

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FULL YEARLY RESULTS**Issuer & Securities****Issuer/ Manager**

RAFFLES EDUCATION CORPORATION LIMITED

Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

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Announcement Details**Announcement Title**

Financial Statements and Related Announcement

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Chairman & CEO

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Additional Details**For Financial Period Ended**

30/06/2021

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RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SIX MONTHS AND FINANCIAL YEAR ENDED 30 JUNE 2021

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note (Page 22-25)	Group					
		6 months ended 30/06/21 \$'000	6 months ended 30/06/20 \$'000	Change %	12 months ended 2021 \$'000	12 months ended 2020 \$'000	Change %
Revenue	F 2.1	49,302	48,358	2	97,729	100,477	(3)
Other operating income	F 2.2	205	2,585	(92)	35,562	7,238	NM
Personnel expenses	F 2.3	(22,057)	(20,826)	6	(41,552)	(42,004)	(1)
Other operating expenses	F 2.4	(18,321)	(16,648)	10	(33,305)	(35,580)	(6)
Finance costs	F 2.5	(11,173)	(7,993)	40	(17,915)	(16,708)	7
Depreciation and amortisation expenses	F 2.6	(9,348)	(8,240)	13	(18,209)	(15,933)	14
Impairment of investment in associates	F 2.7	-	(1,905)	NM	-	(1,905)	NM
Reversal of impairment in associates	F 2.7	1,428	-	NM	1,428	-	NM
Fair value gain on investment properties	F 2.8	4,362	1,110	NM	13,839	3,180	NM
Share of results of joint ventures		76	132	(42)	2,742	(16)	NM
Share of results of associates		1,272	(1,716)	NM	1,946	(1,564)	NM
Operating (loss)/profit before income tax		(4,254)	(5,143)	(17)	42,265	(2,815)	NM
Foreign exchange gain		219	1,727	(87)	1,794	4,723	(62)
Foreign exchange loss		(6,500)	(8,058)	(19)	(14,180)	(9,278)	53
(Loss)/Profit before income tax		(10,535)	(11,474)	(8)	29,879	(7,370)	NM
Income tax expense		(703)	(851)	(17)	(883)	(1,719)	(49)
Deferred tax expense		(9,707)	(10,346)	(6)	(12,332)	(5,248)	NM
(Loss)/Profit after tax		(20,945)	(22,671)	(8)	16,664	(14,337)	NM
Other comprehensive income, net of tax							
Items that will not be reclassified							
Net change in fair value of financial assets at fair value through other comprehensive income		-	4	NM	-	4	NM
Items that may be reclassified subsequently to profit or loss:							
Currency exchange differences arising on translating foreign operations	F 2.9	15,633	14,180	10	41,633	2,455	NM
Total comprehensive (loss)/income		(5,312)	(8,487)	(80)	58,297	(11,878)	NM
Attributable to:							
Equity holders of the Company		(19,317)	(24,134)	(20)	16,386	(16,426)	NM
Non-controlling interests		(1,628)	1,463	NM	278	2,089	(87)
Net (loss)/profit		(20,945)	(22,671)	(23)	16,664	(14,337)	NM
Attributable to:							
Equity holders of the Company		(5,653)	(11,112)	(49)	53,559	(14,104)	NM
Non-controlling interests		341	2,625	(87)	4,738	2,226	NM
Total comprehensive (loss)/income		(5,312)	(8,487)	(37)	58,297	(11,878)	NM
Earnings per share for (loss)/profit for the period/year attributable to the owners of the Company during the period:							
Basic (cents)		(1.40)	(1.75)		1.19	(1.19)	
Diluted (cents)		(1.40)	(1.75)		1.19	(1.19)	

NM – Not meaningful

Condensed Interim Statements of Financial Position

UNAUDITED STATEMENTS OF FINANCIAL POSITION	Note (Page 26 -28)	Group		Company	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Non-current assets					
Property, plant and equipment	F 2.10	598,286	462,830	9	10
Right-of-use assets	F 2.11	4,541	5,292	-	-
Investment properties		433,873	405,407	-	-
Investment in subsidiaries		-	-	442,737	478,488
Investment in joint ventures		3,712	970	-	-
Investment in associates	F 2.12	6,079	49,758	-	-
Intangible assets		111,155	105,684	97	106
Deferred tax assets		1,381	1,720	-	-
Other receivables	F 2.13	4,068	1,000	35,987	36,373
Restricted bank balances	F 2.14	2,043	3,745	-	-
		1,165,138	1,036,406	478,830	514,977
Current assets					
Inventories		81	96	-	-
Trade and other receivables	F 2.15	106,879	102,680	216,531	223,187
Cash and bank balances		84,929	34,607	493	211
		191,889	137,383	217,024	223,398
Non-current assets held for sale	F 2.10	25,303	-	-	-
		217,192	137,383	217,024	223,398
Less:					
Current liabilities					
Trade and other payables	F 2.16	86,945	46,518	277,988	313,580
Course fees received in advance		13,756	13,243	-	-
Education facilities rental service fees received in advance		1,129	1,454	-	-
Income tax payable		10,486	10,018	51	51
Borrowings	F 2.17	299,197	161,414	35,738	32,005
Lease liabilities	F 2.18	2,112	1,679	-	-
		413,625	234,326	313,777	345,636
Net current liabilities	F 2.19	(196,433)	(96,943)	(96,753)	(122,238)
Less:					
Non-current liabilities					
Trade and other payables	F 2.20	16,133	23,971	-	-
Borrowings	F 2.17	92,175	173,252	21,185	5,000
Lease liabilities	F 2.18	2,529	3,675	-	-
Provision for deferred tax	F 2.21	74,351	56,983	-	-
		185,188	257,881	21,185	5,000
Net assets		783,517	681,582	360,892	387,739
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		156,726	103,157	(153,762)	(126,915)
Equity attributable to equity holders of the Company		671,380	617,811	360,892	387,739
Non-controlling interests	F 2.22	112,137	63,771	-	-
Total equity		783,517	681,582	360,892	387,739

Condensed Interim 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		
	\$'000	\$'000	\$'000	\$'000	\$'000		
FY2021							
Balance at 1 Jul 2021	554,337	(39,683)	2,632	100,525	617,811	63,771	681,582
Total comprehensive income	-	-	-	53,559	53,559	4,738	58,297
Share-based payment	-	-	10	-	10	-	10
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	43,628	43,628
Balance at 30 June 2021	554,337	(39,683)	2,642	154,084	671,380	112,137	783,517
FY2020							
Balance at 1 Jul 2020	554,337	(39,683)	2,584	117,567	634,805	61,253	696,058
Total comprehensive income	-	-	-	(14,104)	(14,104)	2,226	(11,878)
Share-based payment	-	-	48	-	48	-	48
Contribution from non-controlling interests in a subsidiary	-	-	-	-	-	572	572
Assignment of rights of dividend from non-controlling interest in a subsidiary	-	-	-	(2,938)	(2,938)	(370)	(3,308)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	90	90
Balance at 30 June 2020	554,337	(39,683)	2,632	100,525	617,811	63,771	681,582

COMPANY	Share Capital	Treasury Shares	Share-based Payment Reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	FY2021				
Balance at 1 Jul 2021	554,337	(39,683)	2,632	(129,547)	387,739
Total comprehensive loss	-	-	-	(26,857)	(26,857)
Share-based payment	-	-	10	-	10
Balance at 30 June 2021	554,337	(39,683)	2,642	(156,404)	360,892
FY2020					
Balance at 1 Jul 2020	554,337	(39,683)	2,584	(135,361)	381,877
Total comprehensive income	-	-	-	5,814	10,687
Share-based payment	-	-	48	-	48
Balance at 30 June 2020	554,337	(39,683)	2,632	(129,547)	387,739

Condensed Interim Consolidated Statement of Cash Flows

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		29,879	(7,370)
Adjustments for:			
Amortisation of intangible assets		345	471
(Reversal of)/allowance for doubtful trade receivables		(2)	28
Bad trade receivables written off		479	198
Depreciation for property, plant and equipment		16,269	13,398
Depreciation for right-of-use assets		1,595	2,063
Finance costs		17,915	16,708
Interest income		(1,336)	(4,032)
Net gain on disposal of property, plant and equipment		(28,396)	(14)
Impairment loss on investment in associates		-	1,905
Gain on lease cancellation		(124)	-
Fair value gain on investment properties		(13,839)	(3,180)
Net loss/(gain) on disposal of investment properties		156	(1,928)
Net bargain purchase on acquisition of subsidiary		(3,257)	(8)
Property, plant and equipment written off		3	155
Intangible assets written off		-	370
Reversal of impairment on investment in associates		(1,428)	-
Write back of accrued capital expenditure		(1,632)	-
Share-based payment		10	48
Share of results of joint ventures		(2,742)	16
Share of results of associates		(1,946)	1,564
Operating cash flows before working capital changes		11,949	20,392
Working capital changes:			
Trade and other receivables		(2,283)	(2,560)
Inventories		16	45
Course fees received in advance		513	794
Education facilities rental service received in advance		(324)	278
Trade and other payables		4,150	4,988
Cash generated from operations		14,021	23,937
Interest paid		(11,293)	(14,978)
Interest received		645	1,243
Income and withholding taxes paid		(953)	(1,355)
Net cash from operating activities	F 2.23	2,420	8,847
Cash flows from investing activities			
Additions for development cost and computer software		(10)	(42)
Additions of trademarks and licenses		(2)	(5)
Payments for investment properties	F 2.25	(1,732)	(15,179)
Payments for property, plant and equipment	F 2.25	(22,707)	(19,523)
Advance payment for construction projects	F 2.25	(4,539)	-
Acquisition of subsidiary, net of cash acquired	F 2.25	(50,085)	-
Compensation received in advance	F 2.24	11,820	-
Proceeds from disposal of subsidiary	F 2.24	4,073	16,561
Proceeds from disposal of property, plant and equipment	F 2.24	32,258	69
Proceeds from disposal of investment properties		585	71,405
Proceeds from sale of right-of-use assets		6	-

Condensed Interim Consolidated Statement of Cash Flows (continued)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
Cash flows from investing activities (Continued)			
Proceeds from sale of financial assets at FVOCI		-	610
Payment for assignment of rights of dividend from non-controlling interest in a subsidiary		-	(6,600)
Return of capital from an associate	F 2.24	1,187	-
Net cash (used in)/from investing activities		(29,146)	47,296
Cash flows from financing activities			
Contribution from non-controlling interest		-	572
Decrease in restricted bank balances		1,701	-
(Increase)/Decrease in fixed deposit pledged	F 2.25	(26,870)	649
Loan from/ (Repayment of loan to) a director - net	F 2.24	4,887	(9,892)
Drawdown of borrowings	F 2.24	73,454	31,587
Repayment of borrowings	F 2.25	(15,168)	(77,228)
Repayment of obligation under leases		(1,474)	(1,893)
Interest paid on leases		(256)	(340)
Net cash from/(used in) financing activities		36,274	(56,545)
Net change in cash and cash equivalents		9,548	(402)
Cash and cash equivalents at beginning of financial period		8,197	7,749
Effect of exchange rate changes on cash and cash equivalents		11,782	850
Cash and cash equivalents at end of financial period – Note A	F 2.26	29,527	8,197

Note A:

Cash and cash equivalents	Note	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
<u>Current</u>			
Fixed deposits with banks		55,402	26,410
Cash and bank balances		29,527	8,197
<u>Non-current</u>			
Restricted bank balances		2,043	3,745
Cash and bank balances in the statement of financial position		86,972	38,352
Pledged fixed deposits and bank balances		(55,402)	(26,410)
Restricted bank balances		(2,043)	(3,745)
Cash and cash equivalents in the statement of cash flow	F 2.26	29,527	8,197

N. Notes to the Condensed Interim Consolidated Financial Statements

1 Corporate Information

Raffles Education Corporation Limited (the Company) is incorporated and domiciled in the Republic of Singapore (Registration Number: 199400712N), and its registered office and principal place of business at 51 Merchant Road, Raffles Education Square, Singapore 058283.

The principal activities of the Company are those of an investment holding and provision of business and management consultancy services.

The principal activities of the subsidiaries are:

- (a) provision of educational services ranging from pre-school to tertiary education;
- (b) leasing of educational facilities and supporting facilities; and
- (c) investing in education properties.

2 Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

Going Concern

As at 30 June 2021, the Group's and the Company's current liabilities exceeded its current assets by \$196.4 million and \$96.8 million respectively. Following Affin Bank's Writ, all the Affin Bank's borrowings together with all other bank borrowings with possible cross default were classified as current borrowings. This condensed interim financial statements of the Group and the Company have been prepared on a going concern basis taking into consideration the following:

- (i) The Group has reached a settlement with Affin Bank under the Writs and Affin Bank has discontinued the Writs;
- (ii) Collections of receivables from divestment of assets;
- (iii) Positive cash flow generation from its operations based on the cash flow forecast that covers a period of at least 12 months from 30 June 2021;
- (iv) The Group's ability to realise some of its investment in certain assets;
- (v) The Group is confident that even though certain borrowings were now classified as current borrowings, the lenders continue to give support to the Group; and
- (vi) The Group will continue to seek to refinance existing borrowings.

With the above mitigating factors, the net current liabilities position will not likely pose material uncertainty on the ability of the Group and of the Company as a going concern.

Should the Group and the Company be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the financial statements and to provide for any future liabilities which might arise. Such adjustments have not been made to the financial statements.

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of estimates and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 Jun 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- **Note 7** – Provision for income taxes in respective jurisdictions of which the taxes arose
- **Note 9 & 10** – Classification between investment property & property, plant and equipment

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- **Note 7** – Income tax position
- **Note 10** – Determination of fair value of investment property using significant unobservable inputs
- **Note 11** – Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts
- **Note 14** – Acquisition of subsidiary: the fair value of the consideration transferred (including contingent consideration) and the fair value of the assets acquired and liabilities assumed.

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4 Segment and revenue information

The Group has four reportable segments as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different skill sets and marketing strategies.

For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

Education

The Group offers a wide range of educational services ranging from pre-school to tertiary education through our subsidiaries in Asia and European Countries.

Education Facilities Rental Service

Through our HK-listed subsidiary – OUCHK, the Group owns and leases out certain investment properties to colleges in Oriental University City, located at Langfang Economic and Technical Development Zone.

Education Real Estate Investment & Development

The Group participates in opportunistic Education Real Estate Investments and Development. The ownership of these properties generates a stream of stable and recurring rental income. When the opportunity arises, the Group may divest these properties.

Corporate & Others

Includes corporate headquarter and consolidation adjustments which are not directly attributable to a particular reporting segment above.

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.1 Reportable Segments

	Group				
	6 months ended 30 Jun 2021				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	41,866	6,534	900	2	49,302
Inter-segment revenue	116	635	134	4,060	4,945
Interest income	44	7	283	(29)	305
Gain on disposal of property, plant and equipment	342	-	-	-	342
Net fair value gain on investment properties	-	1,726	2,566	70	4,362
Reversal of impairment of investment in associates	-	1,428	-	-	1,428
Finance cost	(7,234)	(2,175)	(162)	(1,602)	(11,173)
Depreciation and amortisation	(5,387)	(370)	(2,521)	(1,070)	(9,348)
Share of results from joint ventures	-	-	-	76	76
Share of results from associates	(8)	1,284	(4)	-	1,272
Reportable segment profit/(loss) before income tax	(915)	5,857	(4,973)	(10,504)	(10,535)
Net profit/(loss) for the financial period	(8,969)	3,967	(5,430)	(10,513)	(20,945)
<u>Other information:</u>					
Additions to property, plant and equipment	18,572	64	-	-	18,636
Additions to right-of-use assets	19	-	-	-	19
Additions to investment properties	-	964	-	-	964
Additions to intangible assets	10	-	-	-	10
Investment in joint ventures	-	-	-	3,712	3,712
Investment in associates	291	5,788	-	-	6,079
Segment assets	445,931	328,078	315,348	83,675	1,173,032
Segment liabilities	(243,393)	(55,850)	(32,794)	(167,405)	(499,442)

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.1 Reportable Segments (continued)

	Group				
	6 months ended 30 Jun 2020				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	40,071	7,474	780	33	48,358
Inter-segment revenue	165	314	132	32,361	32,972
Interest income	(15)	27	1,601	1	1,614
Gain on disposal of property, plant and equipment	2	-	2	-	4
Net fair value gain on investment properties	-	3,080	(2,044)	74	1,110
Impairment of investment in associates	-	(1,905)	-	-	(1,905)
Finance cost	(5,009)	(401)	(256)	(2,327)	(7,993)
Depreciation and amortisation	(6,708)	(171)	(173)	(1,188)	(8,240)
Share of results from joint ventures	(42)	-	-	174	132
Share of results from associates	(9)	(84)	(1,623)	-	(1,716)
Reportable segment profit/(loss) before income tax	(3,995)	10,084	(3,718)	(13,845)	(11,474)
Net profit/(loss) for the financial period	(4,098)	6,139	(10,834)	(13,878)	(22,671)
<u>Other information:</u>					
Additions to property, plant and equipment	1,749	3	167	12	1,931
Additions to right-of-use assets	339	-	-	-	339
Additions to investment properties	-	12,407	-	19	12,426
Additions to intangible assets	14	-	-	4	18
Investment in joint ventures	-	-	-	970	970
Investment in associates	330	3,217	46,211	-	49,758
Segment assets	486,505	298,948	119,813	72,039	977,305
Segment liabilities	(262,268)	(50,038)	(87,392)	(25,508)	(425,206)

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.1 Reportable Segments (continued)

	Group				
	12 months ended 30 Jun 2021				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	83,703	12,233	1,793	-	97,729
Inter-segment revenue	198	1,162	269	7,571	9,200
Interest income	106	13	1,217	-	1,336
Gain on disposal of property, plant and equipment	28,439	-	-	-	28,439
Net fair value gain on investment properties	-	11,204	2,566	69	13,839
Reversal of Impairment of investment in associates	-	1,428	-	-	1,428
Finance cost	(11,633)	(2,794)	(418)	(3,070)	(17,915)
Depreciation and amortisation	(11,353)	(807)	(3,908)	(2,141)	(18,209)
Share of results from joint ventures	-	-	-	2,742	2,742
Share of results from associates	(25)	2,163	(192)	-	1,946
Reportable segment profit/(loss) before income tax	32,640	17,490	(5,538)	(14,713)	29,879
Net profit/(loss) for the financial year	24,682	12,725	(6,007)	(14,736)	16,664
<u>Other information:</u>					
Additions to property, plant and equipment	20,567	201	-	1	20,769
Additions to right-of-use assets	2,587	-	-	-	2,587
Additions to investment properties	-	1,066	-	-	1,066
Additions to intangible assets	10	-	-	2	12
Investment in joint ventures	-	-	-	3,712	3,712
Investment in associates	291	5,788	-	-	6,079
Segment assets	445,931	328,078	315,348	83,675	1,173,032
Segment liabilities	(243,393)	(55,850)	(32,794)	(167,405)	(499,442)

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.1 Reportable Segments (continued)

	Group				
	12 months ended 30 Jun 2020				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	81,858	14,758	3,818	43	100,477
Inter-segment revenue	165	628	205	36,220	37,218
Interest income	36	92	3,903	1	4,032
Gain on disposal of property, plant and equipment	39	-	2	-	41
Net fair value gain on investment properties	-	3,080	26	74	3,180
Impairment of investment in associates	-	(1,905)	-	-	(1,905)
Finance cost	(9,600)	(613)	(810)	(5,685)	(16,708)
Depreciation and amortisation	(12,821)	(339)	(331)	(2,441)	(15,932)
Share of results from joint ventures	(42)	-	-	26	(16)
Share of results from associates	(21)	80	(1,623)	-	(1,564)
Reportable segment profit/(loss) before income tax	(2,646)	13,378	4,004	(22,106)	(7,370)
Net profit/(loss) for the financial year	(2,706)	8,917	1,610	(22,158)	(14,337)
<u>Other information:</u>					
Additions to property, plant and equipment	10,514	22	386	13	10,935
Additions to right-of-use assets	411	-	-	-	411
Additions to investment properties	-	12,407	-	19	12,426
Additions to intangible assets	24	-	-	23	47
Investment in joint ventures	-	-	-	970	970
Investment in associates	330	3,217	46,211	-	49,758
Segment assets	486,505	298,948	119,813	72,039	977,305
Segment liabilities	(262,268)	(50,038)	(87,392)	(25,508)	(425,206)

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.2 Disaggregation of Revenue

Operating Segment

Group
6 months ended 30 Jun 2021

	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	38,565	-	-	-	38,565
Rental income from investment properties	-	6,534	898	2	7,434
Student accommodation fee	1,566	-	-	-	1,566
Canteen operation	313	-	-	-	313
Other fees	1,422	-	2	-	1,424
Total revenue	41,866	6,534	900	2	49,302

Geographical information

	ASEAN \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
Course fee	14,413	22,539	195	-	1,418	38,565
Rental income from investment properties	2	6,904	-	-	528	7,434
Student accommodation fee	7	1,559	-	-	-	1,566
Canteen operation	230	83	-	-	-	313
Other fees	645	776	1	-	2	1,424
Total revenue	15,297	31,861	196	-	1,948	49,302

Operating Segment

Group
6 months ended 30 Jun 2020

	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	37,383	-	-	-	37,383
Rental income from investment properties	-	7,474	680	2	8,156
Student accommodation fee	194	-	-	-	194
Canteen operation	290	-	-	-	290
Other fees	2,204	-	100	31	2,335
Total revenue	40,071	7,474	780	33	48,358

Geographical information

	ASEAN \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
Course fee	16,894	18,719	430	-	1,340	37,383
Rental income from investment properties	2	7,605	-	(25)	574	8,156
Student accommodation fee	10	184	-	-	-	194
Canteen operation	200	90	-	-	-	290
Other fees	1,837	498	-	-	-	2,335
Total revenue	18,943	27,096	430	(25)	1,914	48,358

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

4.2 Disaggregation of Revenue (continued)

Operating Segment	Group					Total
	12 months ended 30 Jun 2021					
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others		
	\$'000	\$'000	\$'000	\$'000	\$'000	
Course fee	77,484	-	-	-	-	77,484
Rental income from investment properties	-	12,233	1,788	-	-	14,121
Student accommodation fee	3,096	-	-	-	-	3,096
Canteen operation	691	-	-	-	-	691
Other fees	2,432	-	5	-	-	2,437
Total revenue	83,703	12,233	1,793	-	-	97,729

Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	30,139	44,353	512	-	2,480	77,484
Rental income from investment properties	5	13,028	-	-	993	14,026
Student accommodation fee	19	3,077	-	-	-	3,096
Canteen operation	534	157	-	-	-	691
Other fees	1,352	1,058	1	-	21	2,432
Total revenue	32,049	61,673	513	-	3,494	97,729

Operating Segment	Group					Total
	12 months ended 30 Jun 2020					
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others		
	\$'000	\$'000	\$'000	\$'000	\$'000	
Course fee	74,870	-	-	-	-	74,870
Rental income from investment properties	-	14,758	3,818	6	-	18,582
Student accommodation fee	1,486	-	-	-	-	1,486
Canteen operation	835	-	-	-	-	835
Other fees	4,667	-	-	37	-	4,704
Total revenue	81,858	14,758	3,818	43	-	100,477

Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	34,277	37,371	972	1	2,249	74,870
Rental income from investment properties	7	15,523	-	1,947	1,105	18,582
Student accommodation fee	18	1,468	-	-	-	1,486
Canteen operation	663	172	-	-	-	835
Other fees	3,850	854	-	-	-	4,704
Total revenue	38,815	55,388	972	1,948	3,354	100,477

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

A breakdown of sales:

	Group		Increase/ (Decrease) %
	Financial year ending 30 Jun 2021 \$'000	Financial year ending 30 Jun 2020 \$'000	
	(a) Sales reported for first half year	48,427	
(b) Profit after tax reported for first half year	37,609	8,334	NM
(c) Sales reported for second half year	49,302	48,358	2
(d) Loss after tax reported for second half year	(20,945)	(22,671)	(8)

5 Financial assets and financial liabilities

	Group		Company	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000	30 Jun 2021 \$'000	30 Jun 2020 \$'000
<u>Financial Assets</u>				
Trade and other receivables (amortised cost)	110,947	103,680	252,518	259,560
Cash and cash equivalents (amortised cost)	86,972	38,352	493	211
<u>Financial Liabilities</u>				
Trade and other payables (amortised cost)	103,078	70,489	277,988	313,580
Borrowings (amortised cost)	391,372	334,666	56,923	37,005
Lease liabilities (amortised cost)	4,641	5,354	-	-

6 Profit before taxation

	6 months ended 30 Jun 2021 \$'000	6 months ended 30 Jun 2020 \$'000	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
<u>Included in Other Operating Income</u>				
Net bargain purchase on acquisition of subsidiary	-	8	3,257	8
Interest income	305	1,614	1,336	4,032
Government grant	212	387	469	396
Gain on disposal of property, plant and equipment	342	4	28,439	41
Reversal of loss allowance on trade receivables	-	-	2	-
<u>Included in Other Operating Expenses</u>				
Provision for doubtful trade receivables	(7)	(10)	-	(28)
Bad trade receivables written off	(312)	(64)	(479)	(198)
Loss on disposal of property, plant and equipment	(40)	(25)	(43)	(27)
Lease expenses	(42)	(99)	(124)	(1,261)
Property, plant and equipment written off	(3)	(140)	(3)	(154)
<u>Included in Personnel Expenses</u>				
Share-based payment	-	(9)	(10)	(48)

ADJUSTED EBITDA	6 months ended 30 Jun 2021 \$'000	6 months ended 30 Jun 2020 \$'000	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
(Loss)/Profit after tax	(20,945)	(22,671)	16,664	(14,337)
<u>Add/(less):</u>				
Net bargain purchase on acquisition of subsidiary	-	(8)	(3,257)	(8)
Government grant	(212)	(387)	(469)	(396)
Finance costs	11,173	7,993	17,915	16,708
Net income tax and deferred tax expense	10,410	11,197	13,215	6,967
Depreciation and amortisation	9,348	8,240	18,209	15,933
Net foreign exchange loss	6,281	6,331	12,386	4,555
Property, plant and equipment written off	3	140	3	154
Adjusted EBITDA	16,058	10,835	74,666	29,576

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

7 Taxation

The Group calculates the period income tax expense using tax rate that would applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	6 months ended 30 Jun 2021 \$'000	6 months ended 30 Jun 2020 \$'000	12 months ended 30 Jun 2021 \$'000	12 months ended 30 Jun 2020 \$'000
<u>Income tax expense</u>				
Current financial period	(577)	(728)	(732)	(1,664)
(Under)/Overprovision of income tax expense in prior financial periods	(126)	(123)	(151)	(55)
<u>Deferred tax expense</u>				
Current financial period	(9,750)	(3,865)	(12,475)	(5,311)
(Under)/Overprovision of income tax expense in prior financial periods	43	(6,481)	143	63

8 Net asset value

	Group		Company	
	As at 30 Jun 2021 \$	As at 30 Jun 2020 \$	As at 30 Jun 2021 \$	As at 30 Jun 2020 \$
Net asset value per ordinary share (cents)	48.70	44.81	26.18	28.12

The calculation of net asset value per ordinary share was based on 1,378,656,672 shares (excluding treasury shares) as at 30 Jun 2021 (30 Jun 2020: 1,378,656,672).

9 Property, plant and equipment

During the year, the Group acquired assets amounting to \$20,769,000 (30 Jun 2020: \$10,935,000) and disposed assets amounting to \$3,862,000 (30 Jun 2020: \$55,000).

10 Investment Properties

	Group	
	2021 \$'000	2020 \$'000
Beginning of financial year	405,407	477,638
Additions	1,066	12,426
Disposal	(741)	(69,477)
Fair value gain recognised in profit or loss	13,839	3,180
Transfer to property, plant and equipment	-	(19,310)
Currency translation differences	14,302	950
Balance at end of financial year	433,873	405,407

Investment properties are stated at fair value, determined based on professional valuation carried out by firms of independent professional valuation specialists holding recognised and relevant professional qualifications and recent experience in the locations and categories of the properties being valued. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with actual use.

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

10 Investment Properties (continued)

For valuations performed by independent professional valuation specialist, the management reviews the appropriateness of the valuation methodologies and assumptions adopted including reliability of the inputs used in the valuations.

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

The fair value of the investment properties is considered Level 3 recurring fair value measurements.

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Valuation techniques	Key unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurement
Income approach	Capitalisation rate	2.51% - 8% per annum (2020: 2.51% - 5.5% per annum)	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	\$2.9 - \$20.1 per sqm (2020: \$1.0 - \$19.1 per sqm)	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre	\$94.3 - \$1,080.4 per sqm (2020: \$94 - \$1,652 per sqm)	Increase in price per square metre would result in higher fair value.

11 Intangible assets

	Goodwill on Consolidation \$'000	Trademarks & licenses \$'000	Group Development Costs \$'000	Computer software \$'000	Total \$'000
At 30 Jun 2020					
Cost	104,653	608	3,150	115	108,526
Accumulated amortisation & impairment	-	(223)	(2,553)	(66)	(2,842)
Net book value	104,653	385	597	49	105,684
Cost					
At 1 Jul 2020	104,653	608	3,150	115	108,526
Additions	-	2	10	-	12
Write off	-	-	(30)	-	(30)
Currency translation differences	5,832	(34)	(7)	-	5,791
At 30 Jun 2021	110,485	576	3,123	115	114,299

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

11 Intangible assets (continued)

	Goodwill on Consolidation \$'000	Trademarks & licenses \$'000	Group Development Costs \$'000	Computer software \$'000	Total \$'000
Accumulated amortisation & impairment					
At 1 Jul 2020	-	(223)	(2,553)	(66)	(2,842)
Amortisation	-	(21)	(310)	(14)	(345)
Write off	-	-	30	-	30
Currency translation differences	-	3	9	1	13
At 30 Jun 2021	-	(241)	(2,824)	(79)	(3,144)
Carrying amount at 30 Jun 2021					
	110,485	335	299	36	111,155

	Trademarks & licenses \$'000	Company Computer software \$'000	Total \$'000
At 30 Jun 2020			
Cost	226	48	274
Accumulated amortisation & impairment	(161)	(7)	(168)
Net book value	65	41	106
Cost			
At 1 Jul 2020	226	48	274
Additions	2	-	2
At 30 Jun 2021	228	48	276
Accumulated amortisation & impairment			
At 1 Jul 2020	(161)	(7)	(168)
Amortisation	(4)	(7)	(11)
At 30 Jun 2021	(165)	(14)	(179)
Carrying amount at 30 Jun 2021			
	63	34	97

11.1 Goodwill impairment

Goodwill arising from business combination are tested for impairment annually regardless of the existence of impairment indicator. No impairment was made on the goodwill as the CGUs' recoverable amount (its value-in-use) is higher than the carrying amount.

The recoverable amounts of the CGUs are determined based on the higher of its value-in-use and fair value less cost of disposal.

For value-in-use calculations, the recoverable amounts are determined by applying the discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by the management covering a period of up to five years, including terminal value.

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

11.1 Goodwill impairment (continued)

The following are the key assumptions were used in the discounted cash flow model:

- Pre-tax discount rate of 7%
- Revenue growth rate range from 2.6% to 8.2%
- Terminal growth rate of 2%

12 Borrowings

	Group	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1, 2, 3, 4}	299,005	161,414
Unsecured	192	-
	299,197	161,414
<u>Amount repayable after one year:</u>		
Secured ^{1, 2, 3, 4}	91,537	173,252
Unsecured	638	-
	92,175	173,252
Total borrowings	391,372	334,666

Details of securities

- 1 Property mortgage loans of \$310,234,000.
- 2 Bank borrowings of \$50,475,000 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 \$55,222,000.
- 3 Bank borrowings of \$15,906,000 were secured by certain properties in Switzerland and restricted bank balances of \$2,043,000.
- 4 As at 30 June 2021, certain bank borrowings of the subsidiaries have been classified as repayable after one year to within one year mainly due to the alleged non-repayments under the borrowing agreements by Raffles K12 Sdn Bhd ("RK12") amounting to \$104.7 million (RM323.7 million), Raffles Iskandar Sdn Bhd ("RU") amounting to \$22.8 million (RM70.6 million) and a potential breach of borrowing agreement by Raffles Assets (Singapore) Pte Ltd amounting to \$98.4 million (refer to F 2.18).

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)

13 Share Capital

	Group and Company			
	30 Jun 2021		30 Jun 2020	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
Issued and paid up:				
Beginning of financial period/year	1,458,446	554,337	1,458,446	554,337
Issue of ordinary shares	-	-	-	-
End of financial period/year	1,458,446	554,337	1,458,446	554,337

As at 30 June 2021, there were 79,790,100 treasury shares (30 June 2020: 79,790,100).

As at 30 June 2021, there was unexercised share option for 2,020,000 unissued ordinary shares (30 June 2020: 2,590,483) under the Raffles Education Corporation Employees' Share Option Schemes.

14 Acquisition of subsidiary

On 30 September 2020, the Group acquired additional 35.9% equity interest in the Langfang Hezhong Real Estate Development Co., Ltd ("Hezhong") for consideration of \$51,323 million (RMB 254 million). Subsequent to the acquisition, the Group's equity interest in Hezhong increased from 34.1% to 70% and giving the Group control over Hezhong.

	\$'000
Purchase consideration	
Cash paid	50,085
Cash payable	1,238
Total Consideration	51,323
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	151,004
Other payables	(3,391)
Deferred tax liabilities	(2,156)
Total net identifiable assets	145,457
Less:	
Net bargain purchase of a subsidiary	(3,257)
Deemed disposal of associate	(47,249)
Non-controlling interest	(43,628)
Consideration transferred for the business	51,323

F. Other Information Required by Listing Rule Appendix 7.2

1 Whether the figures have been audited or reviewed and in accordance with the auditing standards or practice.

The condensed consolidated statements of financial position of Raffles Education Corp Limited and its subsidiaries as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 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 followings:-

- (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.**

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS AND 12 MONTHS ENDED 30 JUNE 2021

(1) Revenue

2H FY21 vs 2H FY20

Revenue increased from \$48.3 million for 2nd half FY2020 to \$49.3 million for 2nd half FY2021 was mainly due to:

- (a) Revenue from colleges in ASEAN operations decreased by \$3.6 million from \$18.9 for 2nd half FY2020 to \$15.3 million for 2nd half FY2021 due to continued impact of the Covid-19 pandemic border lockdowns, travel restriction and new waves of infections. This disrupted foreign students already studying in the colleges/schools from returning to resume their studies and disrupted recruitment effort to sign up and bring in new foreign students.
- (b) Revenue from colleges in People's Republic of China ("PRC") increased by \$5.5 million from \$19.1 million for 2nd half FY2020 to \$24.6 million for 2nd half FY2021 due to higher enrollment.
- (c) Revenue from the leasing of education facilities of Oriental University City Holdings (H.K.) Limited ("OUCHK") decreased by \$0.9 million from \$7.4 million for 2nd half FY2020 to \$6.5 million for 2nd half FY2021. The COVID-19 outbreak in the year 2020 in the PRC and the consequential movement restrictions, quarantine measures, suspension of work and stay-at-home for work and study, have affected the businesses of the colleges, vocational schools, training centres and education institutions ("Education Institutions") in the PRC that leases from the Group. This, in turn, resulted in reduction of leased space and leased period from Education Institutions in FY2021.

FY21 vs FY20

Revenue decreased from \$100.4 million for FY2020 to \$97.7 million for FY2021 was mainly due to:

- (a) Revenue from colleges in ASEAN operations decreased by \$6.7 million from \$38.7 for FY2020 to \$32.0 million for FY2021 due to continued impact of the Covid-19 pandemic border lockdowns, travel restriction and new waves of infections. This disrupted foreign students already studying in the colleges/schools from returning to resume their studies and disrupted recruitment effort to sign up and bring in new foreign students.
- (b) Revenue from colleges in People's Republic of China ("PRC") increased by \$8.8 million from \$39.2 million for FY2020 to \$48.0 million for FY2021 due to higher enrollment.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS AND 12 MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(1) Revenue (continued)

FY21 vs FY20 (continued)

(c) Revenue from the leasing of education facilities of Oriental University City Holdings (H.K.) Limited (“OUCHK”) decreased by \$2.5 million from \$14.7 million for 2nd half FY2020 to \$12.2 million for FY2021. The COVID-19 outbreak in the year 2020 in the PRC and the consequential movement restrictions, quarantine measures, suspension of work and stay-at-home for work and study, have affected the businesses of the colleges, vocational schools, training centres and education institutions (“Education Institutions”) in the PRC that leases from the Group. This, in turn, resulted in reduction of leased space and leased period from Education Institutions in FY2021.

(2) Other operating income

2H FY21 vs 2H FY20

Other operating income decreased from \$2.5 million for 2nd half FY2020 to \$0.2 million for 2nd half FY2021 was mainly due to higher interest income recognised in 2nd half FY2020 of approximately \$1.6 million.

FY21 vs FY20

Other operating income increased from \$7.2 million for FY2020 to \$35.5 million for FY2021 was mainly due to gain on disposal of property, plant and equipment of \$28.4 million.

(3) Personnel expenses

2H FY21 vs 2H FY20

Personnel expenses increased from \$20.8 million for 2nd half FY2020 to \$22.0 million for 2nd half FY2021 was mainly due to performance-related pay made by Wanbo Institute of Science & Technology (“Wanbo”), contribution to social security by Boustead College (“BC”) and CEO’s profit sharing.

(4) Other operating expenses

2H FY21 vs 2H FY20

Other operating expenses increased from \$16.6 million for 2nd half FY2020 to \$18.3 million for 2nd half FY2021 was mainly due to professional fees incurred in the 2nd half FY2021.

FY21 vs FY20

Other operating expenses decreased from \$35.5 million for FY2020 to \$33.3 million for FY2021 was mainly due to the disruption of the pandemic. To comply with governments’ measures to combat with the pandemic, certain schools, colleges and universities operate by the Group had to postpone the new semester or conduct online teaching. As a result, certain direct cost including utilities, class & office supplies, transportation costs and maintenance fees had reduced.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS AND 12 MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(5) Finance costs

2H FY21 vs 2H FY20

Finance costs increased from \$7.9 million for 2nd half FY2020 to \$11.1 million for 2nd half FY2021 was mainly due to higher interest expenses incurred by OUCHK for additional borrowings and default interest recognised by Raffles K12 Sdn Bhd ('RK12') and Raffles Iskandar Sdn Bhd ('RU').

FY21 vs FY20

Finance costs increased from \$16.7 million for FY2020 to \$17.9 million for FY2021 was mainly due to higher interest expenses incurred by OUCHK for additional borrowings and default interest recognised by Raffles K12 Sdn Bhd ('RK12') and Raffles Iskandar Sdn Bhd ('RU').

(6) Depreciation and amortisation expenses

2H FY21 vs 2H FY20

Depreciation and amortisation expenses increased from \$8.2 million for 2nd half FY2020 to \$9.3 million for 2nd half FY2021 mainly due to acquisition of fixed assets arising from the acquisition of Langfang Hezhong Real Estate Development Co., Ltd ('Hezhong') in the 1st half FY2021.

	6 months ended 30/06/21 \$'000	6 months ended 30/06/20 \$'000
Depreciation expenses for property, plant and equipment	8,475	6,658
Depreciation expenses for right-of-use assets	711	1,366
Amortisation expenses for intangible assets	162	216
Total depreciation and amortisation expenses	9,348	8,240

FY21 vs FY20

Depreciation and amortisation expenses increased from \$15.9 million for FY2020 to \$18.2 million for FY2021 mainly due to acquisition of fixed assets arising from the acquisition of Hezhong.

	12 months ended 30/06/21 \$'000	12 months ended 30/06/20 \$'000
Depreciation expenses for property, plant and equipment	16,269	13,398
Depreciation expenses for right-of-use assets	1,595	2,063
Amortisation expenses for intangible assets	345	471
Total depreciation and amortisation expenses	18,209	15,932

(7) Impairment/Reversal of impairment in associates

A reversal of impairment loss in an associate, Axiom Properties Limited, of \$1.4 million was recognised in 2nd half FY2021 compared to an impairment loss in this associate of \$1.9 million recognised in the 2nd half FY2020. This reversal is mainly due to an increase in its fair value less cost of disposal as at 30 Jun 2021. As at 30 Jun 2020, the fair value less cost of disposal of Axiom was lower than its carrying amount.

(8) Fair value gain on investment properties

Fair value gain on investment properties, for both 2nd half FY2021 and 12 months ended 30 Jun 2021 of \$4.3 million and \$13.8 million respectively, were mainly attributable to the revaluation of investment properties in OUCHK.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS AND 12 MONTHS ENDED 30 JUNE 2021 (CONTINUED)

(9) Currency translation gain

Currency translation gain, for both 2nd half FY2021 and 12 months ended 30 Jun 2021 of \$15.6 million and \$41.6 million respectively, arose from the consolidation of foreign operations mainly from the translation of net assets values of OUCHK, OUCCY and Tianjin University of Commerce Boustead College (“BC”).

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2021 AND 30 JUNE 2020)

- (10) Property, plant and equipment (“PPE”) increased from \$462.8 million in FY2020 to \$598.2 million in FY2021 was mainly due to:
- Included PPE of \$151.0 million of Langfang Hezhong Real Estate Development Co., Ltd (“Hezhong”) through business combination;
 - Acquisition of PPE during the year of \$20.7 million;
- Offset by:
- Depreciation charge during the year of \$16.2 million;
 - Transfer of PPE to non-current assets held for sale of \$25.3 million.
- (11) Right-of-use assets decreased from \$5.2 million in FY2020 to \$4.5 million in FY2021 was mainly due to depreciation charge during the period.
- (12) Investment in associates decreased from \$49.7 million in FY2020 to \$6.0 million in FY2021 was mainly due to the Group’s acquisition of 35.9% additional equity interest in the Hezhong thereby making Hezhong a subsidiary from being an associate.
- (13) Non-current other receivables increased from \$1.0 million in FY2020 to \$4.1 million in FY2021 was mainly due to re-classifying a deposit of \$3.1 million made for acquisition of investment properties in Mongolia from current deposits (refer to F 2.15).
- (14) Restricted bank balances decreased from \$3.7 million in FY2020 to \$2.0 million in FY2021 was mainly due to the use of funds in restricted bank balances to partially repay certain term loans.
- (15) Current trade and other receivables breakdown as follows:

	30/06/21 \$’000	30/06/20 \$’000
Current trade receivables:		
Third parties, (net)	9,495	4,436
Current other receivables:		
Third parties	1,622	1,312
Receivable from disposal of subsidiary ^(a)	57,047	57,192
Prepayments ^(b)	10,499	6,206
Deposits ^(refer to F 2.13)	6,730	9,905
Joint ventures	21,138	21,780
Tax recoverable	59	1,505
Others	289	344
	97,384	98,244
Total current trade and other receivables	106,879	102,680

- Receivable from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. (“LDZ Sino-Singapore Education Investment”).
- Prepayments increased from \$6.2 million in FY2020 to \$10.5 million in FY2021 was mainly due to advance payment of \$4.6 million for the construction of Wanbo Xin Qiao campus.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2021 AND 30 JUNE 2020) (CONT'D)

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

	30/06/21 \$'000	30/06/20 \$'000
Current trade payables:		
Third parties	3,389	4,025
Current other payables:		
Other accruals ^(a)	17,777	10,448
Accruals for property and land use tax	3,990	28
Accruals for business tax	2,530	1,657
Accruals for capital expenditure ^(b)	9,441	1,963
Amount due to joint venture	6,777	3,483
Amount due to a Director	10,923	5,840
Payable for purchase of Campus Facilities by BC	6,618	7,940
Payable for acquisition of 35.9% equity interest in Hezhong	1,266	-
Other payables ^(c)	24,234	11,134
	83,556	42,493
Total current trade and other payables	86,945	46,518

a. Included accrued interest of \$7.3 million.

b. Increased in accrued capital expenditure from \$1.9 million in FY2020 to \$9.4 million in FY2021 was mainly due to construction of Xin Qiao campus by Wanbo. As at year end, Wanbo accrued for capital expenditure according to the construction progress completed.

c. Included advance received \$12.0 million from the Hefei City Authority for the compulsory land acquisition of land parcels owned by Wanbo.

(17) Current borrowings increased from \$161.4 million in FY2020 to 299.1 million in FY2021 was mainly due to reclassification of certain non-current borrowings to current borrowings during the year arising mainly from (refer to F 2.18):

a. alleged non-repayments under the borrowing agreements by RK12 & RU,

b. potential breach of borrowing agreement Raffles Assets (Singapore) Pte Ltd ("RA").

The Group has reached a settlement with Affin Bank under the Writs and Affin Bank has discontinued the Writs (refer to Note 12).

The total borrowings increased from \$334.6 million in FY2020 to \$391.3 million in FY2021 was mainly due to new loan drawdown by the Company and OUCHK.

(18) Lease liabilities decreased from \$5.3 million in FY2020 to \$4.6 million in FY2021 was mainly due to lease repayments during the period.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2021 AND 30 JUNE 2020) (CONT'D)

(19) Net current liabilities as at 30 Jun 2021 was mainly as a result of:

- a. Classification of certain non-current borrowings to current borrowings during the year arising from the alleged non-repayments under the borrowing agreements by:
 - (i) RK12, amounting to \$104.7 million (RM323.7 million); and
 - (ii) RU, amounting to \$22.8 million (RM70.6 million). (refer to F 2.16)
- b. Borrowings classified as current borrowings due to potential breach of borrowing agreement by RA, amounting to \$98.4 million. (refer to F 2.16)
- c. Overdraft facilities of \$6.0 million that were classified as current but these overdraft facilities will be continuing; and
- d. Course fees received in advance of \$13.8 million and education facilities rental service fees received in advance of \$1.1 million which will be recognised as revenue over the next financial quarter in FY2022.

(20) Non-current trade and other payables decreased from \$23.9 million in FY2020 to \$16.1 million in Jun 2021 was mainly due to payment made by Boustead College ("BC") during the year, thus reducing the balance payable for campus facilities.

(21) Provision for deferred tax breakdown for FY2021 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 2020	549	34,667	21,812	(45)	56,983
Acquisition of subsidiary	2,156	-	-	-	2,156
(Credited)/Charged to profit or loss	(300)	4,753	7,648	(16)	12,085
Foreign currency realignment	97	1,595	1,435	-	3,128
Balance at 30 June 2021	2,502	41,015	30,895	(61)	74,351

(22) Non-controlling interest increased from \$63.7 million in FY2020 to \$112.1 million in FY2021 was mainly due to acquisition of additional 35.9% equity interest in Hezhong, making Hezhong a 70% owned subsidiary with 30% non-controlling interest. The other major component of non-controlling interest comprises 25% equity interest of OUCHK.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(23) Net cash from operating activities amounted to \$2.4 million.

(24) Major contributors of cash inflows were

- (a) Compensation received in advance from Hefei City Authority for the compulsory land acquisition of \$11.8 million;
- (b) Subsequent payment received from disposal of LOIT of \$4.0 million;
- (c) Proceeds from disposal of PPE of \$32.2 million;
- (d) Return of capital from an Associate of \$1.1 million;
- (e) Loan from a director of \$4.8 million; and
- (f) New loan drawdown of \$73.4 million.

(25) Major cash outflows were for:

- (a) Payments for investment properties of \$1.7 million;
- (b) Payments for property, plant and equipment of \$22.7 million;
- (c) Advance payment for construction of new campus by Wanbo of \$4.5 million;
- (c) Purchase consideration paid for the acquisition of Hezhong of \$50.0 million;
- (d) Additional fixed deposit pledged with a bank of \$26.8 million; and
- (e) Repayment of borrowings of \$15.1 million.

(26) The Group's cash position was \$29.5 million at the end of FY2021 (FY2020: \$8.1 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 31 December 2020.

4 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 uncertainty brought about by Covid-19 pandemic with the lockdown and restricted border movements in all the locations we operate in, is impacting our recruitment and retention of foreign students from January 2020 till date and will continue to have impact on the Group.

The challenging global education environment, with increasing competition and increasing restrictive policies in the countries that we operate in, an uncertain global economy and currency volatility will continue to impact the Group.

The Group continues to streamline and restructure its operations to adapt to the new paradigm brought about by Covid-19 pandemic for better cost management and improve efficiency.

F. Other Information Required by Listing Rule Appendix 7.2 (continued)

5 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.

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

Due to the Corvid-19 pandemic and on a prudent basis, no dividend will be declared for the current financial year.

7 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.

8 Negative assurance confirmation pursuant to Rule 705(5) of the Listing Manual. (Not required for announcement of full year results)

Not Applicable.

9 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.

10 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

11 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	52	Spouse of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Corporation Limited ("REC")	Executive Director since 1 September 2018	Prior position: Director of Operations
Chew Han Wei	31	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Vice President (Europe & India Operations since 1 st Dec 2017) Director of IT since 1 st May 2018	Nil
Chew Han Qiang	28	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Vice President (Thailand & Suzhou) since 1 st Nov 2019	Nil

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
27 August 2021