
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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Second Quarter and/ or Half Yearly Results

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Chew Hua Seng

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Chairman & CEO

Effective Date and Time of the event

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Financial Statements Announcement For The Half Year Ended 31 Dec 2019

Additional Details

For Financial Period Ended

31/12/2019

Attachments

[REC - Results Announcement for FY2020 Q2 - 7 Feb 2019.pdf](#)

Total size =353K MB

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First Half ended 31/12/19 \$'000	First Half ended 31/12/18 \$'000	Increase/ (Decrease) %
Revenue	52,119	48,687	7
Other operating income	7,649	4,582	67
Personnel expenses	(21,178)	(21,643)	(2)
Other operating expenses	(20,152)	(24,141)	(17)
Finance costs	(8,715)	(7,420)	18
Depreciation and amortisation expenses	(7,693)	(6,863)	12
Fair value gain on investment properties	2,070	-	NM
Share of results of joint ventures	(148)	(140)	6
Share of results of associates	152	(240)	NM
Operating profit/(loss) before income tax	4,104	(7,178)	NM
Non-recurring costs from revamp and closure of colleges	-	(8,111)	NM
Profit/(Loss) before income tax	4,104	(15,289)	NM
Income tax credit/(expense)	4,230	(221)	NM
Profit/(Loss) after tax	8,334	(15,510)	NM
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Currency exchange differences arising on translating foreign operations	(11,725)	(26,359)	(56)
Total comprehensive loss	(3,391)	(41,869)	(92)
Attributable to:			
Equity holders of the Company	7,708	(16,067)	NM
Non-controlling interests	626	557	12
Net profit/(loss)	8,334	(15,510)	NM
Attributable to:			
Equity holders of the Company	(2,992)	(38,471)	(92)
Non-controlling interests	(399)	(3,398)	(88)
Total comprehensive loss	(3,391)	(41,869)	(92)

NM – Not meaningful

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

NOTES TO THE UNAUDITED HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First Half ended 31/12/19 \$'000	First Half ended 31/12/18 \$'000	Increase/ (Decrease) %
<u>Included in Other Operating Income</u>			
Interest income	2,419	249	871
Government grant	9	41	(78)
Gain on disposal of property, plant and equipment	37	5	640
Foreign exchange gain	2,996	4,240	(29)
<u>Included in Other Operating Expenses</u>			
(Loss allowance)/write back on trade receivables	(18)	29	NM
Bad trade receivables written off	(135)	(200)	(33)
Loss on disposal of property, plant and equipment	(2)	(374)	(99)
Foreign exchange loss	(1,220)	(2,485)	(51)
Lease expenses	(1,162)	(3,261)	(64)
Property, plant and equipment written off	(14)	(883)	(98)
<u>Included in Personnel Expenses</u>			
Share-based payment	(39)	(51)	(24)
Impairment of goodwill	-	(6,192)	NM
Overprovision of income tax expense in prior financial periods	68	457	(85)

NM – Not meaningful

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

ADJUSTED EBITDA	Group	
	First Half ended 31/12/19 \$'000	First Half ended 31/12/18 \$'000
Profit/(Loss) after tax	8,334	(15,510)
<u>Add/(less):</u>		
Government grant	(9)	(41)
Finance costs	8,715	7,420
Income tax (credit)/expense	(4,230)	221
Depreciation and amortisation	7,693	6,863
Impairment of goodwill	-	6,192
Net foreign exchange gain	(1,776)	(1,755)
Property, plant and equipment written off	14	883
Net (gain)/loss on disposal of property, plant and equipment	(35)	369
Share of results of joint ventures	148	140
Share of results of associates	(152)	240
Adjusted EBITDA	18,702	5,022

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Item No.	Group		
		Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000	Increase/ (Decrease) %
Revenue		26,206	25,261	4
Other operating income	8.1	3,841	674	470
Personnel expenses		(10,700)	(11,322)	(5)
Other operating expenses	8.2	(10,090)	(13,915)	(27)
Finance costs	8.3	(4,328)	(3,585)	21
Depreciation and amortisation expenses	8.4	(3,890)	(3,443)	13
Fair value gain on investment properties	8.5	2,070	-	NM
Share of results of joint ventures		(276)	(127)	117
Share of results of associates		283	(117)	NM
Operating profit/(loss) before income tax		3,116	(6,574)	NM
Non-recurring costs arising from closure of colleges	8.6	-	(8,111)	NM
Profit/(Loss) before income tax		3,116	(14,685)	NM
Income tax credit/(expense)	8.7	4,391	(303)	NM
Profit/(Loss) after tax		7,507	(14,988)	NM
Items that may be reclassified subsequent to profit or loss:				
Currency translation differences arising from consolidation of foreign operations	8.8	(2,592)	(3,784)	(32)
Total comprehensive income/(loss)		4,915	(18,772)	NM
Attributable to:				
Equity holders of the Company		7,267	(15,208)	NM
Non-controlling interests		240	220	9
Net profit/(loss)		7,507	(14,988)	NM
Attributable to:				
Equity holders of the Company		4,973	(18,632)	NM
Non-controlling interests		(58)	(140)	(59)
Total comprehensive income/(loss)		4,915	(18,772)	NM

NM – Not meaningful

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

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000	Increase/ (Decrease) %
<u>Included in Other Operating Income</u>			
Interest income	1,142	197	480
Government grant	5	-	NM
Gain on disposal of property, plant and equipment	37	2	1750
Foreign exchange gain	558	382	46
<u>Included in Other Operating Expenses</u>			
(Loss allowance)/write back on trade receivables	(21)	13	NM
Bad trade receivables written off	(10)	(182)	(95)
Loss on disposal of property, plant and equipment	-	(362)	NM
Foreign exchange loss	(496)	(1,693)	(71)
Lease expenses	(490)	(1,639)	(71)
Property, plant and equipment written off	(14)	(883)	(98)
<u>Included in Personnel Expenses</u>			
Share-based payment	(5)	(44)	(88)
Impairment of goodwill	-	(6,192)	NM
Overprovision of income tax expense in prior financial periods	-	11	NM

NM – Not meaningful

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.

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)

	Group	
	Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000
ADJUSTED EBITDA		
Profit/(Loss) after tax	7,507	(14,988)
<u>Add/(less):</u>		
Government grant	(5)	-
Finance costs	4,328	3,585
Income tax (credit)/expense	(4,391)	303
Depreciation and amortisation	3,890	3,443
Impairment of goodwill	-	6,192
Property, plant and equipment written off	14	883
Net foreign exchange (gain)/loss	(62)	1,311
Net (gain)/loss on disposal of property, plant and equipment	(37)	360
Share of results of joint ventures	276	127
Share of results of associates	(283)	117
Adjusted EBITDA	11,237	1,333

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	
		31/12/19 \$'000	30/6/19 \$'000	31/12/19 \$'000	30/6/19 \$'000
Non-current assets					
Property, plant and equipment	8.9	453,416	445,963	-	-
Right-of-use assets	8.10	2,963	-	-	-
Investment properties	8.11	399,348	477,638	-	-
Investment in subsidiaries		-	-	486,418	450,622
Investment in joint ventures		13,824	14,046	-	-
Investment in associates		52,949	53,656	-	-
Financial assets at fair value through other comprehensive income		596	606	-	-
Intangible assets		106,333	106,572	413	423
Deferred tax assets		1,726	5,966	-	-
Other receivable	8.12	-	54,637	35,346	34,372
Restricted bank balances		3,513	3,530	-	-
		1,034,668	1,162,614	522,177	485,417
Current assets					
Inventories		100	141	-	-
Trade and other receivables	8.13	86,600	44,275	232,849	221,271
Cash and bank balances		45,343	34,808	331	163
		132,043	79,224	233,180	221,434
Less:					
Current liabilities					
Trade and other payables	8.14	30,306	55,483	345,216	260,624
Course fees received in advance	8.15	31,909	12,449	-	-
Education facilities rental service fees received in advance	8.16	7,354	1,176	-	-
Income tax payable		1,359	1,771	51	51
Lease liabilities	8.10	1,624	-	-	-
Borrowings		58,784	123,389	27,430	64,299
		131,336	194,268	372,697	324,974
Net current assets/(liabilities)		707	(115,044)	(139,517)	(103,540)
Less:					
Non-current liabilities					
Trade and other payables	8.17	34,776	31,189	-	-
Lease liabilities	8.10	1,710	-	-	-
Borrowings		255,150	256,682	5,617	-
Deferred tax liabilities	8.18	53,778	63,641	-	-
		345,414	351,512	5,617	-
Net assets		689,961	696,058	377,043	381,877
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		114,252	120,151	(137,611)	(132,777)
Equity attributable to equity holders of the Company		628,906	634,805	377,043	381,877
Non-controlling interests	8.19	61,055	61,253	-	-
Total equity		689,961	696,058	377,043	381,877

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	31/12/19 \$'000	30/06/19 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2}	56,282	114,018
Unsecured	2,502	9,371
	58,784	123,389
<u>Amount repayable after one year:</u>		
Secured ¹	249,532	256,682
Unsecured	5,618	-
	255,150	256,682
Total borrowings	313,934	380,071

Details of securities

¹ Property mortgage loans of \$269,954,098.

² Bank borrowings of \$24,928,272 were secured by standby letter of credit based on cash deposit with the bank and/or a letter of guarantee provided by the Company. The standby letter of credit was secured by bank deposit of \$25,955,391.

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		3,116	(14,685)
Adjustments for:			
Amortisation of intangible assets		141	132
Loss allowance/(write back) on trade receivables		21	(13)
Bad trade receivables written off		10	182
Depreciation for property, plant and equipment		3,368	3,311
Depreciation for right-of-use assets		381	-
Impairment of goodwill		-	6,192
Interest expense		4,328	3,585
Interest income		(1,142)	(197)
Net (gain)/loss on disposal of property, plant and equipment		(37)	360
Fair value gain on investment properties		(2,070)	-
Gain on divestment of investment properties		(2,007)	-
Property, plant and equipment written off		14	883
Intangible assets written off		-	270
Share-based payment		5	44
Share of results of joint ventures		276	127
Share of results of associates		(283)	117
Operating profit before working capital changes		6,121	308
Working capital changes:			
Trade and other receivables		8,419	9,020
Inventories		41	33
Course fees received in advance		(7,697)	(8,634)
Education facilities rental service received in advance		(3,302)	(3,522)
Trade and other payables		(6,575)	1,835
Cash used in operations		(2,993)	(960)
Interest paid		(5,286)	(3,553)
Interest received		1,142	197
Income and withholding taxes paid		(326)	(362)
Net cash used in operating activities	8.20	(7,463)	(4,678)
Cash flows from investing activities			
Additions for development cost and computer software		(8)	(24)
Additions of trademarks and licenses		-	(219)
Additions of investment properties		(1,743)	(1,125)
Proceeds from sale of property, plant and equipment		40	73
Net proceeds from divestment of investment properties	8.21	71,712	-
Purchases of property, plant and equipment	8.22	(6,945)	(4,382)
Advance to a third party		-	(15,920)
Payment for assignment of the dividend from non-controlling interests in subsidiary	8.22	(6,581)	-
Net cash from/(used) in investing activities		56,475	(21,597)

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000
Cash flows from financing activities			
Increase in short-term deposits pledged		(295)	(247)
(Net repayment to)/Loan from a director	8.22	(6,713)	885
Drawdown of borrowings	8.21	8,877	13,317
Repayment of borrowings	8.22	(71,764)	(9,631)
Lease payments		(376)	-
Dividends payment to non-controlling interests		-	(529)
Contribution from non-controlling interests		571	-
Net proceeds from issue of shares		-	-
Net cash (used in)/from financing activities		(69,700)	3,795
Net change in cash and cash equivalents		(20,688)	(22,480)
Cash and cash equivalents at beginning of financial period		39,037	40,015
Effect of exchange rate changes on cash and cash equivalents		658	680
Cash and cash equivalents at end of financial period	8.23	19,007	18,215
- Note A			

Note A:

Cash and cash equivalents	Item No.	Second Quarter ended 31/12/19 \$'000	Second Quarter ended 31/12/18 \$'000
<u>Current</u>			
Fixed deposits with banks		25,955	25,911
Cash and bank balances		19,388	18,977
<u>Non-current</u>			
Restricted bank balances		3,513	3,527
Cash and bank balances in the statement of financial position		48,856	48,415
Pledged fixed deposits and bank balances		(26,336)	(26,673)
Restricted bank balances		(3,513)	(3,527)
Cash and cash equivalents in the statement of cash flow	8.23	19,007	18,215

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	Share-based Payment Reserve	Accumulated Profits and Other Reserves	Total		
<u>FY2020</u>							
Balance at 1 October 2019	554,337	(39,683)	2,618	106,664	623,936	60,542	684,478
Total comprehensive income	-	-	-	4,973	4,973	(58)	4,915
Share-based payment	-	-	5	-	5	-	5
Contribution from non-controlling interests in subsidiary	-	-	-	(8)	(8)	571	563
Balance at 31 December 2019	554,337	(39,683)	2,623	111,629	628,906	61,055	689,961
<u>FY2019</u>							
Balance at 1 October 2018	554,337	(39,683)	2,460	84,646	601,760	102,880	704,640
Total comprehensive income	-	-	-	(18,632)	(18,632)	(140)	(18,772)
Share based payment	-	-	44	-	44	-	44
Dividends	-	-	-	-	-	(529)	(529)
Balance at 31 December 2018	554,337	(39,683)	2,504	66,014	583,172	102,211	685,383

COMPANY	Share Capital	Treasury Shares	Share-based		Total
			Payment Reserve	Accumulated Losses	
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>FY2020</u>					
Balance at 1 October 2019	554,337	(39,683)	2,618	(138,294)	378,978
Share-based payment	-	-	5	-	5
Total comprehensive loss	-	-	-	(1,940)	(1,940)
Balance at 31 December 2019	554,337	(39,683)	2,623	(140,234)	377,043
<u>FY2019</u>					
Balance at 1 October 2018	554,337	(39,683)	2,460	(117,581)	399,533
Share-based payment	-	-	44	-	44
Total comprehensive loss	-	-	-	(13,473)	(13,473)
Balance at 31 December 2018	554,337	(39,683)	2,504	(131,054)	386,104

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

SHARE CAPITAL

During the financial period ended 31 December 2019, no ordinary shares were repurchased.

During the financial period ended 31 December 2019, no ordinary shares were issued in respect of the conversion of share options.

As at 31 December 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 December 2019, there was unexercised share option for 2,998,668 unissued ordinary shares (31 December 2018: 3,824,973) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 2019, there were 79,790,100 treasury shares (31 December 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 December 2019 (30 June 2019: 1,378,656,672).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 31 December 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 2019, 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

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards (International) (“SFRS(I)”) that are relevant to its operations and effective for the current financial year beginning on 1 July 2019. Except as stated below, the adoption of these new/revised SFRS(I) 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.

SFRS(I) 16 Leases

On 1 July 2019, the Group adopted the SFRS(I) 16 – *Leases* that is mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the SFRS(I) 16.

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a “right-of-use” asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remain substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has initially applied SFRS(I) 16 in the financial year beginning on 1 July 2019 using the modified retrospective approach in accordance with the transitional provisions. Upon the adoption of SFRS(I) 16, the Group has capitalised its rented office premise and office equipment on the statements of financial position by recognising them as “right-of-use” assets and their corresponding lease liabilities for the present value of future lease payments of an equal amount \$3,633,000 at 1 July 2019. Comparative information has not been restated and continues to be reported under SFRS(I) 1-17.

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

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

Earnings Per Share (EPS) based on net loss attributable to shareholders of the Group	Group		Change +/- %
	Second Quarter ended 31/12/19	Second Quarter ended 31/12/18	
i) Based on the weighted average number of shares (in cents)	0.53	-1.10	NM
- Weighted average number of shares	1,378,656,672	1,378,656,672	
ii) On a fully diluted basis (in cents)	0.53	-1.10	NM
- Adjusted weighted average number of shares	1,378,656,672	1,378,656,672	

NM – Not meaningful

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	31/12/19	30/06/19		31/12/19	30/06/19	
NAV per ordinary share (in cents)	45.62	46.05	(1)	27.35	27.70	(1)

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) Increase in other operating income from \$0.7 million for FY2019 Q2 to \$3.8 million for FY2020 Q2 was mainly due:
- (a) Gain of \$2.0 million on disposal of Sale Property in Parramatta, New South Wales, Australia; and
 - (b) Increase in interest income from \$0.2 million for FY2019 Q2 to \$1.1 million for FY2020 Q2 was mainly due to:
 - (i) Increase in interest income by \$0.3 million; and
 - (ii) Discounting effect of \$0.6 million for the disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd., which is due before 30 September 2020.
- (2) Decrease in other operating expenses from \$13.9 million for FY2019 Q2 to \$10.1 million for FY2020 Q2 was mainly due:
- (a) Decrease in foreign exchange loss of \$1.2 million; and
 - (b) Decrease in lease expenses from \$1.6 million for FY2019 Q2 to \$0.5 million for FY2020 Q2 in relation to recognition of right-of-use assets upon the adoption of SFRS(I) 16 on 1 July 2019.
- (3) Increase in finance costs from \$3.6 million for FY2019 Q2 to \$4.3 million for FY2020 Q2 was mainly due:
- (a) Increase in interest of \$0.3 million from additional bank borrowing by Raffles American School in Iskandar, Johor. Total bank interest for the quarter is \$4.0 million; and
 - (b) Amortisation of finance costs of \$0.3 million arising from the deferred purchase consideration of the Campus Facilities by Tianjin University of Commerce Boustead College.
- (4) Increase in depreciation and amortisation expenses from \$3.4 million for FY2019 Q2 to \$3.9 million for FY2020 Q2 was mainly due to recognition of depreciation charge of \$0.4 million for right-of-use assets upon the adoption of SFRS(I) 16 on 1 July 2019.
- (5) Fair value gain on investment properties of \$2.1 million was recognised in FY2020 Q2 arising from the revaluation of the property in Bangkok, Thailand, as a result of the property being owner-occupied in this quarter.

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

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

- (6) Costs of closure of Raffles College Pty Ltd and Raffles College Beijing in FY2019 Q2 to stem out continued losses are as follows:
- (a) Impairment of goodwill of \$6.2 million;
 - (b) Property, plant and equipment ("PPE") written off of \$0.9 million;
 - (c) Loss on disposal of PPE of \$0.4 million;
 - (d) Bad trade receivables written off of \$0.2 million;
 - (e) Personnel expenses of \$0.2 million;
 - (f) Intangible assets written off of \$0.2 million; and
 - (g) Related closure expenses of \$0.1 million.
- (7) Income tax credit of \$4.4 million in FY2020 Q2 arose mainly due to:
- (a) Reversal of deferred tax provision of \$6.4 million pursuant to the special re-organisation scheme for the sale of certain properties to Oriental University City Holdings (H.K.) Limited, which was completed in this quarter; and
 - (b) Offset by the income tax provision of \$1.0 million made in this quarter for this sale.
- (8) Currency translation loss of \$2.6 million arose from the consolidation of foreign operations and was mainly from the translation of Oriental University Holdings (H.K.) Limited and Oriental University Limited net asset value.
- (9) Increase in PPE from \$446.0 million in FY2019 ("ended 30 June 2019") to \$453.4 million in FY2020 Q2 ("ended 31 December 2019") was mainly due to:
- (a) Reclassification from investment properties of \$6.9 million for the property in Bangkok, Thailand (refer to item 8.11b); and
 - (b) Additions of \$5.6 million mainly from:
 - (i) Tianjin University of Commerce Boustead College of \$4.4 million mainly for the construction work in progress of the new student hostel;
 - (ii) Raffles University Iskandar of \$0.4 million; and
 - (iii) Wanbo Institute of Science & Technology of \$0.3 million.
- Increase was offset by:
- (c) Depreciation charge of \$3.4 million; and
 - (d) Loss on foreign currency translation of \$1.6 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 DECEMBER 2019 AND 30 JUNE 2019) (CONT'D)

- (10) Right-of-use assets and lease liabilities as at 31 December 2019 were in relation to the adoption of SFRS(I) 16 on 1 July 2019.
- (11) Decrease in investment properties from \$477.6 million in FY2019 to \$399.3 million in FY2020 Q2 was mainly due to:
- (a) Completion of the disposal of Sale Property in Parramatta, New South Wales, Australia on 29 November 2019; and
 - (b) Reclassification to PPE of \$6.9 million (refer to item 8.9a).
- (12) Decrease in non-current other receivable from \$54.6 million in FY2019 to \$nil in FY2020 Q2 was mainly due to the reclassification of non-current other receivable in FY2019 to current other receivables of \$55.0 million in FY2020 Q2 in relation to the amount due from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. (refer to item 8.13a).
- (13) Current trade and other receivables breakdown as follows:

	31/12/19 \$'000	30/06/19 \$'000
Current trade receivables:		
Third parties, (net)	2,552	2,298
Current other receivables:		
Third parties	894	885
Receivable from disposal of subsidiary ^(a)	55,008	16,352
Prepayments	7,745	5,413
Deposits	7,918	8,125
Receivable from former joint venture	27	145
Joint ventures	8,973	9,003
Tax recoverable	1,552	1,536
Others	1,931	518
	84,048	41,977
Total current trade and other receivables	86,600	44,275

- (a) Receivable from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. (refer to item 8.12).

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2019 AND 30 JUNE 2019) (CONT'D)

(14) Current trade and other payables breakdown as follows:

	31/12/19 \$'000	30/06/19 \$'000
Current trade payables:		
Third parties	2,520	3,284
Current other payables:		
Other accruals	7,622	14,439
Accruals for property and land use tax	68	100
Accruals for business tax	818	838
Accruals for capital expenditure	1,628	6,170
Amount due to a Director	11,533	15,767
Payable for assignment of the dividend from non-controlling interest in subsidiary	-	3,265
Payable for purchase of Campus Facilities by BC	508	6,815
Other payables	5,609	4,805
	27,786	52,199
Total current trade and other payables	30,306	55,483

- (15) Increase in course fees received in advance from \$12.4 million in FY2019 to \$31.9 million in FY2020 Q2 was mainly due to annual fee collections from students in Tianjin University of Commerce Boustead College and Wanbo Institute of Science & Technology. This deferred income will be recognised as revenue over the next 2 financial quarters in FY2020.
- (16) Increase in education facilities rental service fees received in advance from \$1.2 million in FY2019 to \$7.4 million in FY2020 Q2 was mainly due to annual education facilities rental service fees from colleges in Oriental University Holdings (H.K.) Limited. This deferred income will be recognised as revenue over the next 2 financial quarters in FY2020.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2019 AND 30 JUNE 2019) (CONT'D)

- (17) Non-current trade and other payables mainly relate to non-current portion of amount payable for Campus Facilities of \$27.6 million (FY2019: \$25.1 million) by Tianjin University of Commerce Boustead College.

- (18) Deferred tax liabilities breakdown for FY2020 Q2 as follows:

	Accelerated tax depreciation on PPE \$'000	Fair value adjustment on investment properties \$'000	Divestment of land and properties \$'000	Others \$'000	Total \$'000
Balance at 1 July 2019	652	48,848	14,177	(36)	63,641
Credited to profit or loss	(114)	(9,878)	1,034	17	(8,941)
Foreign currency realignment	(1)	(690)	(231)	-	(922)
Balance at 31 Dec 2019	537	38,280	14,980	(19)	53,778

- (19) Non-controlling interests as at 31 December 2019 represent mainly the non-controlling shareholders' equity interests in Oriental University Holdings (H.K.) Limited.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (20) Net cash used in operating activities amounted to \$7.5 million.

- (21) Major cash inflows were:

- (a) Proceeds from disposal of investment properties of \$71.7 million; and
- (b) Drawdown of bank borrowings of \$8.9 million.

- (22) Major cash outflows were for:

- (a) Repayment of borrowings of \$71.8 million;
- (b) Purchase of property, plant and equipment of \$6.9 million;
- (c) Net repayment of loan to a director of \$6.7 million; and
- (d) Payment for assignment of the dividend from non-controlling interest in subsidiary of \$6.6 million.

- (23) The Group's cash position was \$19.0 million at the end of FY2020 Q2 (FY2019 Q2: \$18.2 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 30 September 2019.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The challenging global education environment, currency volatility and increasing competition continue to impact the Group.

The uncertainty brought about by 2019 Novel Coronavirus outbreak will have some adverse impact on the Group.

The Group continues to streamline and restructure its operations for better cost management, improved efficiency and reduce borrowings.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No interim dividend has been declared for the current financial period as the Group has not generated cash from operating activities.

13. If the Company has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the SGX-ST Listing Manual. If no IPT mandate has been obtained, a statement to that effect

Not applicable as the Group does not have in place a general mandate for interested person transactions.

14. Negative assurance confirmation on second quarter financial results pursuant to Rule 705(5) of the Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the three months ended 31 December 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
7 February 2020