an agreement with our joint venture partner to cease the operations of our loss making kindergarten business in China in July 2015. This is not expected to have a material effect on the Group's operations.

Further, the lease on our Bishan campus will expire in October 2015 and the landlord has indicated that the lease cannot be renewed. After considering various options, management has decided to consolidate the Group's education business in our City campus. This will result in significant cost savings for the Group going forward.

**10.2 Strengthening the Financial Position of the Group**

The Group has obtained confirmation from controlling shareholders that they will provide financial support to the Group if required.

The Group has investment properties valued at S$23.08 million as at 31 December 2014. We will actively look to realise our investment on these properties to strengthen our cash flow position, taking into account among other considerations, prevailing market conditions, our Group's cash flows and funding needs, with the best interests of our Group and shareholders in mind.

The Group is also exploring various equity and / or debt fund raising options to strengthen its financial position and / or to make acquisitions of new business or assets which could be injected into the Group to improve its financial performance. The Board of Directors wish to stress that this is currently in an exploratory stage and updates will be provided to shareholders as and when there are material developments.

**11. If a decision regarding dividend has been made:**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

No dividend was declared for HY2015.

**(b) (i) Amount per share (cents)**

Not applicable.

**(b) (ii) Previous corresponding period (cents)**

Not applicable. No dividend was declared for HY2014.

(c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

(d) **The date the dividend is payable.**

Not applicable.

(e) **The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended for HY2015.

**13. Information on interested person transactions.**

There were no interested person transactions in the period under review. The Group has not obtained a general mandate from shareholders in respect of any interested person transactions.

**14. Confirmation pursuant to Rule 705(5) of the Catalist Rules**

We, Dr. Chin Kon Yuen and Ms Yeow Cheng Khim, directors of the Company, hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the board of directors which may render the unaudited financial statements for the six-month ended 31 December 2014 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**Dr Chin Kon Yuen**
**Chairman**

**Ms Yeow Cheng Khim**
**Chief Executive Officer**

**12 February 2015**