
Issuer & Securities

Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

Securities

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Announcement Details

Announcement Title

Financial Statements and Related Announcement

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FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FULL YEARLY RESULTS

Full Yearly Results

Announcement Reference

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Raffles Education Corporation Limited

Designation

Chairman

Effective Date and Time of the event

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Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED

30 JUNE 2018

Please refer to the attachment

Additional Details

For Financial Period Ended

30/06/2018

Attachments

[REC-Results Announcement for FY2018 - 29 August 2018.pdf](#)

Total size =91K MB

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	Group		
		2018 \$'000	2017 \$'000	Increase/ (Decrease) %
Revenue	8.1	96,832	96,220	1
Other operating income	8.2	4,398	11,336	(61)
Personnel expenses		(43,070)	(40,449)	6
Depreciation and amortisation expenses	8.3	(12,394)	(10,900)	14
Other operating expenses		(49,393)	(51,995)	(5)
Impairment of goodwill		(2,360)	-	NM
Net fair value gain on investment properties	8.4	64,944	12,789	408
Reversal of provision for land restructuring cost	8.5	-	622	NM
Reversal of government grant receivable for land restructuring	8.5	-	(30,713)	NM
Finance costs	8.6	(15,508)	(12,746)	22
Share of results of joint ventures		(2,717)	(2,263)	20
Share of results of associates		1,689	1,018	66
Profit/ (Loss) before income tax		42,421	(27,081)	NM
Income tax expense	8.7	(19,779)	(3,486)	467
Reversal of tax payable for land restructuring	8.5	-	30,802	NM
Profit after tax		22,642	235	9,535
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gain on transfer of owner-occupied property to investment property		4,136	415	897
Items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	8.8	8,523	1,902	348
Total comprehensive income		35,301	2,552	1,283
Attributable to:				
Equity holders of the Company		10,667	(1,853)	NM
Non-controlling interests		11,975	2,088	474
Net profit		22,642	235	9,535
Attributable to:				
Equity holders of the Company		21,917	627	3,396
Non-controlling interests		13,384	1,925	595
Total comprehensive income		35,301	2,552	1,283

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 FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2018 \$'000	2017 \$'000	Increase/ (Decrease) %
Interest income ¹	1,178	963	22
Government grant ¹	62	6	933
Gain on disposal of investment properties ¹	-	4,558	NM
Foreign exchange gain ¹	2,745	4,422	(38)
Foreign exchange loss ²	(5,442)	(4,245)	28
Allowance for doubtful trade receivables ²	(71)	(100)	(29)
Bad trade receivables written off ²	(155)	(131)	18
Loss on derecognition of subsidiary ²	-	(20)	NM
Rental expenses ²	(6,349)	(6,415)	(1)
Overprovision of income tax expense in prior periods (excluding reversal of tax payable for land restructuring)	60	950	(94)

NM – Not meaningful

¹ included in other operating income

² included in other operating expenses

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

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

ADJUSTED EBITDA	Group	
	2018 \$'000	2017 \$'000
Profit after tax	22,642	235
<u>Add/(less):</u>		
Loss on derecognition of subsidiary	-	20
Net reversal on provision for land restructuring costs in OUC	-	(622)
Net reversal of government grant receivable for OUC land restructuring	-	30,713
Net reversal of income tax in relation to land restructuring	-	(30,802)
Government grant	(62)	(6)
Impairment of goodwill	2,360	-
Finance costs	15,508	12,746
Income tax expenses	19,779	3,486
Depreciation and amortisation	12,394	10,900
Net foreign exchange loss	2,697	(177)
Share of results of joint ventures	2,717	2,263
Share of results of associates	(1,689)	(1,018)
Adjusted EBITDA	76,346	27,738

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 AS AT 30 JUNE	Item No.	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets					
Property, plant and equipment	8.9	441,604	418,119	-	-
Investment properties	8.10	520,311	459,097	-	-
Investment in subsidiaries		-	-	455,625	465,919
Investment in joint ventures	8.11	21,429	29,700	-	-
Investment in associates		6,704	7,122	-	-
Available-for-sale financial assets		620	612	-	-
Intangible assets		118,962	119,037	358	344
Deferred tax assets		2,883	2,510	-	-
Other receivable		-	-	32,326	30,230
Restricted bank balances		3,496	3,677	-	-
		1,116,009	1,039,874	488,309	496,493
Current assets					
Inventories		135	104	-	-
Trade and other receivables	8.12	97,822	114,166	213,479	214,383
Cash and bank balances		46,127	74,013	423	661
		144,084	188,283	213,902	215,044
Less:					
Current liabilities					
Bank overdraft		3,269	-	-	-
Trade and other payables	8.13	46,007	66,061	216,181	149,026
Course and education service deferred income		11,909	10,919	-	-
Income tax payable		3,335	3,767	51	51
Borrowings	8.14	195,334	173,085	86,051	158,997
		259,854	253,832	302,283	308,074
Net current liabilities	8.15	(115,770)	(65,549)	(88,381)	(93,030)
Less:					
Non-current liabilities					
Trade and other payables	8.16	19,726	23,789	-	47,600
Borrowings	8.14	171,122	269,621	-	5,766
Deferred tax liabilities	8.17	81,661	60,684	-	-
		272,509	354,094	-	53,366
Net assets		727,730	620,231	399,928	350,097
Capital and reserves					
Share capital		554,337	481,785	554,337	481,785
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		106,938	85,048	(114,726)	(92,005)
Equity attributable to equity holders of the Company		621,592	527,150	399,928	350,097
Non-controlling interests	8.18	106,138	93,081	-	-
Total equity		727,730	620,231	399,928	350,097

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

GROUP BORROWINGS AND DEBTS SECURITIES	Group	
	2018 \$'000	2017 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2,3,4}	183,461	73,949
Unsecured	11,873	99,136
	195,334	173,085
<u>Amount repayable after one year:</u>		
Secured ¹	171,122	269,621
	171,122	269,621
Total borrowings	366,456	442,706

Details of collateral

¹Property mortgage loans of \$279,202,000.

²Bank borrowings of \$43,000,000 were secured by second mortgage over certain property in Australia and assignment of sale proceeds from sale of the property.

³Bank 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 \$26,672,000. Bank borrowings of \$6,250,000 were secured by letter of guarantee by a subsidiary.

⁴Bank borrowings of \$1,203,000 were secured by certain tax recoverable and letter of guarantee by the Company.

For more details, refer to items 8.14.

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		42,421	(27,081)
Adjustments for:			
Depreciation for property, plant and equipment		11,821	10,258
Fair value gain on investment properties, net		(64,944)	(12,789)
Allowance for doubtful trade receivables		71	100
Amortisation of intangible assets		573	642
Impairment of goodwill		2,360	-
Bad trade receivables written off		155	131
Interest expense		15,508	12,746
Interest income		(1,178)	(963)
Gain on disposal of property, plant and equipment, net		(20)	(381)
Gain on disposal of investment properties, net		-	(4,558)
Loss on derecognition of subsidiary		-	20
Property, plant and equipment written off		38	451
Intangible assets written off		49	423
Share of results of joint ventures		2,717	2,263
Share of results of associates		(1,689)	(1,018)
Reversal of provision of land restructuring cost		-	(622)
Reversal of government grant receivable for land restructuring		-	30,713
Operating profit before working capital changes		7,882	10,335
Working capital changes:			
Inventories		(31)	(15)
Trade and other receivables		3,439	(3,068)
Course and education service deferred income		990	(846)
Trade and other payables		(6,546)	624
Cash generated from operations		5,734	7,030
Interest paid		(15,785)	(12,808)
Interest received		1,178	963
Income and withholding tax paid, net		(1,834)	(700)
Net cash used in operating activities	8.19	(10,707)	(5,515)

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 FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	2018 \$'000	2017 \$'000
Cash flows from investing activities			
Additions of development costs and computer software		(526)	(1,276)
Additions of trademarks and licenses		(18)	(1,305)
Additions of property, plant and equipment	8.21	(23,209)	(76,717)
Additions of investment properties	8.21	(7,943)	(4,132)
Proceeds from disposal of property, plant and equipment		111	3,620
Proceeds from disposal of investment properties	8.20	4,532	13,283
Net cash flow on derecognition of subsidiary ¹		-	(111)
Capital distributions from joint venture and associate		1,604	10,239
Refund of deposit for cancellation of purchase of land	8.20	10,315	-
Net cash used in investing activities		(15,134)	(56,399)
Cash flows from financing activities			
Decrease/(Increase) in fixed deposits and bank balances pledged	8.20	32,385	(36,484)
Loan from a Director		1,193	10,941
Net of proceeds from issue of shares	8.20	72,554	-
Repayment of loan to a director of subsidiaries		(2,144)	(9,894)
Repayment of advances from third party	8.21	(5,157)	-
Contribution from non-controlling interests		337	1,599
Payment for acquisition of non-controlling interest		(1,960)	(209)
Drawdown of borrowings	8.20	93,201	125,080
Repayment of borrowings	8.21	(172,896)	(50,666)
Advances from joint venture	8.20	9,912	-
Dividends payment to non-controlling interests		(316)	(710)
Net cash from financing activities		27,109	39,657
Net change in cash and cash equivalents		1,268	(22,257)
Cash and cash equivalents at beginning of financial year		15,142	38,839
Effect of exchange rate changes on cash and cash equivalents		(974)	(1,440)
Cash and cash equivalents at end of financial year – Note A	8.22	15,436	15,142

Note A:

Cash and cash equivalents	Item No.	2018 \$'000	2017 \$'000
Current			
Fixed deposits with banks		29,940	59,929
Cash and bank balances		16,187	14,084
Bank overdrafts		(3,269)	-
Non-current			
Restricted bank balances		3,496	3,677
Cash and bank balances in the statement of financial position		46,354	77,690
Pledged fixed deposits and bank balances		(27,422)	(58,871)
Restricted bank balances		(3,496)	(3,677)
Cash and cash equivalents in the statement of cash flow		15,436	15,142

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)

¹ The carrying amount of the assets and liabilities of the subsidiary as of the date of derecognition of subsidiary were as follows:

Derecognition of subsidiary	2018 \$'000	2017 \$'000
Property, plant and equipment	-	27
Trade and other receivables	-	34
Cash and cash equivalents	-	111
Trade and other payables	-	(152)
Net assets derecognised	-	20
Loss on derecognition of subsidiary	-	(20)
Cash derecognised	-	(111)
Net cash outflow on de-recognition of subsidiary	-	(111)

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

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company							Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
FY2018									
Balance at 1 July 2017	481,785	(39,683)	7,435	(17,021)	2,453	92,181	527,150	93,081	620,231
Total comprehensive income	-	-	4,136	7,114	-	10,667	21,917	13,384	35,301
Issue of shares	72,552	-	-	-	-	-	72,552	-	72,552
Change of ownership interest without loss of control	-	-	-	51	-	(78)	(27)	27	-
Contribution from non-controlling interests in subsidiaries	-	-	-	-	-	-	-	337	337
Dividend	-	-	-	-	-	-	-	(691)	(691)
Balance at 30 June 2018	554,337	(39,683)	11,571	(9,856)	2,453	102,770	621,592	106,138	727,730
FY2017									
Balance at 1 July 2016	481,785	(39,683)	7,020	(19,085)	2,453	95,713	528,203	90,756	618,959
Total comprehensive income	-	-	415	2,065	-	(1,853)	627	1,925	2,552
Dividends	-	-	-	-	-	-	-	(710)	(710)
Contribution from non-controlling interests in subsidiaries	-	-	-	-	-	-	-	1,599	1,599
Acquisition of non-controlling interests in subsidiaries	-	-	-	(1)	-	(1,679)	(1,680)	(489)	(2,169)
Balance at 30 June 2017	481,785	(39,683)	7,435	(17,021)	2,453	92,181	527,150	93,081	620,231

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	FY2018				
Balance at 1 July 2017	481,785	(39,683)	2,453	(94,458)	350,097
Total comprehensive loss	-	-	-	(22,721)	(22,721)
Issue of shares	72,552	-	-	-	72,552
Balance at 30 June 2018	554,337	(39,683)	2,453	(117,179)	399,928
FY2017					
Balance at 1 July 2016	481,785	(39,683)	2,453	(77,728)	366,827
Total comprehensive loss	-	-	-	(16,730)	(16,730)
Balance at 30 June 2017	481,785	(39,683)	2,453	(94,458)	350,097

- 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 year ended 30 June 2018, no ordinary shares were repurchased.

During the financial year ended 30 June 2018, no ordinary shares were issued in respect of the conversion of share options.

On 10 October 2017, the Company allotted and issued 95 million new ordinary shares in the share capital of the Company at an issue price of \$0.30 for each ordinary share.

On 25 April 2018, the Company allotted and issued 318,151,539 rights shares at an issue price of \$0.14 for each rights share, on the basis of three rights shares for every ten ordinary shares in the capital of the Company.

As at 30 June 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 June 2018, there was unexercised share option for 637,639 unissued ordinary shares (30 June 2017: 2,083,604) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 June 2018, there were 79,790,100 treasury shares (30 June 2017: 79,790,100).

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

The total number of issued shares was 1,378,656,672 (excluding treasury shares) as at 30 June 2018 (30 June 2017: 965,505,133).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial year ended 30 June 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 2017.

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2017. The adoption of these new/revised FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable. Refer to Note 4 above.

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

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group	Group		Change +/- %
	2018	2017 #	
i) Based on the weighted average number of shares (in cents)	0.9	(0.17)	NM
- Weighted average number of shares	1,181,945,937	1,068,234,879	
ii) On a fully diluted basis (in cents)	0.9	(0.17)	NM
- Adjusted weighted average number of shares	1,181,945,937	1,068,234,879	

The number of shares used for prior year calculation of earnings per share was adjusted for the rights issue on 25 April 2018.

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 +/- %
	2018	2017		2018	2017	
NAV per ordinary share (in cents)	45.09	54.60	(17)	29.01	36.26	(20)

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 was flat between FY2017 and FY2018.
- (2) Decrease in other operating income from \$11.3 million in FY2017 to \$4.4 million in FY2018 was mainly due to the absence of gain on sale of investment properties of \$4.5 million in Oriental University City Limited ("OUCL") in FY2017 and decrease in foreign exchange gain of \$1.7 million.
- (3) Increase in depreciation and amortisation expenses from \$10.9 million in FY2017 to \$12.4 million in FY2018 was mainly due to the commencement of depreciation by Raffles American School ("RASJB") in Iskandar, Malaysia, upon completion of its campus construction during the year.
- (4) Net fair value gain on investment properties of \$64.9 million was recognized in FY2018 and mainly includes:
 - a) \$53.0 million gain from the investment properties in OUCL and Oriental University of City Holdings (H.K) (Collectively "OUC");
 - b) \$7.7 million gain from the investment properties in Parramatta, Australia; and
 - c) \$1.7 million gain from the investment properties in Bangkok, Thailand.
- (5) In FY2012 and FY2013, certain land titles were rationalized by OUC's subsidiaries in a land restructuring exercise which gave rise to:
 - a) provisions for estimated taxes payable in relation to land restructuring, and
 - b) the corresponding government grant receivable.During FY2017, the statutory period of these tax provisions expired and reversals were made to:
 - (i) the provision for land restructuring costs and tax payable, and
 - (ii) the corresponding government grant receivables.
- (6) Increase in finance costs from \$12.7 million in FY2017 to \$15.5 million in FY2018 was mainly due to RASJB's completion of its campus construction and ceased capitalising the interest relating to the construction.
- (7) Increase in income tax expense from \$3.5 million in FY2017 to \$19.8 million in FY2018 was mainly due to provision for deferred tax expense on the net fair value gain on investment properties discussed in item 8.4 above.
- (8) The group recorded \$8.5 million in currency translation gain arising from consolidation of foreign operations.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2018 AND 30 JUNE 2017)

- (9) Increase in property, plant and equipment ("PPE") from \$418.1 million in FY2017 ("ended 30 June 2017") to \$441.6 million in FY2018 ("ended 30 June 2018") mainly due to:
- a) additions of \$12.9 million, mainly from:
 - (i) \$6.9 million construction work in progress for RASJB; and
 - (ii) \$1.6 million construction work in progress for Raffles University Iskandar ("RUI");
 - b) gain on foreign currency translation of S\$8.0 million; and
 - c) reclassification from investment properties ("IP") of \$20.4 million for the campus in Millan, Italy (refer to item 8.10e).

Increase was mainly offset by:

- d) depreciation charge of \$11.8 million;
 - e) reclassification from PPE to IP of \$5.9 million (refer to item 8.10b) relating to certain property in Australia.
- (10) Increase in investment properties ("IP") from \$459.1 million in FY2017 to \$520.3 million in FY2018 was mainly due to:
- a) net fair value gain of \$64.9 million (refer to item 8.4) ;
 - b) reclassification from PPE to IP of \$5.9 million (refer to item 8.9e);
 - c) revaluation gain in transferring owner-occupied property to IP of \$5.7 million relating to item 8.10b above;
 - d) foreign currency translation gain of \$2.9 million;

Increase was mainly offset by:

- e) reclassification from IP to PPE of \$20.4 million (refer to item 8.9c).
- (11) Decrease in investment in joint ventures from \$29.7 million in FY2017 to \$21.4 million in FY2018 was mainly due to \$5.2 million capital distribution from Value Vantage Pte Ltd.

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 JUNE 2018 AND 30 JUNE 2017) (CONT'D)

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

	30/06/18 \$'000	30/06/17 \$'000
Trade receivables:		
Trade receivables	2,242	2,721
Other receivables:		
Third parties ^(a)	184	10,304
Receivable from sale of investment properties ^(b)	55,329	58,934
Prepayments ^(c)	17,978	22,726
Deposits ^(d)	9,925	8,411
Receivable from former joint venture	153	338
Joint ventures	8,813	8,347
Tax recoverable	1,796	34
Others	1,402	2,351
	95,580	111,445
Total trade and other receivables	97,822	114,166

Notes to current trade and other receivables:

- a) Included was a refund of deposit receivable for the cancellation of purchase of land by Tianjin University of Commerce Boustead College ("BC") of \$Nil (FY 2017: \$10.2 million).
- b) Amounts due from sale of 490 mu and 27.9 mu land and properties of \$55.3 million (FY2017: \$54.5 million) and \$Nil (FY2017: \$4.5 million) respectively.
- c) Included prepayment for conversion rights in OUCL of \$Nil (FY2017: \$4.0 million).
- d) Included in FY 2018 was a deposit of \$1.3 million (FY2017: \$Nil) paid to Australian Council for Private Education and Training ("ACPET") trust account.

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 JUNE 2018 AND 30 JUNE 2017) (CONT'D)

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

	30/06/18 \$'000	30/06/17 \$'000
Trade payables (Current):		
Third parties	1,979	3,554
Other payables (Current):		
Other accruals	8,848	12,376
Accruals for property and land use tax	203	2,366
Accruals for business tax	787	2,129
Accruals for capital expenditure	3,666	18,660
Amount due to a joint venture	9,913	5,152
Loan from a Director	13,066	10,941
Loan from a director of subsidiaries	-	2,144
Purchase from non-controlling interest of additional interest in subsidiary	-	1,960
Payable for land in Iskandar	2,519	2,399
Dividend payable to non-controlling interest	368	-
Other payables	4,658	4,380
	44,028	62,507
Total trade and other payables (Current)	46,007	66,061

(14) Decrease in borrowings from \$442.7 million in FY2017 to \$366.5 million in FY2018 was mainly due to;

- a) repayment of \$92.9 million bank borrowings and \$80.0 million Bonds.

Decrease was mainly offset by:

- b) drawdown of \$12.7 million in borrowings for construction work of RASJB;
c) drawdown of \$45.0 million in bank borrowings for repayment of the Bonds;
d) drawdown of \$29.7 million in borrowings for working capital; and
e) foreign currency translation loss of \$3.0 million.

(15) Net current liabilities in FY2018 was mainly a result of the reclassification in FY2018 Q4 of non-current to current borrowings of a mortgage borrowings of \$98.6 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 30 JUNE 2018 AND 30 JUNE 2017) (CONT'D)

(16) Non-current trade and other payables mainly relates to:

- a) amount payable for the purchase of 45 acres of land for RASJB of \$19.4 million (FY2017: \$18.5 million); and
- b) advance from third party of \$Nil (FY2017: \$5.1 million).

(17) Breakdown of deferred tax liabilities for FY2018 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 2017	638	28,302	31,729	15	60,684
Charged to equity		1,569			1,569
Charged to profit or loss	(95)	18,927	-	(31)	18,801
Foreign currency realignment	7	95	504	1	607
Balance at 30 Jun 2018	550	48,893	32,233	(15)	81,661

(18) Non-controlling interests as at 30 June 2018 represent mainly the non-controlling shareholders' equity interests in OUCHK and one of the subsidiary in OUCL.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(19) Net cash used in operating activities amounted to \$10.7 million.

(20) Major contributors of cash inflows were:

- a) drawdown of borrowings of \$93.2 million;
- b) net proceeds from issuance of shares of \$72.6 million;
- c) refund of deposit for cancellation of purchase of land \$10.3 million;
- d) advances from a joint venture of \$9.9 million;
- e) proceeds from disposal of investment properties of \$4.5 million; and
- f) release of pledged bank deposits of \$32.4 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 CASHFLOWS (CONT'D)

(21) Major cash outflows were:

- a) purchase of property, plant and equipment of \$23.2 million;
- b) additions of investment properties \$7.9 million;
- c) the repayment of borrowings of \$172.9 million; and
- d) the repayment of advances from third party of \$5.2 million.

(22) The Group's cash position was \$15.4 million at the end of FY2018 (FY2017: \$15.1 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 third quarter and nine months ended 31 March 2018.

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 challenging global education environment, currency volatility, increasing 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

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

Not applicable.

- 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. 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)

15. 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

(i) Business Segments

2018

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	79,006	4,649	13,159	18	96,832
Inter-segment revenue	510	1,841	726	11,950	15,027
Interest income	186	879	113	-	1,178
Net fair value gain on investment properties	1,655	28,131	34,474	684	64,944
Finance cost	(3,029)	(1,647)	(533)	(10,299)	(15,508)
Depreciation and amortisation	(8,024)	(1,408)	(341)	(2,621)	(12,394)
Impairment of goodwill	(2,360)	-	-	-	(2,360)
Share of results from joint ventures	-	-	-	(2,717)	(2,717)
Share of results from associates	(8)	-	1,697	-	1,689
Reportable segment profit/(loss) before income tax	5,317	24,055	42,633	(29,584)	42,421
Net profit/(loss) for the financial year	5,429	15,330	31,456	(29,573)	22,642
<u>Other information:</u>					
Additions to property, plant and equipment	12,452	23	389	-	12,864
Additions to investment properties	-	2,143	-	-	2,143
Additions to intangible assets	456	-	-	80	536
Investment in joint ventures	-	-	-	21,429	21,429
Investment in associates	834	-	5,870	-	6,704
Segment assets	361,958	360,788	244,597	93,149	1,060,492
Segment liabilities	(165,601)	(62,054)	(6,437)	(210,006)	(444,098)

15. 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 (Cont'd)

(ii) Business Segments

2017

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	80,318	3,942	11,918	42	96,220
Inter-segment revenue	902	1,873	417	27,377	30,569
Interest income	247	708	8	-	963
Net fair value gain on investment properties	3,898	4,553	4,338	-	12,789
Finance cost	(578)	(1,971)	(180)	(10,017)	(12,746)
Depreciation and amortisation	(6,562)	(1,364)	(223)	(2,751)	(10,900)
Share of results from joint ventures	-	-	-	(2,263)	(2,263)
Share of results from associates	(18)	-	1,036	-	1,018
Reportable segment profit/(loss) before income tax	14,626	(20,232)	6,293	(27,768)	(27,081)
Net profit/(loss) for the financial year	14,979	5,204	7,776	(27,724)	235
<u>Other information:</u>					
Additions to property, plant and equipment	61,721	3	368	7	62,099
Additions to investment properties	723	5,521	279	-	6,523
Additions to intangible assets	1,070	-	-	287	1,357
Investment in joint ventures	-	-	-	29,700	29,700
Investment in associates	841	-	6,281	-	7,122
Segment assets	352,906	335,835	205,800	97,557	992,098
Segment liabilities	(167,669)	(91,830)	(8,111)	(275,865)	(543,475)

15. 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 (Cont'd)

(i) Geographical segments

	Asean \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
2018						
Revenue from external customers	32,310	56,697	1,177	4,765	1,883	96,832
Non-current assets	353,499	609,147	10,663	63,069	72,632	1,109,010
2017						
Revenue from external customers	31,708	56,709	1,739	5,007	1,057	96,220
Non-current assets	345,797	547,353	10,390	56,821	72,714	1,033,075

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

The percentage of revenue in FY2018 for Education, Real Estate Investment and Development, and Education Facilities Rental Service is approximately 81.6% (FY2017: 83.5%), 4.8% (2017: 4.1%) and 13.6% (FY2017: 12.4%) respectively.

17. A breakdown of sales

		Group		Increase/ (Decrease) %
		30/06/18 \$'000	30/06/17 \$'000	
(a)	Sales reported for first half year	48,832	49,241	(1)
(b)	Profit after tax reported for first half year	(6,823)	(5,042)	35
(c)	Sales reported for second half year	48,000	46,979	2
(d)	Profit after tax reported for second half year	29,465	5,277	458

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

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	49	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Corporation Limited ("REC")	Director of Operations since 2009	Nil
Chew Han Wei	28	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Assistant Vice President (Europe) since 2016.	Vice President (Europe & India Operations since 1 st Dec 2017) Director of IT since 1 st May 2018
Chew Han Qiang	25	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Assistant Vice President (Thailand Operations) since Jan 2018	Nil

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
29 August 2018