

RAFFLES EDUCATION LIMITED (FORMERLY KNOWN AS RAFFLES EDUCATION CORPORATION LIMITED)

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note (Page 17-18)	Group		
		First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000	Change %
Revenue		53,842	53,212	1
Other operating income	F 2.1	615	38,444	(99)
Personnel expenses		(20,938)	(20,363)	(3)
Other operating expenses	F 2.2	(21,444)	(19,941)	8
Finance costs	F 2.3	(9,358)	(11,108)	(16)
Depreciation and amortisation expenses		(9,330)	(9,639)	(4)
Share of results of joint ventures	F 2.4	-	119	(100)
Share of results of associates		(277)	999	(128)
Operating (loss)/profit before income tax		(6,890)	31,723	(122)
Foreign exchange gain		24,188	685	3,431
Foreign exchange loss		(10,948)	(9,849)	11
Profit before income tax		6,350	22,559	(77)
Income tax expense	F 2.5	(1,020)	(2,667)	(62)
Deferred tax credit/(expense)	F 2.5	41	(12,197)	(100)
Profit after tax		5,371	7,695	(31)
Other comprehensive (loss)/ income items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	F 2.6	(60,229)	25,281	(339)
Total comprehensive (loss)/income		(54,858)	32,976	(267)
Attributable to:				
Equity holders of the Company		6,276	8,717	(28)
Non-controlling interests		(905)	(1,022)	(11)
Net income		5,371	7,695	(31)
Attributable to:				
Equity holders of the Company		(46,800)	30,949	(252)
Non-controlling interests		(8,058)	2,027	(498)
Total comprehensive (loss)/income		(54,858)	32,976	(267)
Earnings per share for profit for the period/year attributable to the owners of the Company during the period:				
Basic (cents)		0.46	0.64	
Diluted (cents)		0.46	0.64	

Condensed Interim Statements of Financial Position

UNAUDITED STATEMENTS OF FINANCIAL POSITION	Note (Page 19 - 21)	Group		Company	
		31 Dec 2022 \$'000	30 June 2022 \$'000	31 Dec 2022 \$'000	30 June 2022 \$'000
Non-current assets					
Property, plant and equipment	F 2.7	567,952	602,765	5	6
Right-of-use assets	F 2.8	13,853	2,306	-	-
Investment properties	F 2.9	413,268	435,109	-	-
Investment in subsidiaries		-	-	443,605	443,391
Investment in joint ventures		-	218	-	-
Investment in associates		3,249	3,710	-	-
Intangible assets	F 2.10	104,783	112,208	87	92
Deferred tax assets		927	946	-	-
Other receivables	F 2.11	5,456	4,739	45,949	44,653
Restricted bank balances		2,109	2,118	-	-
		1,111,597	1,164,119	489,646	488,142
Current assets					
Inventories		67	63	-	-
Trade and other receivables	F 2.12	40,661	52,590	305,492	267,457
Cash and bank balances		50,907	64,089	783	131
		91,635	116,742	306,275	267,588
Less:					
Current liabilities					
Trade and other payables	F 2.13	52,381	60,872	373,641	382,248
Course fees received in advance	F 2.14	39,899	25,820	-	-
Education facilities rental service fees received in advance		2,366	2,506	-	-
Income tax payable	F 2.15	15,799	18,889	51	51
Borrowings	F 2.16	148,111	166,376	794	908
Lease liabilities	F 2.8	3,851	861	-	-
		262,407	275,324	374,486	383,207
Net current liabilities	F 2.17	(170,772)	(158,582)	(68,211)	(115,619)
Less:					
Non-current liabilities					
Trade and other payables	F 2.18	1,663	13,472	-	-
Borrowings	F 2.16	127,586	134,826	54,124	20,761
Lease liabilities	F 2.8	9,919	1,476	-	-
Deferred tax liabilities	F 2.19	66,142	70,540	-	-
		205,310	220,314	54,124	20,761
Net assets		735,515	785,223	367,311	351,762
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		118,864	160,514	(147,343)	(162,892)
Equity attributable to equity holders of the Company		633,518	675,168	367,311	351,762
Non-controlling interests		101,997	110,055	-	-
Total equity		735,515	785,223	367,311	351,762

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		
FY2023							
Balance at 1 Jul 2022	554,337	(39,683)	2,642	157,872	675,168	110,055	785,223
Total comprehensive loss	-	-	-	(46,800)	(46,800)	(8,058)	(54,858)
Issuance of convertible bonds	-	-	-	5,150	5,150	-	5,150
Balance at 31 Dec 2022	554,337	(39,683)	2,642	116,222	633,518	101,997	735,515
FY2022							
Balance at 1 Jul 2021	554,337	(39,683)	2,642	154,084	671,380	112,137	783,517
Total comprehensive income	-	-	-	30,949	30,949	2,027	32,976
Balance at 31 Dec 2021	554,337	(39,683)	2,642	185,033	702,329	114,164	816,493

COMPANY	Share Capital	Treasury Shares	Share-based Payment Reserve	Accumulated Losses and other reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	FY2023				
Balance at 1 Jul 2022	554,337	(39,683)	2,642	(165,534)	351,762
Total comprehensive gain	-	-	-	10,399	10,399
Issuance of convertible bonds	-	-	-	5,150	5,150
Balance at 31 Dec 2022	554,337	(39,683)	2,642	(149,985)	367,311
FY2022					
Balance at 1 Jul 2021	554,337	(39,683)	2,642	(156,404)	360,892
Total comprehensive loss	-	-	-	(9,238)	(9,238)
Balance at 31 Dec 2021	554,337	(39,683)	2,642	(165,642)	351,654

Condensed Interim Consolidated Statement of Cash Flows

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note (Page 22)	First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
Operating activities			
Profit before income tax		6,350	22,559
Adjustments for:			
Depreciation for property, plant and equipment		8,722	8,836
Amortisation for right-of-use assets		486	663
(Reversal of loss allowance)/loss allowance on trade receivables		(7)	2
Amortisation of intangible assets		122	140
Bad trade receivables written off		123	345
Finance costs		9,358	11,108
Interest income		(151)	(188)
Gain on disposal of non-current assets held for sale		-	(37,184)
Gain on disposal of property, plant and equipment, net		(8)	(1)
Loss/(Gain) on lease modification		286	(9)
Share of results of joint ventures		-	(119)
Share of results of associates		277	(999)
Unrealised foreign exchange (gain)/losses		(15,188)	8,905
Operating cash flows before working capital changes		10,370	14,058
Working capital changes:			
Inventories		(4)	5
Trade and other receivables		(2,872)	(9,648)
Course fees received in advance		15,807	26,336
Education facilities rental service received in advance		(1)	1,951
Trade and other payables		(1,542)	4,955
Cash generated from operations		21,758	37,657
Interest paid		(8,144)	(12,917)
Interest received		151	188
Income and withholding taxes paid		(2,964)	(1,007)
Net cash from operating activities	F 2.20	10,801	23,921
Investing activities			
Additions for development cost and computer software		(5)	(16)
Additions of investment properties	F 2.22	(2,125)	(2,083)
Additions of right-of-use assets		(352)	-
Payments for property, plant and equipment	F 2.22	(10,364)	(25,498)
Proceeds from disposal of non-current assets held for sale		-	27,644
Proceeds from sale of property, plant and equipment		29	1
Proceeds from disposal of subsidiary	F 2.21	12,651	42,239
Return of share capital from joint venture		218	-
Return of share capital from an associate		-	3,312
Net cash generated from investing activities		52	45,599

Condensed Interim Consolidated Statement of Cash Flows (continued)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Note (Page 22)	First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
Cash flows from financing activities			
Increase in restricted bank balances		(5)	-
Decrease in fixed deposit pledged		-	29,377
Proceeds from issuance of convertible bonds	F 2.21	37,809	-
Repayment of loan to a director - net	F 2.22	(4,349)	(5,648)
Drawdown of bank borrowings		-	3,227
Repayment of bank borrowings	F 2.22	(52,202)	(89,655)
Repayment of principal portion of lease liabilities		(558)	(86)
Repayment of interest portion of lease liabilities		(54)	(668)
Net cash used in financing activities		(19,359)	(63,453)
Net change in cash and cash equivalents		(8,506)	6,067
Cash and cash equivalents at beginning of financial period		37,423	29,527
Effect of exchange rate changes on cash and cash equivalents		(2,890)	988
Cash and cash equivalents at end of financial period – Note A	F 2.23	26,027	36,582

Note A:

	Note (Page 22)	First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
Cash and cash equivalents			
<u>Current</u>			
Fixed deposits with banks		24,357	27,015
Cash and bank balances		26,027	36,582
Restricted bank balances		523	-
<u>Non-current</u>			
Restricted bank balances		2,109	2,068
Cash and bank balances in the statement of financial position		53,016	65,665
Less: pledged deposits and restricted bank balances		(26,989)	(29,083)
Cash and cash equivalents in the statement of cash flow	F 2.23	26,027	36,582

N. Notes to the Condensed Interim Consolidated Financial Statements

1 Corporate Information

Raffles Education 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 111 Somerset Road, #15-22, 111 Somerset, Singapore 238164.

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 half year ended 31 December 2022 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 2022.

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 31 December 2022, the Group's and the Company's current liabilities exceeded its current assets by \$170.8 million and \$68.2 million respectively. These condensed interim financial statements of the Group and the Company have been prepared on a going concern basis taking into consideration the following:

1. Positive cash flow based on the cash flow forecast;
2. The Group is confident that its lenders will continue to give support to the Group;
3. The Group's ability to refinance its existing borrowings when necessary with other banks;
4. The Group's ability to realise certain of its assets through sale/lease of its properties; and
5. The Company has the ability to tap funds from its shareholders and the capital markets.

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 Basis of Preparation (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 June 2022.

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

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 Economy and Technology Development Zone, Hebei Province, the People's Republic of China.

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				
	First half ended 31 Dec 2022				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	49,193	3,933	715	1	53,842
Inter-segment revenue	67	635	623	2,461	3,786
Interest income	136	3	8	4	151
Gain on disposal of property, plant and equipment, net	8	-	-	-	8
Finance cost	(3,532)	(1,518)	(224)	(4,084)	(9,358)
Depreciation and amortisation	(5,456)	(435)	(2,439)	(1,000)	(9,330)
Share of results from associates	(7)	(270)	-	-	(277)
Reportable segment profit/(loss) before income tax	6,386	(690)	(5,667)	6,321	6,350
Net profit/(loss) for the financial period	5,486	(707)	(5,585)	6,177	5,371
<u>Other information:</u>					
Additions to property, plant and equipment	789	82	36	66	973
Additions to investment properties	-	1,110	-	-	1,110
Additions to intangible assets	5	-	-	-	5
Additions to right-of-use assets	12,490	-	-	-	12,490
Investment in associates	224	3,025	-	-	3,249
Segment assets	413,852	309,709	238,351	79,345	1,041,257
Segment liabilities	(145,160)	(44,834)	(36,939)	(156,579)	(383,512)

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

4.1 Reportable Segments (continued)

	Group				
	First half ended 31 Dec 2021				
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	47,455	4,894	863	-	53,212
Inter-segment revenue	58	644	574	3,224	4,500
Interest income	87	8	92	1	188
Gain on disposal of property, plant and equipment, net	-	1	-	-	1
Gain on disposal of non-current assets held for sale	37,184	-	-	-	37,184
Finance cost	(6,243)	(2,203)	(1,212)	(1,450)	(11,108)
Depreciation and amortisation	(5,536)	(446)	(2,590)	(1,067)	(9,639)
Share of results from joint ventures	-	-	-	119	119
Share of results from associates	(6)	1,005	-	-	999
Reportable segment profit/(loss) before income tax	42,719	(776)	(6,811)	(12,573)	22,559
Net profit/(loss) for the financial period	34,485	(792)	(13,391)	(12,607)	7,695
<u>Other information:</u>					
Additions to property, plant and equipment	16,982	139	-	-	17,121
Additions to right-of-use assets	5	-	-	-	5
Additions to investment properties	-	1,386	-	-	1,386
Additions to intangible assets	13	-	-	3	16
Investment in joint ventures	-	-	-	3,832	3,832
Investment in associates	289	3,507	-	-	3,796
Segment assets	464,218	337,650	275,323	82,576	1,159,767
Segment liabilities	(193,002)	(56,032)	(39,405)	(129,357)	(417,796)

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

4.2 Disaggregation of Revenue

Operating Segment	Group					Total	
	First half ended 31 Dec 2022						
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others			
	\$'000	\$'000	\$'000	\$'000	\$'000		
Course fee	45,908	-	-	-	-	45,908	
Rental income from investment properties	-	3,934	715	1	-	4,650	
Student accommodation fee	1,606	-	-	-	-	1,606	
Canteen operation	431	-	-	-	-	431	
Other fees	1,247	-	-	-	-	1,247	
Total revenue	49,192	3,934	715	1	-	53,842	
Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Course fee	18,040	26,588	231	-	1,049	45,908
	Rental income from investment properties	1	4,196	-	-	453	4,650
Student accommodation fee	-	1,606	-	-	-	1,606	
Canteen operation	349	82	-	-	-	431	
Other fees	916	331	-	-	-	1,247	
Total revenue	19,306	32,803	231	-	1,502	53,842	
Operating Segment	Group					Total	
	First half ended 31 Dec 2021						
	Education	Education Facilities Rental Service	Education Real Estate Investment & Development	Corporate & Others			
	\$'000	\$'000	\$'000	\$'000	\$'000		
Course fee	44,899	-	-	-	-	44,899	
Rental income from investment properties	-	4,894	859	-	-	5,753	
Student accommodation fee	1,627	-	-	-	-	1,627	
Canteen operation	206	-	-	-	-	206	
Other fees	723	-	4	-	-	727	
Total revenue	47,455	4,894	863	-	-	53,212	
Geographical information	ASEAN	North Asia	South Asia	Australasia	Europe	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Course fee	15,827	27,286	158	-	1,628	44,899
	Rental income from investment properties	-	5,303	-	-	450	5,753
Student accommodation fee	4	1,623	-	-	-	1,627	
Canteen operation	100	106	-	-	-	206	
Other fees	570	150	-	-	7	727	
Total revenue	16,501	34,468	158	-	2,085	53,212	

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

5 Financial assets and financial liabilities

	Group		Company	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<u>Financial Assets</u>				
Trade and other receivables (excluding prepayments & value added tax recoverable)	39,121	53,403	351,416	312,023
Cash and cash equivalents	53,016	66,207	783	131
<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)	40,379	64,396	373,641	382,248
Borrowings	275,697	301,202	54,918	21,669
Lease liabilities	13,770	2,337	-	-

6 Profit before taxation

	First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
<u>Included in Other Operating Income</u>		
Interest income	151	188
Government grant	144	777
Gain on disposal of property, plant and equipment	8	1
Gain on disposal of non-current assets held for sale	-	37,184
Reversal of loss allowance on trade receivables	7	-
<u>Included in Other Operating Expenses</u>		
Loss allowance on trade receivables	-	(2)
Trade receivables written off	(123)	(345)
Lease expenses	(387)	(41)

ADJUSTED EBITDA	First half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
Profit after tax	5,371	7,695
<u>Add/(less):</u>		
Government grant	(144)	(777)
Finance costs	9,358	11,108
Net income tax and deferred tax expense	979	14,864
Depreciation and amortisation	9,330	9,639
Net foreign exchange (gain)/loss	(13,240)	9,164
Net gain on disposal of property, plant and equipment	(8)	-
Adjusted EBITDA	11,646	51,693

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 half ended 31 Dec 2022 \$'000	First half ended 31 Dec 2021 \$'000
<u>Income tax expense</u>		
Current financial period	(1,112)	(2,659)
Over/(Under) provision of income tax expense in prior financial periods	92	(8)
<u>Deferred tax credit/(expense)</u>		
Current financial period	28	(12,203)
Overprovision of income tax expense in prior financial periods	13	6

8 Net asset value

	Group		Company	
	As at 31 Dec 2022 \$	As at 30 Jun 2022 \$	As at 31 Dec 2022 \$	As at 30 Jun 2022 \$
Net asset value per ordinary share (cents)	45.95	48.97	26.64	25.51

The calculation of net asset value per ordinary share was based on 1,378,656,672 shares (excluding treasury shares) as at 31 Dec 2022 (30 Jun 2022: 1,378,656,672).

9 Property, plant and equipment

During the period, the Group acquired assets amounting to \$973,000 (31 Dec 2021: \$17,121,000).

10 Investment Properties

	Group	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Beginning of financial period/year	435,109	433,873
Additions	1,110	889
Disposal	-	(3,257)
Fair value gain recognised in profit or loss	-	11,621
Currency translation differences	(22,951)	(8,017)
Balance at end of financial period/year	413,268	435,109

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 Group revalues its investment properties on an annual basis at every year end and were based on information available and market conditions.

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	3.9% - 8.0% per annum (2022: 3.9% - 8.0% per annum)	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	\$3.1 - \$71.4 per sqm (2022: \$3.1 - \$71.4 per sqm)	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre	\$152.96 - \$1,073.1 per sqm (2022: \$152.96 - \$1,073.1 per sqm)	Increase in price per square metre would result in higher fair value.

11 Intangible assets

Group	Goodwill on Consolidation \$'000	Trademarks & licenses \$'000	Development Costs \$'000	Computer software \$'000	Total \$'000
Cost					
At 1 Jul 2022	110,088	2,340	3,048	116	115,592
Additions	-	-	5	-	5
Currency translation differences	(7,270)	(36)	(94)	(4)	(7,404)
At 31 Dec 2022	102,818	2,304	2,959	112	108,193

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

11 Intangible assets (continued)

Group	Goodwill on Consolidation \$'000	Trademarks & licenses \$'000	Development Costs \$'000	Computer software \$'000	Total \$'000
Accumulated amortisation & impairment					
At 1 Jul 2022	-	(339)	(2,955)	(90)	(3,384)
Amortisation		(92)	(26)	(4)	(122)
Currency translation differences	-	1	91	4	96
At 31 Dec 2022	-	(430)	(2,890)	(90)	(3,410)
Carrying amount at 31 Dec 2022	102,818	1,874	69	22	104,783
Company					
		Trademarks & licenses \$'000	Computer software \$'000	Total \$'000	
Cost					
At 1 Jul 2022 and 31 Dec 2022			228	51	279
Accumulated amortisation & impairment					
At 1 Jul 2022		(166)	(21)	(187)	
Amortisation		(2)	(3)	(5)	
At 31 Dec 2022		(168)	(24)	(192)	
Carrying amount at 31 Dec 2022		60	27	87	

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.

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

- Pre-tax discount rate of 7.0% to 7.5%
- Revenue growth rate range from -4% to 8.3%
- Terminal growth rate of 2.0% to 2.5%

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

12 Borrowings

	Group	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2,3}	148,010	166,177
Unsecured	101	199
	148,111	166,376
<u>Amount repayable after one year:</u>		
Secured ^{1,2,3}	93,339	134,387
Unsecured convertible bonds	33,807	-
Unsecured	440	439
	127,586	134,826
Total borrowings	275,697	301,202
RE Group (exclude OUCHK Group, Hong Kong GEM listed)	232,895	253,367
OUCHK Group (75% owned by RE)	42,802	47,835
Total borrowings	275,697	301,202

Details of securities

- 1 Property mortgage loans of \$205,593,000.
- 2 Bank borrowings of \$20,570,000 were secured by standby letter of credit based on cash deposit with the bank of \$24,357,000.
- 3 Bank borrowings of \$15,186,000 were secured by certain properties in Switzerland and restricted bank balances of \$2,031,000.

13 Share Capital

	Group and Company			
	31 Dec 2022		30 Jun 2022	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
<u>Issued and paid up:</u>				
At beginning and 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 December 2022 (30 June 2022: 1,378,656,672).

As at 31 December 2022, there were 79,790,100 treasury shares (30 June 2022: 79,790,100).

As at 31 December 2022, there was unexercised share option for 1,970,000 unissued ordinary shares (30 June 2022: 1,970,000) under the Raffles Education Employees' Share Option Scheme.

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 Limited and its subsidiaries as at 31 December 2022 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 6-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 HALF YEAR ENDED 31 DECEMBER 2022

(1) Other operating income

Higher other operating income in 1st half FY2022 was mainly due to gain on disposal of non-current assets held for sale of \$37.2 million from compulsory land acquisition by Hefei City Authority of the People's Republic of China for the land owned by Wanbo Institute of Science & Technology ("Wanbo").

(2) Other operating expenses

Increase in other operating expenses from \$19.9 million in 1st half FY2022 to \$21.4 million in 1st half FY2023 was mainly due to:

(a) Higher professional fees incurred in 1st half FY2023;

(b) Higher provision of estimated expenses payable upon receipt of sale proceeds of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. ("LOIT") in 1st half FY2023;

(c) Higher repair and maintenance cost incurred in 1st half FY2023; and

Offset by:

(d) Lower marketing expenses in 1st half FY2023.

(3) Finance costs

Decrease in finance costs from \$11.1 million for 1st half FY2022 to \$9.4 million for 1st half FY2023 was mainly due to:

(a) Decrease in interest expenses incurred by Oriental University City Holdings (H.K.) Limited ("OUCHK") and Raffles K12 Sdn Bhd as a result of repayments of borrowings;

(b) Decrease in interest charged on outstanding tax liabilities of Raffles Assets Australia Pty Ltd ("RAA") as these were fully paid;

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Offset by:

(c) Increase in interest expenses incurred by Raffles Assets (Singapore) Pte Ltd as a result of increase in borrowing rate from 2.27% in 1st half FY2022 to 6.03% in 1st half FY2023 which arose due to increase in SIBOR; and

(d) Interest expenses accrued for convertible bonds in 1st half FY2023.

(4) Share of results of joint ventures

Nil balance was due to Value Vantage Pte. Ltd. was voluntarily struck off in 1st half FY2023.

(5) Income tax & deferred tax expenses

Higher income tax and deferred tax expense in 1st half FY2022 was mainly due to recognition of deferred tax arising from gain on disposal of Wanbo's land and buildings and provision of estimated tax payable in PRC upon the receipt of sales proceeds of LOIT.

(6) Currency translation differences

Currency translation differences, for 1st half FY2023 of \$60.2 million loss (mainly due to Singapore Dollar strength against Chinese Renminbi) arose from the consolidation of operations and translation of net asset values in China.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2022 AND 30 JUNE 2022)

- (7) Decrease in property, plant and equipment (“PPE”) from \$602.8 million in FY2022 (“ended 30 June 2022”) to \$568.0 million in 1st half FY2023 (“ended 31 December 2022”) was mainly due to:
- (a) Depreciation charge for PPE amounting to \$8.7 million;
 - (b) Foreign currency translation movement of \$27.0 million;
- Offset by:
- (c) Additions of \$1.0 million;
- (8) Increase in right-of-use assets and lease liabilities from FY2022 to 1st half FY2023 was mainly due to lease of new office at 111 Somerset Road in Singapore.
- (9) Decrease in investment properties from \$435.1 million in FY2022 to \$413.3 million in 1st half FY2023 was mainly due to:
- (a) Foreign currency translation movement of \$22.9 million; and
- Offset by:
- (b) Additions of \$1.1 million.
- (10) Decrease in intangible assets from \$112.2 million in FY2022 to \$104.8 million in 1st half FY2023 was mainly due to foreign currency translation movement of \$7.3 million.
- (11) Increase in non-current other receivables from \$4.7 million in FY2022 to \$5.5 million in 1st half FY2023 was mainly due to progressive payments for the acquisition of investment properties in Mongolia by Oriental University City Holdings (H.K.) Limited (“OUCHK”).
- (12) Current trade and other receivables breakdown as follows:

	31/12/22	30/06/22
	\$'000	\$'000
Current trade receivables:		
Third parties, (net)	4,517	3,904
Current other receivables:		
Third parties	2,170	3,037
Receivable from disposal of subsidiary ^(a)	1,746	15,362
Prepayments ^(b)	6,949	3,867
Deposits ^(c)	6,076	5,372
Joint ventures ^(d)	18,644	20,676
Tax recoverable	47	59
Others	512	313
	36,144	48,686
Total current trade and other receivables	40,661	52,590

- (a) The balance of RMB 9.0million (\$1.7million) is in relation to amount owed by Mr. Liu Yan Wen arising from the sale of LOIT. RMB 64.98million was received on 11 November 2022.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2022 AND 30 JUNE 2022) (CONTINUED)

- (b) Increase in prepayment is mainly due to prepaid management fee by Tianjin University of Commerce Boustead College (“BC”) to joint venture university and prepaid heating fee by BC which will be expensed off in the next 2 financial quarters in FY2023.
- (c) Increase in deposits was mainly due to rental deposit paid for new office at 111 Somerset Road in Singapore.
- (d) Decrease in amount due from joint ventures was mainly due to foreign currency translation movement of \$1.7 million.

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

	31/12/22 \$'000	30/06/22 \$'000
Current trade payables:		
Third parties	3,197	4,341
Current other payables:		
Other accruals ^(a)	12,280	15,337
Accruals for property and land use tax	4,144	4,304
Accruals for business tax ^(refer to F 2.18)	9,521	5,644
Accruals for capital expenditure ^(b)	1,710	7,473
Amount due to joint venture	-	162
Amount due to a director	-	4,543
Payable for purchase of Campus Facilities by BC ^(c)	10,015	6,912
Payable for acquisition of 35.9% equity interest in Hezhong	1,187	1,263
Other payables	10,327	10,893
	49,184	56,531
Total current trade and other payables	52,381	60,872

- (a) Decrease in other accruals mainly due to payment of accrued utilities, classification of accrued interest as borrowings and payment of students’ admission expenses.
 - (b) Decrease in accruals for capital expenditure was mainly due to reversal of accruals and payments to contractors.
 - (c) Increase in payable for purchase of Campus Facilities by BC was mainly due to reclassification of non-current amount due to Hongda of RMB37.6 million (\$7.3 million) and it is offset by payment made to Hongda during the period.
- (14) Increase in course fees received in advance from \$25.8 million in FY2022 to \$39.9 million in 1st half FY2023 was mainly due to annual fee collections from students in BC. This deferred income will be recognised as revenue over the next 2 financial quarters in FY2023.
- (15) Decrease in income tax payable from \$18.9 million in FY2022 to \$15.8 million in 1st half FY2023 were mainly due to full payment made for capital gain tax instalment arising from disposal of investment property in FY2020 located at Parramatta, New South Wales, Australia, and foreign currency translation movement.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2022 AND 30 JUNE 2022) (CONTINUED)

- (16) Decrease in current borrowings from \$166.4 million in FY2022 to \$148.1 million in 1st half FY2023 was mainly due to repayment of borrowings during the period.

Decrease in total borrowings from \$301.2 million in FY2022 to \$275.7 million in 1st half FY2023 was mainly due to

- (a) Repayment of borrowings during the period of \$52.2 million;
- (b) Foreign currency translation movement of \$7.1 million; and
- (c) Offset by the issuance of convertible bonds of \$33.8 million.

- (17) Net current liabilities as at 31 December 2022 was mainly as a result from:

- (a) A mortgage borrowing of \$98.6 million by Raffles Assets (Singapore) Pte Ltd is classified as current borrowings as this mortgage is due for refinancing in May 2023;
- (b) Overdraft facilities of \$2.3 million that were classified as current but these overdraft facilities will be continuing; and
- (c) Course fees received in advance of \$39.9 million and education facilities rental service fees received in advance of \$2.4 million which will be recognised as revenue in FY2023.

- (18) Decrease in non-current trade and other payables from \$13.5 million in FY2022 to \$1.7 million in 1st half FY2023 was mainly due to reclassification of non-current amount due to Hongda of RMB37.6 million (\$7.3 million) and provision of estimated expenses payable upon the receipt of proceeds from the sale of LOIT of RMB21.2 million (\$4.1 million), to current payable as they due for payment within a year (refer to F 2.13).

- (19) Deferred tax liabilities breakdown for 1st half FY2023 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 2022	2,379	45,519	22,715	(73)	70,540
(Credited)/Charged to profit or loss	(51)	-	-	10	(41)
Foreign currency realignment	(146)	(2,688)	(1,524)	1	(4,357)
Balance at 31 Dec 2022	2,182	42,831	21,191	(62)	66,142

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

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(20) Net cash from operating activities amounted to \$10.8 million.

(21) Major contributors of cash inflows were:

(a) Proceeds from issuance of convertible bonds of \$37.8 million

(b) Proceeds from disposal of subsidiary of \$12.7 million

(22) Major cash outflows were for:

(a) Payments for investment properties of \$2.1 million;

(b) Payments for property, plant & equipment of \$10.4 million;

(c) Repayment of a director \$4.3 million; and

(d) Repayment of bank borrowings of \$52.2 million.

(23) The Group's cash position was \$26.0 million at the end of 1st half FY2023 (1st half FY2022: \$36.6 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 2022.

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 in certain locations we operate in will influence our recruitment of foreign students.

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

Increasing interest rate environment will increase our cost of borrowing and currency volatility will continue to affect the Group.

The Group continues to streamline and restructure its operations for better cost management and improvement in 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/recommendeded, a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for the first half year ended 31 December 2022 in order to preserve the Group's working capital.

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 half year ended 31 December 2022 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
10 February 2023**