

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note (Page 17-18)	Group		
		First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000	Change %
Revenue	F 2.1	23,256	21,061	10
Other operating income	F 2.2	695	6,112	(89)
Personnel expenses		(10,073)	(9,854)	2
Other operating expenses	F 2.3	(7,857)	(5,667)	39
Finance costs	F 2.4	(6,086)	(3,576)	70
Depreciation and amortisation expenses	F 2.5	(4,791)	(4,028)	19
Share of results of joint ventures		66	(206)	NM
Share of results of associates		92	(297)	NM
Operating (loss)/profit before income tax		(4,698)	3,545	NM
Foreign exchange gain		279	593	(86)
Foreign exchange loss		(3,020)	(5,757)	(51)
Loss before income tax		(7,439)	(1,619)	NM
Income tax expense	F 2.6	(1,961)	(8)	NM
Deferred tax (expense)/credit	F 2.6	(756)	99	NM
Loss after tax		(10,156)	(1,528)	NM
Other comprehensive income items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	F 2.7	2,694	19,184	(86)
Total comprehensive (loss)/income		(7,462)	17,656	NM
Attributable to:				
Equity holders of the Company		(9,569)	(1,615)	NM
Non-controlling interests		(587)	87	NM
Net loss		(10,156)	(1,528)	NM
Attributable to:				
Equity holders of the Company		(7,156)	16,046	NM
Non-controlling interests		(306)	1,610	NM
Total comprehensive (loss)/income		(7,462)	17,656	NM
Earnings per share for (loss)/profit for the period/year attributable to the owners of the Company during the period:				
Basic (cents)		(0.69)	(0.12)	
Diluted (cents)		(0.69)	(0.12)	

NM – Not meaningful

Condensed Interim Statements of Financial Position

UNAUDITED STATEMENTS OF FINANCIAL POSITION	Note (Page 19 - 21)	Group		Company	
		30 Sept 2021 \$'000	30 Jun 2021 \$'000	30 Sept 2021 \$'000	30 Jun 2021 \$'000
Non-current assets					
Property, plant and equipment	F 2.8	600,934	598,286	8	9
Right-of-use assets		4,230	4,541	-	-
Investment properties		434,479	433,873	-	-
Investment in subsidiaries		-	-	442,867	442,737
Investment in joint ventures		3,778	3,712	-	-
Investment in associates		6,137	6,079	-	-
Intangible assets		111,340	111,155	97	97
Deferred tax assets		1,318	1,381	-	-
Other receivables		4,076	4,068	43,699	35,987
Restricted bank balances		2,043	2,043	-	-
		1,168,335	1,165,138	486,671	478,830
Current assets					
Inventories		77	81	-	-
Trade and other receivables	F 2.9	92,942	106,879	226,706	216,531
Cash and bank balances		92,103	84,929	12,603	493
		185,122	191,889	239,309	217,024
Non-current assets held for sale	F 2.10	25,364	25,303	-	-
		210,486	217,192	239,309	217,024
Less:					
Current liabilities					
Trade and other payables	F 2.11	92,693	86,945	332,754	277,988
Course fees received in advance *	F 2.12	44,629	13,756	-	-
Education facilities rental service fees received in advance	F 2.13	2,244	1,129	-	-
Income tax payable		12,000	10,486	51	51
Borrowings	F 2.14	266,714	299,197	13,602	35,738
Lease liabilities		2,294	2,112	-	-
		420,574	413,625	346,407	313,777
Net current liabilities	F 2.15	(210,088)	(196,433)	(107,098)	(96,753)
Less:					
Non-current liabilities					
Trade and other payables	F 2.16	10,040	16,133	-	-
Borrowings	F 2.14	94,970	92,175	21,245	21,185
Lease liabilities		2,038	2,529	-	-
Deferred tax liabilities	F 2.17	75,144	74,351	-	-
		182,192	185,188	21,245	21,185
Net assets		776,055	783,517	358,328	360,892
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		149,570	156,726	(156,326)	(153,762)
Equity attributable to equity holders of the Company		664,224	671,380	358,328	360,892
Non-controlling interests		111,831	112,137	-	-
Total equity		776,055	783,517	358,328	360,892

* Due to significantly higher student enrolments

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)	2,642	154,084	671,380	112,137	783,517
Total comprehensive loss	-	-	-	(7,156)	(7,156)	(306)	(7,462)
Share-based payment	-	-	-	-	-	-	-
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-
Balance at 30 Sept 2021	554,337	(39,683)	2,642	146,928	664,224	111,831	776,055
FY2020							
Balance at 1 Jul 2020	554,337	(39,683)	2,632	100,525	617,811	63,771	681,582
Total comprehensive income	-	-	-	16,046	16,046	1,610	17,656
Share-based payment	-	-	10	-	10	-	10
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	43,628	43,628
Balance at 30 Sept 2020	554,337	(39,683)	2,642	116,571	633,867	109,009	742,876

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	(156,404)	360,892
Total comprehensive loss	-	-	-	(2,564)	(2,564)
Share-based payment	-	-	-	-	-
Balance at 30 Sept 2021	554,337	(39,683)	2,642	(158,968)	358,328
FY2020					
Balance at 1 Jul 2020	554,337	(39,683)	2,632	(129,547)	387,739
Total comprehensive loss	-	-	-	(5,313)	(5,313)
Share-based payment	-	-	10	-	10
Balance at 30 Sept 2020	554,337	(39,683)	2,642	(134,860)	382,436

Condensed Interim Consolidated Statement of Cash Flows

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note (Page 22)	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
Operating activities			
Loss before income tax		(7,439)	(1,619)
Adjustments for:			
Amortisation of intangible assets		70	83
Loss allowance / (reversal of loss allowance) on trade receivables		3	(3)
Bad trade receivables written off		223	18
Depreciation for property, plant and equipment		4,391	3,416
Amortisation for right-of-use assets		330	529
Finance costs		6,086	3,576
Interest income		(129)	(828)
Net bargain purchase on acquisition of subsidiary		-	(3,257)
Unrealised foreign exchange loss		2,903	4,405
Write back of accrued capital expenditure		-	(1,724)
Share-based payment		-	10
Share of results of joint ventures		(66)	206
Share of results of associates		(92)	297
Operating cash flows before working capital changes		6,280	5,109
Working capital changes:			
Trade and other receivables		(9,579)	(7,268)
Inventories		4	(5)
Course fees received in advance		31,078	25,716
Education facilities rental service received in advance		1,115	7,460
Trade and other payables		4,405	(273)
Cash generated from operations		33,303	30,739
Interest paid		(7,464)	(3,273)
Interest received		129	153
Income and withholding taxes paid		(156)	(287)
Net cash from operating activities	F 2.18	25,812	27,332
Investing activities			
Additions for development cost and computer software		(9)	-
Additions of investment properties		(488)	(819)
Advance payment for construction projects		-	(7,066)
Payments for property, plant and equipment	F 2.20	(7,182)	(894)
Proceeds from disposal of non-current assets held for sale		-	26,203
Proceeds from disposal of subsidiary	F 2.19	20,940	-
Net cash generated from investing activities		13,261	12,266

Condensed Interim Consolidated Statement of Cash Flows (continued)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
Cash flows from financing activities			
Decrease in restricted bank balances		-	1,721
Decrease/(Increase) in fixed deposit pledged	F 2.19	24,683	(833)
Repayment of loan to a director - net	F 2.20	(2,606)	(1,192)
Drawdown of bank borrowings		-	2,293
Repayment of bank borrowings	F 2.20	(29,186)	(9,931)
Repayment of principal portion of lease liabilities		(330)	(518)
Repayment of interest portion of lease liabilities		(45)	(72)
Net cash used in financing activities		(7,484)	(8,532)
Net change in cash and cash equivalents		31,589	31,066
Cash and cash equivalents at beginning of financial period		29,527	8,197
Effect of exchange rate changes on cash and cash equivalents		56	763
Cash and cash equivalents at end of financial period – Note A	F 2.21	61,172	40,026

Note A:

	Note	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		30,931	27,756
Cash and bank balances		61,172	40,026
<u>Non-current</u>			
Restricted bank balances		2,043	2,081
Cash and bank balances in the statement of financial position		94,146	69,863
Less: pledged deposits and restricted bank balances		(32,974)	(29,837)
Cash and cash equivalents in the statement of cash flow	F 2.21	61,172	40,026

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 three months ended 30 September 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 2021.

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 September 2021, the Group's and the Company's current liabilities exceeded its current assets by \$210.1million and \$107.1million 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 in FY2021. 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 had reached a settlement with Affin Bank under the Writs and Affin Bank has discontinued the Writs. The Group is to repay the Settlement Amount of RM138.2million (approx. SGD 44.6million) from June 2021 to March 2022. The total cashflows from (ii), (iii) and (iv) below are sufficient to repay the Settlement Amount.

As of today, RM 108.2million (approx. SGD 34.9million) of the RM 138.2million Settlement Amount has already been repaid with the balance of RM 30million (approx. SGD 9.7million) due to be repaid from November 2021 to March 2022.

The expected collection of RMB 216.3million (approx. SGD 45.1million), from the disposal of land and buildings of Wanbo Institute of Science & Technology's ("WIST") old campus is expected before 30 November 2021, which is in excess of the required repayment for the balance of RM 30million (approx. SGD 9.7million). WIST had vacated the old campus and is now in the process of handing over of the land to complete this disposal;

- (ii) Positive cash flow generation from its operations based on the cash flow forecast that covers a period of at least 12 months;
- (iii) The Group's ability to realise certain of its assets such as the proposed disposal of 51 Merchant Road ("the Property") which will be used to reduce debt to a very low level and for opportunistic acquisition;

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

2 Basis of Preparation (continued)

Going Concern (continued)

- (iv) The Group is confident that the lenders will continue to give support to the Group. To date no other banks have withdrawn their loans and UOB's mortgage loan on the Property is only due for re-financing in May 2023;
- (v) Collection of remaining balance receivables of RMB 74million (approx. SGD 15.4million) arising from the disposal of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd ("LDZ Sino-Singapore Education Investment"), is expected to be received by 30 September 2022; and
- (vi) The Group's ability to refinance its existing borrowings when necessary. The Group is in discussion with a few banks to re-finance Affin Bank's loans.

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.

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

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

2.2 Use of estimates and judgements (continued)

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

3 Seasonal operations

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

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				
	3 months ended 30 Sept 2021				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	20,915	1,932	409	-	23,256
Inter-segment revenue	36	320	65	1,445	1,866
Interest income	38	5	86	-	129
Finance cost	3,629	1,095	605	757	6,086
Depreciation and amortisation	2,751	221	1,285	534	4,791
Share of results from joint ventures	-	-	-	66	66
Share of results from associates	(3)	95	-	-	92
Reportable segment profit/(loss) before income tax	677	(821)	(3,255)	(4,040)	(7,439)
Net profit/(loss) for the financial period	647	(829)	(5,919)	(4,055)	(10,156)
<u>Other information:</u>					
Additions to property, plant and equipment	8,919	44	-	-	8,963
Additions to right-of-use assets	-	-	-	-	-
Additions to investment properties	-	488	-	-	488
Additions to intangible assets	7	-	-	2	9
Investment in joint ventures	-	-	-	3,778	3,778
Investment in associates	288	5,849	-	-	6,137
Segment assets	457,273	329,265	292,754	82,810	1,162,102
Segment liabilities	(268,585)	(53,687)	(33,889)	(145,454)	(501,615)

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

4.1 Reportable Segments (continued)

	Group 3 months ended 30 Sept 2020				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	18,235	2,501	328	(3)	21,061
Inter-segment revenue	41	209	67	1,830	2,147
Interest income	33	3	792	-	828
Finance cost	(2,354)	(322)	(110)	(790)	(3,576)
Depreciation and amortisation	(3,180)	(218)	(92)	(538)	(4,028)
Share of results from joint ventures	-	-	-	(206)	(206)
Share of results from associates	(7)	(102)	(188)	-	(297)
Reportable segment profit/(loss) before income tax	1,134	275	2,126	(5,154)	(1,619)
Net profit/(loss) for the financial period	1,216	267	2,126	(5,137)	(1,528)
<u>Other information:</u>					
Additions to property, plant and equipment	705	127	-	-	832
Additions to right-of-use assets	40	-	-	-	40
Additions to investment properties	-	100	-	-	100
Additions to intangible assets	-	-	-	-	-
Investment in joint ventures	-	-	-	765	765
Investment in associates	315	3,284	-	-	3,599
Segment assets	438,529	311,106	318,498	86,164	1,154,297
Segment liabilities	(264,914)	(21,439)	(78,416)	(146,646)	(511,415)

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

4.2 Disaggregation of Revenue

Operating Segment	Group				
	3 months ended 30 Sept 2021				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	19,589	-	-	-	19,589
Rental income from investment properties	-	1,932	409	-	2,341
Student accommodation fee	773	-	-	-	773
Canteen operation	72	-	-	-	72
Other fees	481	-	-	-	481
Total revenue	20,915	1,932	409	-	23,256

Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	7,527	11,538	100	-	424	19,589
Rental income from investment properties	-	2,115	-	-	226	2,341
Student accommodation fee	2	771	-	-	-	773
Canteen operation	31	41	-	-	-	72
Other fees	296	185	-	-	-	481
Total revenue	7,856	14,650	100	-	650	23,256

Operating Segment	Group				
	3 months ended 30 Sept 2020				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	17,111	-	-	-	17,111
Rental income from investment properties	-	2,501	327	1	2,829
Student accommodation fee	526	-	-	-	526
Canteen operation	171	-	-	-	171
Other fees	428	-	1	(5)	424
Total revenue	18,236	2,501	328	(4)	21,061

Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Course fee	7,398	9,504	156	-	53	17,111
Rental income from investment properties	1	2,599	-	-	229	2,829
Student accommodation fee	3	523	-	-	-	526
Canteen operation	139	32	-	-	-	171
Other fees	287	122	-	-	15	424
Total revenue	7,828	12,780	156	-	297	21,061

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

5 Financial assets and financial liabilities

	Group		Company	
	30 Sept 2021 \$'000	30 Jun 2021 \$'000	30 Sept 2021 \$'000	30 Jun 2021 \$'000
<u>Financial Assets</u>				
Trade and other receivables (excluding prepayments & value added tax recoverable)	88,422	100,389	270,363	252,480
Cash and cash equivalents	94,146	86,972	13,602	493
<u>Financial Liabilities</u>				
Trade and other payables (excluding accruals for business, property and land taxes, advance receipt from disposal of non-current assets held for sale)	83,318	84,474	332,754	277,988
Borrowings	361,684	391,372	34,847	56,923
Lease liabilities	4,332	4,641	-	-

6 Loss before taxation

	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
<u>Included in Other Operating Income</u>		
Net bargain purchase on acquisition of subsidiary	-	3,257
Interest income	129	828
Government grant	408	191
Reversal of loss allowance on trade receivables	-	3
<u>Included in Other Operating Expenses</u>		
Loss allowance on trade receivables	(3)	-
Bad trade receivables written off	(223)	(18)
Lease expenses	(19)	(21)
<u>Included in Personnel Expenses</u>		
Share-based payment	-	(10)

N. Notes to the Condensed Interim Consolidated Financial Statements (continued)**6 Loss before taxation (Continued)**

ADJUSTED EBITDA	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
Loss after tax	(10,156)	(1,528)
<u>Add/(less):</u>		
Net bargain purchase on acquisition of subsidiary	-	(3,257)
Government grant	(408)	(191)
Finance costs	6,086	3,576
Net income tax and deferred tax expense/(credit)	2,717	(91)
Depreciation and amortisation	4,791	4,028
Net foreign exchange loss	2,741	5,164
Adjusted EBITDA	5,771	7,701

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 be 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:

	First Quarter ended 30 Sept 2021 \$'000	First Quarter ended 30 Sept 2020 \$'000
<u>Income tax expense</u>		
Current financial period	(1,957)	(8)
Under provision of income tax expense in prior financial periods	(4)	-
<u>Deferred tax (expense)/credit</u>		
Current financial period	(756)	(1)
Overprovision of income tax expense in prior financial periods	-	100

8 Net asset value

	Group		Company	
	As at 30 Sept 2021 \$	As at 30 Jun 2021 \$	As at 30 Sept 2021 \$	As at 30 Jun 2021 \$
Net asset value per ordinary share (cents)	48.18	48.70	25.99	26.18

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

9 Property, plant and equipment

During the period, the Group acquired assets amounting to \$8,963,000 (30 Sept 2020: \$832,000).

10 Investment Properties

	Group	
	30 Sept 2021 \$'000	30 Jun 2021 \$'000
Beginning of financial period/year	433,873	405,407
Additions	488	1,066
Disposal	-	(741)
Fair value gain recognised in profit or loss	-	13,839
Currency translation differences	118	14,302
Balance at end of financial period/year	434,479	433,873

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

11 Intangible assets

	Goodwill on Consolidation \$'000	Trademarks & licenses \$'000	Group Development Costs \$'000	Computer software \$'000	Total \$'000
Cost					
At 1 Jul 2021	110,485	576	3,123	115	114,299
Additions	-	-	7	2	9
Currency translation differences	249	(5)	(16)	-	228
At 30 Sept 2021	110,734	571	3,114	117	114,536
Accumulated amortisation & impairment					
At 1 Jul 2021	-	(241)	(2,824)	(79)	(3,144)
Amortisation	-	(5)	(62)	(3)	(70)
Currency translation differences	-	4	14	-	18
At 30 Sept 2021	-	(242)	(2,872)	(82)	(3,196)
Carrying amount at 30 Sept 2021	110,734	329	242	35	111,340

	Trademarks & licenses \$'000	Company Computer software \$'000	Total \$'000
Cost			
At 1 Jul 2021	228	48	276
Additions	-	2	2
At 30 Sept 2021	228	50	278
Accumulated amortisation & impairment			
At 1 Jul 2021	(165)	(14)	(179)
Amortisation	-	(2)	(2)
At 30 Sept 2021	(165)	(16)	(181)
Carrying amount at 30 Sept 2021	63	34	97

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

12 Borrowings

	Group	
	30 Sept 2021 \$'000	30 Jun 2021 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1, 2, 3, 4}	261,577	293,388
Unsecured	5,137	5,809
	266,714	299,197
<u>Amount repayable after one year:</u>		
Secured ^{1, 2, 3, 4}	94,332	91,537
Unsecured	638	638
	94,970	92,175
Total borrowings	361,684	391,372
REC Group (exclude OUCHK Group, Hong Kong GEM listed)	305,945	332,675
OUCHK Group (75% owned by REC)	55,739	58,697
Total borrowings	361,684	391,372

Details of securities

- Property mortgage loans of \$295,401,000.
- Bank borrowings of \$29,072,000 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 \$30,752,000.
- Bank borrowings of \$15,906,000 were secured by certain properties in Switzerland and restricted bank balances of \$2,043,000.

13 Share Capital

	Group and Company			
	30 Sept 2021		30 Jun 2021	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
<u>Issued and paid up:</u>				
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

The total number of issued shares was 1,378,656,672 (excluding treasury shares) as at 31 September 2021 (30 June 2021: 1,378,656,672).

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

As at 30 September 2021, there was unexercised share option for 1,970,000 unissued ordinary shares (30 September 2020: 2,590,483) under the Raffles Education Corporation Employees' Share Option Schemes.

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 Corporation Limited and its subsidiaries as at 30 September 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 3-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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

(1) Revenue

Increase in revenue from \$21.1 million for Q1 FY2021 to \$23.3 million for Q1 FY2022 was mainly due to:

- (a) Revenue from colleges in People's Republic of China ("PRC") increased by \$2.3 million from \$10.0 million for Q1 FY2021 to \$12.3 million for Q1 FY2022 due to significantly higher student enrolments.

Offset by:

- (b) Revenue from the leasing of education facilities of Oriental University City Holdings (H.K.) Limited ("OUCHK") decreased by \$0.6 million from \$2.5 million for Q1 FY2021 to \$1.9 million for Q1 FY2022 mainly due to the reduced leasing space of education facilities taken up by a few education institutions in Langfang City, the PRC.

(2) Other operating income

Decrease in other operating income from \$6.1 million for Q1 FY2021 to \$0.7 million for Q1 FY2022 was mainly due to:

- (a) Net bargain purchase of \$3.3 million on the acquisition of additional 35.9% equity interest in Hezhong Real Estate Development Co., Ltd. ("Hezhong") in Q1 FY2021; and
- (b) Write back of accrued capital expenditure of \$1.7 million by Raffles Assets (Thailand) Limited ("RATH") in Q1 FY2021.

(3) Other operating expenses

Increase in other operating expenses from \$5.7 million for Q1 FY2021 to \$7.9 million for Q1 FY2022 was mainly due to:

- (a) Higher royalty expenses/registration fees payable to our partner universities with higher numbers of students' enrollments;
- (b) Higher non-governmental scholarship awarded by Wanbo Institute of Science & Technology ("Wanbo");

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021 (CONTINUED)

- (3) Other operating expenses (continued)
- (c) Higher property and land use taxes incurred for Q1 FY2022 (IRAS granted property tax rebate to the Group's subsidiary in comparative financial quarter);
- (d) Higher utilities cost incurred & professional fees incurred during the quarter: and
- (e) Higher provision of estimated business tax in PRC upon the receipt of RMB100 million from Mr. Liu Yan Wen in Q1 FY2022.
- (4) Finance costs

Increase in finance costs from \$3.6 million for Q1 FY2021 to \$6.1 million for Q1 FY2022 was mainly due to higher interest expenses incurred by OUCHK for additional borrowings, default interest recognised by Raffles K12 Sdn Bhd ("RK12") and Raffles Iskandar Sdn Bhd ("RU"), and interest charged on outstanding tax liabilities of Raffles Assets Australia Pty Ltd ("RAA").

- (5) Depreciation and amortisation expenses

Increase in depreciation and amortisation expenses from \$4.0 million for Q1 FY2021 to \$4.8 million for Q1 FY2022 was mainly due to additions to fixed assets arising from the acquisition of Hezhong in Q2 FY2021.

	First Quarter ended 30/09/21 \$'000	First Quarter ended 30/09/20 \$'000
Depreciation expenses for property, plant and equipment	4,391	3,416
Depreciation expenses for right-of-use assets	330	529
Amortisation expenses for intangible assets	70	83
Total depreciation and amortisation expenses	4,791	4,028

- (6) Income tax & deferred tax expenses

Increase in income tax & deferred tax expense from \$nil for Q1 FY2021 to \$2.7 million for Q1 FY2022 was mainly due to provision of estimated tax payable in PRC upon the receipt of RMB100 million from Mr. Liu Yan Wen in Q1 FY2022.

- (7) Currency translation gain

Currency translation gain, for Q1 FY2022 of \$2.7 million, arose from the consolidation of foreign operations mainly from the translation of net assets values of OUCHK, Oriental University City (Cayman) Limited ("OUCCY"), Tianjin University of Commerce Boustead College ("BC"), RATH and Raffles Design International (Thailand) Limited ("RBK").

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

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

(8) Increase in property, plant and equipment (“PPE”) from \$598.2 million in FY2021 (“ended 30 June 2021” to \$600.9 million in Q1 FY2022 (“ended 30 September 2021”) was mainly due to:

a. Additions of PPE during the quarter of \$9.0 million;

Offset by:

b. Depreciation charge during the quarter of \$4.4 million; and

c. Foreign currency translation movement of \$1.9 million.

(9) Current trade and other receivables breakdown as follows:

	30/09/21 \$'000	30/06/21 \$'000
Current trade receivables:		
Third parties, (net)	18,331	9,495
Current other receivables:		
Third parties	1,168	1,622
Receivable from disposal of subsidiary ^(a)	36,314	57,047
Prepayments ^(b)	8,542	10,499
Deposits	6,750	6,730
Joint ventures	21,493	21,138
Tax recoverable	54	59
Others	290	289
	74,611	97,384
Total current trade and other receivables	92,942	106,879

a. In Q1 FY2022, the Group received partial payment of RMB 100 million (\$20.9 million) from Mr. Liu Yan Wen. Subsequent to Q1 FY2022, the Group received another RMB 100 million (\$20.9 million) from Mr. Liu Yan Wen and he will pay the remaining balance of RMB 74million (\$14.4 million) by 30 September 2022.

b. In Q1 FY2022, a proportion of Xin Qiao campus construction was completed, and \$2.4 million was transferred from prepaid construction cost to construction in progress, thus prepayments decreased.

(10) Non-current assets held for sale relates to the disposal of land and buildings of Wanbo Institute of Science & Technology’s (“Wanbo”) for the compulsory land acquisition by Hefei City Authority. Wanbo had vacated the old campus and is now in the process of handing over of the land to complete this disposal which is expected to be before 30 November 2021.

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

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

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

	30/09/21 \$'000	30/06/21 \$'000
Current trade payables:		
Third parties	4,024	3,389
Current other payables:		
Other accruals ^(a)	16,565	17,777
Accruals for property and land use tax	4,150	3,990
Accruals for business tax	3,151	2,530
Accruals for capital expenditure	8,803	9,441
Amount due to joint venture	6,851	6,777
Amount due to a director	8,345	10,923
Payable for purchase of Campus Facilities by BC ^(refer to F 2.16)	13,751	6,618
Payable for acquisition of 35.9% equity interest in Hezhong	1,269	1,266
Advance receipt from disposal of non-current asset held for sale ^(b)	12,114	12,084
Other payables	13,670	12,150
	88,669	83,556
Total current trade and other payables	92,693	86,945

a. Decrease in other accruals mainly due to repayment of outstanding loan interest by Raffles K12 Sdn Bhd ("RK12").

b. This mainly relates to the sales consideration collected in advance from Hefei City Authority for the compulsory land acquisition of Wanbo's land and buildings (refer F 2.10).

(12) Increase in course fees received in advance from \$13.8 million in FY2021 to \$44.6 million in Q1 FY2022 was mainly due to annual fee collections from students in Tianjin University of Commerce, Boustead College ("BC") and Wanbo. This deferred income will be recognised as revenue over the next 3 financial quarters in FY2022.

(13) Increase in education facilities rental service fees received in advance from \$1.1 million in FY2021 to \$2.2 million in Q1 FY2022 was mainly due to annual education facilities rental fees from third party colleges in OUCHK. This deferred income will be recognised as revenue over the next 3 financial quarters in FY2022.

(14) Decrease in current borrowings from \$299.2 million in FY2021 to \$266.7 million in Q1 FY2022 was mainly due to repayments of borrowings during the quarter.

Overall, the total borrowings decreased from \$391.4 million in FY2021 to \$361.7 million in Q1 FY2022.

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

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

(15) Net current liabilities as at 30 Sept 2021 was mainly resulted from:

- a. Classification of Raffles K12 Sdn Bhd ("RK12"), Raffles Iskandar Sdn Bhd ("RU") and Raffles Assets (Singapore) Pte Ltd ("RA") borrowings as short-term borrowings. The aggregated outstanding term loans of these subsidiaries amounting to \$216.3 million.
- b. Overdraft facilities of \$14.0 million that were classified as current but these overdraft facilities will be continuing; and
- c. Course fees received in advance of \$44.6 million and education facilities rental service fees received in advance of \$2.2 million which will be recognised as revenue over the next 3 financial quarter in FY2022.

(16) Decrease in non-current trade and other payables from \$16.1 million in FY2021 to \$10.0 million in Q1 FY2022 was mainly due to reclassification of non-current amount due to Hongda of RMB 35 million to current payable as they due for payment within a year (refer to F 2.10).

(17) Deferred tax liabilities breakdown for Q1 FY2022 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 Jul 2021	2,502	41,015	30,895	(61)	74,351
(Credited)/Charged to profit or loss	(31)	-	-	790	759
Foreign currency realignment	4	(43)	75	(2)	34
Balance at 30 Sept 2021	2,475	40,972	30,970	(727)	75,144

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

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(18) Net cash from operating activities amounted to \$25.8 million.

(19) Major contributors of cash inflows were

- (a) Subsequent payment received from disposal of LOIT of \$20.9 million; and
- (b) Redemption of pledged deposit with a bank of \$24.7 million.

(20) Major cash outflows were for:

- (a) Payments for property, plant & equipment of \$7.2 million;
- (b) Repayment to a director \$2.6 million; and
- (c) Repayment of bank borrowings of \$29.2 million.

(21) The Group's cash position was \$61.2 million at the end of Q1 FY2021 (Q1 FY2021: \$40.0 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 F 4 of the Group's results announcement for the financial year ended 30 June 2021.

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 continuing to impact 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 affect 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 improved 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)

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results for first quarter ended 30 September 2021 to be false or misleading in any material aspect. A statement signed by two directors is on record.

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.

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
12 November 2021