

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Item No.	Group		
		2020 \$'000	2019 \$'000	Increase/ (Decrease) %
Revenue	8.1	100,477	97,938	3
Other operating income	8.2	7,238	38,401	(81)
Personnel expenses		(41,792)	(43,511)	(4)
Other operating expenses	8.3	(37,060)	(39,438)	(6)
Finance costs		(16,708)	(16,801)	(1)
Depreciation and amortisation expenses	8.4	(15,933)	(13,829)	15
Net fair value gain on investment properties	8.5	3,180	10,977	(71)
Share of results of joint ventures		(16)	(339)	(95)
Share of results of associates		(1,564)	277	NM
Operating (loss)/profit before income tax		(2,178)	33,675	NM
Foreign exchange gain		4,723	6,691	(29)
Foreign exchange loss		(9,278)	(3,746)	148
Non-recurring costs from revamp and closure of colleges	8.6	(637)	(8,564)	(93)
(Loss)/Profit before income tax		(7,370)	28,056	NM
Income tax (expense)/credit	8.7	(1,719)	124	NM
Deferred tax (expense)/credit	8.8	(5,248)	12,927	NM
(Loss)/Profit after tax		(14,337)	41,107	NM
Other comprehensive income, net of tax Items that may be reclassified subsequently to profit or loss:				
Revaluation gain on transfer of owner-occupied property to investment property		-	8,580	NM
Net change in fair value of financial assets at fair value through other comprehensive income		4	15	(73)
Items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	8.9	2,455	(37,106)	NM
Total comprehensive (loss)/profit		(11,878)	12,596	NM
Attributable to:				
Equity holders of the Company		(16,426)	40,213	NM
Non-controlling interests		2,089	894	134
Net (loss)/profit		(14,337)	41,107	NM
Attributable to:				
Equity holders of the Company		(14,104)	16,002	NM
Non-controlling interests		2,226	(3,406)	NM
Total comprehensive (loss)/profit		(11,878)	12,596	NM

NM – Not meaningful

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

NOTES TO THE UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	2020 \$'000	2019 \$'000	Increase/ (Decrease) %
<u>Included in Other Operating Income</u>			
Interest income	4,032	621	549
Government grant	396	67	491
Gain on disposal of property, plant and equipment	41	16	156
Gain on disposal of subsidiary	-	37,410	NM
<u>Included in Other Operating Expenses</u>			
Provision for doubtful trade receivables	(28)	(34)	(18)
Bad trade receivables written off ¹	(198)	(246)	(20)
Loss on disposal of property, plant and equipment ¹	(27)	(500)	(95)
Lease expenses ¹	(1,261)	(5,740)	(78)
Property, plant and equipment written off ¹	(154)	(902)	(83)
<u>Included in Personnel Expenses</u>			
Share-based payment	(48)	(131)	(63)
Overprovision of income tax expense in prior financial periods	9	18,092	(100)

NM – Not meaningful

¹ included in non-recurring costs from revamp and closure of colleges

Non-recurring costs from revamp and closure of colleges	Group	
	2020 \$'000	2019 \$'000
Refund to students	-	84
Personnel expenses	212	325
Lease expenses	138	183
Bad trade receivables written off	-	216
Property, plant and equipment written off	49	902
Loss on disposal of property, plant and equipment	-	360
Intangible assets written off	87	214
Impairment of goodwill	-	6,140
Other operating expenses	151	140
Total	637	8,564

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

ADJUSTED EBITDA	Group	
	2020 \$'000	2019 \$'000
(Loss)/Profit after tax	(14,337)	41,107
<u>Add/(less):</u>		
Gain on disposal of subsidiary	-	(37,410)
Government grant	(396)	(67)
Finance costs	16,708	16,801
Net income tax and deferred tax expense/(credit)	6,967	(13,051)
Depreciation and amortisation	15,933	13,829
Impairment of goodwill	-	6,140
Net foreign exchange loss/(gain)	4,555	(2,945)
Property, plant and equipment written off	154	902
Net (gain)/loss on disposal of property, plant and equipment	(14)	484
Share of results of joint ventures	16	339
Share of results of associates	1,564	(277)
Adjusted EBITDA	31,150	25,852

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

UNAUDITED STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	8.10	451,235	445,963	10	-
Right-of-use assets	8.11	5,292	-	-	-
Investment properties	8.12	417,002	477,638	-	-
Investment in subsidiaries		-	-	478,489	450,622
Investment in joint ventures		970	14,046	-	-
Investment in associates		49,757	53,656	-	-
Financial assets at fair value through other comprehensive income		-	606	-	-
Intangible assets		105,684	106,572	106	423
Deferred tax assets		1,720	5,966	-	-
Other receivable	8.13	1,000	54,637	36,373	34,372
Restricted bank balances		3,745	3,530	-	-
		1,036,405	1,162,614	514,978	485,417
Current assets					
Inventories		97	141	-	-
Trade and other receivables	8.14	102,680	44,275	223,187	221,271
Cash and bank balances		34,607	34,808	211	163
		137,384	79,224	223,398	221,434
Less:					
Current liabilities					
Trade and other payables	8.15	46,518	55,483	313,581	260,624
Course fees received in advance	8.16	13,243	12,449	-	-
Education facilities rental service fees received in advance	8.17	1,454	1,176	-	-
Income tax payable		10,018	1,771	51	51
Lease liabilities	8.11	1,679	-	-	-
Borrowings	8.18	161,414	123,389	32,005	64,299
		234,326	194,268	345,637	324,974
Net current liabilities	8.19	(96,942)	(115,044)	(122,239)	(103,540)
Less:					
Non-current liabilities					
Trade and other payables	8.20	23,971	31,189	-	-
Lease liabilities	8.11	3,675	-	-	-
Borrowings	8.18	173,252	256,682	5,000	-
Provision for deferred tax	8.21	56,983	63,641	-	-
		257,881	351,512	5,000	-
Net assets		681,582	696,058	387,739	381,877
Capital and reserves					
Share capital		554,337	554,337	554,337	554,337
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		103,157	120,151	(126,915)	(132,777)
Equity attributable to equity holders of the Company		617,811	634,805	387,739	381,877
Non-controlling interests	8.22	63,771	61,253	-	-
Total equity		681,582	696,058	387,739	381,877

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	2020 \$'000	2019 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1, 2, 3}	154,187	114,018
Unsecured	7,227	9,371
	161,414	123,389
<u>Amount repayable after one year:</u>		
Secured ¹	159,102	256,682
Unsecured	14,150	-
	173,252	256,682
Total borrowings	334,666	380,071

Details of securities

¹ Property mortgage loans of \$ 260,627,000.

² Bank borrowings of \$ 24,928,000 were secured by standby letter of credit based on cash deposit with the bank and/or a letter of guarantee provided by the Company. The standby letter of credit was secured by bank deposit of \$25,387,000.

³ Bank borrowings of \$ 17,697,000 were secured by certain properties in Switzerland and restricted bank balances of \$ 3,745,000.

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	2020 \$'000	2019 \$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(7,370)	28,056
Adjustments for:			
Amortisation of intangible assets		471	460
Provision for doubtful trade receivables		28	34
Bad trade receivables written off		198	246
Depreciation for property, plant and equipment		13,399	13,369
Depreciation for right-of-use assets		2,063	-
Interest expense		16,708	16,801
Interest income		(4,032)	(621)
Net (gain)/loss on disposal of property, plant and equipment		(14)	484
Impairment loss on associates		1,905	-
Impairment of goodwill		-	6,140
Gain on disposal of subsidiary		-	(37,410)
Fair value gain on investment properties, net		(3,180)	(10,977)
Net gain on disposal of investment properties		(1,928)	-
Net bargain purchase on acquisition of subsidiary		(7)	-
Property, plant and equipment written off		154	902
Intangible written off		370	444
Share-based payment		48	131
Share of results of joint ventures		16	339
Share of results of associates		1,564	(277)
Operating profit before working capital changes		20,393	18,121
Working capital changes:			
Trade and other receivables		13,863	6,525
Inventories		45	(6)
Course fees received in advance		793	1,745
Education facilities rental service received in advance		278	(29)
Trade and other payables		69	7,451
Cash from operations		35,441	33,807
Interest paid		(14,978)	(16,669)
Interest received		1,243	621
Income and withholding taxes paid		(1,355)	(1,321)
Net cash from operating activities	8.23	20,351	16,438
Cash flows from investing activities			
Additions for development cost and computer software		(47)	(153)
Additions of trademarks and licenses		-	(340)
Additions of investment properties	8.25	(14,778)	(2,789)
Additions of property, plant and equipment	8.25	(14,821)	(49,213)
Proceeds from sale of property, plant and equipment		70	94
Proceeds from sale of investment properties	8.24	71,405	5,681
Proceeds from sale of FA of FVOCI		610	-
Payment for assignment of rights of dividend from non-controlling interest in a subsidiary	8.25	(6,600)	-
Net cash flow on disposal of subsidiary ¹		-	8,392
Additional investment in a joint venture		-	(10)
Net cash from/(used in) investing activities		35,839	(38,338)

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS	Item No.	2020 \$'000	2019 \$'000
Cash flows from financing activities			
Increase in bank balance pledged		-	(855)
Decrease in short-term deposit pledged		649	-
Loan from a Director		-	2,804
Repayment to a director	8.25	(9,892)	-
Drawdown of borrowings	8.24	31,587	48,070
Repayment of borrowings	8.25	(77,228)	(32,413)
Payment of lease		(2,107)	-
Interest paid on lease		(340)	-
Dividends payment to non-controlling interests		-	(901)
Contribution from non-controlling interests		572	465
Net cash (used in)/from financing activities		(56,759)	17,170
Net change in cash and cash equivalents		(569)	(4,730)
Cash and cash equivalents at beginning of financial period		7,749	18,705
Effect of exchange rate changes on cash and cash equivalents		1,017	(6,226)
Cash and cash equivalents at end of financial period – Note A	8.26	8,197	7,749

Note A:

Cash and cash equivalents	Item No.	2020 \$'000	2019 \$'000
<u>Current</u>			
Fixed deposits with banks		26,410	25,664
Cash and bank balances		8,197	9,144
<u>Non-current</u>			
Restricted bank balances		3,745	3,530
Cash and bank balances in the statement of financial position		38,352	38,338
Pledged fixed deposits and bank balances		(26,410)	(27,059)
Restricted bank balances		(3,745)	(3,530)
Cash and cash equivalents in the statement of cash flow	8.26	8,197	7,749

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

Derecognition of subsidiary	2020 \$'000	2019 \$'000
Property, plant and equipment	-	27,836
Investment properties	-	63,293
Trade and other receivables	-	677
Deferred tax liabilities	-	(8,123)
Non-controlling interest	-	(40,673)
Net assets disposed	-	43,010
Gain on disposal	-	37,410
Receivables from disposal of subsidiary	-	(72,028)
Net cash inflow on disposal of subsidiary	-	8,392

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED 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	\$'000	\$'000
FY2020							
Balance at 1 July 2019	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 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 interests	-	-	-	-	-	90	90
Balance at 30 June 2020	554,337	(39,683)	2,632	100,525	617,811	63,771	681,582
FY2019							
Balance at 1 July 2018	554,337	(39,683)	2,453	104,485	621,592	106,138	727,730
Total comprehensive income	-	-	-	16,002	16,002	(3,406)	12,596
Share-based payment	-	-	131	-	131	-	131
Contribution from non-controlling interests in subsidiary	-	-	-	-	-	465	465
Assignment of rights of dividend from non-controlling interests in a subsidiary	-	-	-	(2,920)	(2,920)	(370)	(3,290)
Disposal of subsidiary	-	-	-	-	-	(40,673)	(40,673)
Dividend	-	-	-	-	-	(901)	(901)
Balance at 30 June 2019	554,337	(39,683)	2,584	117,567	634,805	61,253	696,058

COMPANY	Share Capital	Treasury Shares	Share-based Payment Reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
FY2020					
Balance at 1 July 2019	554,337	(39,683)	2,584	(135,361)	381,877
Total comprehensive profit	-	-	-	5,814	5,814
Share-based payment	-	-	48	-	48
Balance at 30 June 2020	554,337	(39,683)	2,632	(129,547)	387,739
FY2019					
Balance at 1 July 2018	554,337	(39,683)	2,453	(117,179)	399,928
Total comprehensive loss	-	-	-	(18,182)	(18,182)
Share-based payment	-	-	131	-	131
Balance at 30 June 2019	554,337	(39,683)	2,584	(135,361)	381,877

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

SHARE CAPITAL

During the financial period ended 30 June 2020, no ordinary shares were repurchased.

During the financial period ended 30 June 2020, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2020, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 30 June 2020, there was unexercised share option for 2,590,483 unissued ordinary shares (30 June 2019: 3,354,000) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 30 June 2020, there were 79,790,100 treasury shares (30 June 2019: 79,790,100).

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

The total number of issued shares was 1,378,656,672 (excluding treasury shares) as at 30 June 2020 (30 June 2019: 1,378,656,672).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 June 2020.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagements (SSRE) 2400, or an equivalent standard)**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2019, except as disclosed in note 5 below.

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

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards (International) ("SFRS(I)") that are relevant to its operations and effective for the current financial year beginning on 1 July 2019. Except as stated below, the adoption of these new/revised SFRS(I) does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

SFRS(I) 16 Leases

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

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

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

The Group has initially applied SFRS(I) 16 in the financial year beginning on 1 July 2019 using the modified retrospective approach in accordance with the transitional provisions. Upon the adoption of SFRS(I) 16, the Group has capitalised its rented office premise and office equipment on the statements of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments of an equal amount \$3,333,000 at 1 July 2019. Comparative information has not been restated and continues to be reported under SFRS(I) 1-17.

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

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

Earnings Per Share (EPS) based on net loss attributable to shareholders of the Group	Group		Change +/(-) %
	2020	2019	
i) Based on the weighted average number of shares (in cents)	(1.19)	2.92	NM
- Weighted average number of shares	1,378,656,672	1,378,656,672	
ii) On a fully diluted basis (in cents)	(1.19)	2.92	NM
- Adjusted weighted average number of shares	1,378,656,672	1,378,656,672	

NM – Not meaningful

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

NET ASSET VALUE (NAV)	Group		Change +/(-) %	Company		Change +/(-) %
	2020	2019		2020	2019	
NAV per ordinary share (in cents)	44.81	46.05	(3)	28.12	27.70	2

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

- (1) Revenue increased from \$97.9 million for FY2019 to \$100.5 million for FY2020 was mainly due to:
- (a) ASEAN revenue increased by \$4.3 million from \$35.6 in FY2019 to \$39.9 million in FY2020; offset by
 - (b) Australia revenue decreased by \$1.7 million from \$3.6 in FY2019 to \$1.9 million in FY2020 due to the disposal of investment property in Parramatta, New South Wales, Australia on 29 November 2019.
- (2) Other operating income decreased from \$38.4 million for FY2019 to \$7.2 million for FY2020 was mainly due to:
- (a) The gain on disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. of \$37.4 million in FY2019; offset by
 - (b) Interest income increased from \$0.6 million for FY2019 to \$4.0 million for FY2020 mainly due to discounting interest income of \$2.8 million for the disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd., which is due before 30 September 2020; and
 - (c) The gain on disposal of investment property in Parramatta, New South Wales, Australia of \$2.0 million on 29 November 2019.
- (3) Other operating expenses decreased from \$39.4 million for FY2019 to \$37.1 million for FY2020 mainly due to:
- (a) Lease expenses decreased by \$4.5 million from \$5.7 million for FY2019 to \$1.2 million for FY2020 to recognize of right-of-use assets following the adoption of SFRS(I) 16 on 1 July 2019; offset by
 - (b) Utilities expenses increased by \$1.3 million from \$4.2 million for FY2019 to \$5.5 million for FY2020.
- (4) Depreciation and amortisation expenses increased from \$13.8 million for FY2019 to \$15.9 million for FY2020 mainly due to recognition of depreciation charge of \$2.1 million for right-of-use assets following the adoption of SFRS(I) 16 on 1 July 2019.

	30/06/20 \$'000	30/06/19 \$'000
Depreciation expenses for property, plant and equipment	13,399	13,369
Depreciation expenses for right-of-use assets	2,063	-
Amortisation expenses for intangible assets	471	460
Total depreciation and amortisation expenses	15,933	13,829

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

COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

- (5) Net fair value gain on investment properties of \$3.2 million was recognised in FY2020 mainly due to:
- (a) Fair value gain on investment properties of \$2.5 million arising from the revaluation of the property in Bangkok, Thailand, as a result of the property being owner-occupied during the third quarter of FY2020; and
 - (b) Fair value gain on investment properties of \$2.0 million in Oriental University of City Holdings (H.K) and Oriental University Limited; offset by
 - (c) Fair value loss on investment properties of \$1.3 million in Nendaz, Switzerland.
- (6) Non-recurring costs from revamp and closure of colleges were mainly for PT Raffles Institute of Higher Education, Surabaya, Raffles College of Design and Business (Private) Ltd, Sri Lanka, and Raffles International College (Hong Kong) Ltd, Hong Kong, which ceased operations in FY2020.
- (7) FY2019 income tax credit of \$0.1 million was mainly due to reversal of over provision for income tax expense in prior years of \$1.7 million.
- (8) FY2020 deferred tax expense of \$5.2 million was mainly due to provision for deferred tax expense on the net fair value gain.

FY2019 deferred tax credit of \$12.9 million was mainly due to:

- (a) Reversal of prior years' tax provision from Oriental University Limited of \$18.3 million as follows:
 - i. The tax previously provided for the various sales of land and properties were reversed after the recent conclusion of the related tax filing with the relevant tax authority that these tax provisions were no longer required; and
 - ii. Due to the settlement of the outstanding receivable from sale of 490mu land and properties into 34.1% equity interest in an associate, resulted in the reversal of the related tax provision on this receivable which was no longer required.
 - (b) Provision for deferred tax expense in relation to net fair value gain on the investment properties of \$6.9 million.
- (9) Currency translation gain of \$2.5 million arose from the consolidation of foreign operations mainly from the translation of Oriental University Holdings (H.K.) Limited and Oriental University Limited net asset value.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2020 AND 30 JUNE 2019)

- (10) Property, Plant and Equipment increased from \$446.0 million in FY2019 ("ended 30 June 2019") to \$451.2 million in FY2020 ("ended 30 June 2020") mainly due to:
- (a) Additions of \$11.2 million mainly from Tianjin University of Commerce Boustead College for the construction of the new student hostel;
 - (b) Reclassification from investment properties of \$7.7 million for the property in Bangkok, Thailand (refer to item 8.12b); and
 - (c) Foreign currency translation gain of \$0.7 million.
- Increase was offset by:
- (d) Depreciation charge of \$13.4 million.
- (11) Right-of-use assets and lease liabilities as at 30 June 2020 following the adoption of SFRS(I) 16 on 1 July 2019.
- (12) Investment properties decreased from \$477.6 million in FY2019 to \$417.0 million in FY2020 mainly due to:
- (a) Completion of Sale of Property in Parramatta, New South Wales, Australia on 29 November 2019; and
 - (b) Reclassification to PPE of \$7.7 million (refer to item 8.10b); offset by
 - (c) Additions of \$12.4 million.
- (13) Non-current other receivable decreased from \$54.6 million in FY2019 to \$1.0 million in FY2020 due to the reclassification of non-current other receivable in FY2019 to current other receivables of \$57.2 million in FY2020 in relation to the disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. (refer to item 8.14a).

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2020 AND 30 JUNE 2019) (CONT'D)

- (14) Current trade and other receivables breakdown as follows:

	30/06/20 \$'000	30/06/19 \$'000
Current trade receivables:		
Third parties, (net)	4,436	2,298
Current other receivables:		
Third parties	1,312	885
Receivable from disposal of subsidiary ^(a)	57,192	16,352
Prepayments	6,207	5,413
Deposits	9,906	8,125
Receivable from former joint venture	-	145
Joint ventures	21,780	9,003
Tax recoverable	1,505	1,536
Others	342	518
	98,244	41,977
Total current trade and other receivables	102,680	44,275

- (a) Receivable from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. (refer to item 8.13).

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2020 AND 30 JUNE 2019) (CONT'D)

- (15) Current trade and other payables breakdown as follows:

	30/06/20 \$'000	30/06/19 \$'000
Current trade payables:		
Third parties	4,025	3,284
Current other payables:		
Other accruals	10,448	14,439
Accruals for property and land use tax	28	100
Accruals for business tax	1,657	838
Accruals for capital expenditure	1,963	6,170
Amount due to joint venture	3,483	-
Amount due to a Director	5,840	15,767
Payable for assignment of the dividend from non-controlling interest in subsidiary	-	3,265
Payable for purchase of Campus Facilities by BC	7,940	6,815
Other payables	11,134	4,805
	42,493	52,199
Total current trade and other payables	46,518	55,483

- (16) Course fees received in advance increased from \$12.4 million in FY2019 to \$13.2 million in FY2020 mainly due to annual fee collections from students in Tianjin University of Commerce Boustead College and Wanbo Institute of Science & Technology. This deferred income will be recognised as revenue over the next financial quarter in FY2021.
- (17) Education facilities rental service fees received in advance increased from \$1.2 million in FY2019 to \$1.5 million in FY2020 mainly due to annual education facilities rental fees from colleges in Oriental University Holdings (H.K.) Limited. This deferred income will be recognised as revenue over the next financial quarter in FY2021.
- (18) Borrowings decreased from \$380.1 million in FY2019 to \$334.7 million in FY2020 mainly due to repayment of borrowings from the disposal proceeds of the Sale of Property in Parramatta, New South Wales, Australia.
- (19) Net current liabilities in FY2020 was mainly a result of the reclassification in FY2020 Q4 of non-current to current borrowings of a mortgage borrowings of \$98.6 million. This loan is fully backed by assets and the management is confident that this loan will be renewed in May 2021.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2020 AND 30 JUNE 2019) (CONT'D)

- (20) Non-current trade and other payables mainly relate to non-current portion of amount payable for Campus Facilities of \$20.2 million (FY2019: \$25.1 million) by Tianjin University of Commerce Boustead College.
- (21) Provision for deferred tax breakdown for FY2020 as follows:

	Accelerated tax depreciation on PPE \$'000	Fair value adjustment on investment properties \$'000	Divestment of land and properties \$'000	Others \$'000	Total \$'000
Balance at 1 July 2019	652	48,848	14,177	(36)	63,641
Credited to equity	-	(8,219)	-	-	(8,219)
(Credited)/Charged to profit or loss	(95)	1,409	-	(9)	1,305
Foreign currency realignment	(8)	275	(11)	-	256
Balance at 30 June 2020	549	42,313	14,166	(45)	56,983

- (22) Non-controlling interests as at 30 June 2020 represent mainly the non-controlling shareholders' equity interests in Oriental University Holdings (H.K.) Limited.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

- (23) Net cash from operating activities amounted to \$20.3 million.
- (24) Major contributors of cash inflows were
- (a) Proceeds from disposal of investment properties of \$71.4 million
 - (b) Drawdown of borrowings of \$31.6 million
- (25) Major cash outflows were for:
- (a) Additions of investment properties of \$14.8 million;
 - (b) Additions of property, plant and equipment of \$14.8 million;
 - (c) Repayment of borrowings of \$77.2 million; and
 - (d) Repayment of loan to a director of \$9.9 million.
 - (e) Payment for assignment of the dividend from non-controlling interests in subsidiary of \$6.6 million.
- (26) The Group's cash position was \$8.2 million at the end of FY2020 (FY2019: \$ 7.7 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 31 December 2019.

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

The challenging global education environment, currency volatility, increasing competition and the Covid-19 pandemic continue to impact the Group.

The uncertainty brought about by Covid-19 pandemic with the shutdown and restricted border movements in all the locations we operate in is impacting our recruitment and retention of foreign students from January till date and will have an impact on 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.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

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

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

Not Applicable.

15. Confirmation that the company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual

The Board confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(i) Business Segments

2020

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	81,858	3,818	14,758	43	100,477
Inter-segment revenue	165	206	628	36,220	37,219
Interest income	36	3,902	93	1	4,032
Net bargain purchase on acquisition of subsidiary	7	-	-	-	7
Net fair value gain on investment properties	-	26	7,208	(4,054)	3,180
Finance cost	(9,600)	(810)	(613)	(5,685)	(16,708)
Depreciation and amortisation	(12,821)	(331)	(339)	(2,442)	(15,933)
Share of results from joint ventures	-	-	-	(16)	(16)
Share of results from associates	(21)	(1,623)	80	-	(1,564)
Reportable segment profit/(loss) before income tax	(2,646)	4,004	13,378	(22,106)	(7,370)
Net profit/(loss) for the financial year	(2,706)	1,610	8,917	(22,158)	(14,337)
<u>Other information:</u>					
Additions to property, plant and equipment	10,756	386	22	13	11,177
Additions to investment properties	-	19	2,797	-	2,816
Additions to intangible assets	23	-	-	24	47
Investment in joint ventures	-	-	-	970	970
Investment in associates	329	46,211	3,217	-	49,757
Segment assets	445,396	119,813	298,949	113,148	977,306
Segment liabilities	(254,377)	(87,392)	(44,186)	(25,508)	(411,463)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)

(ii) Business Segments

2019

	Education \$'000	Real Estate Investment & Development \$'000	Education Facilities Rental Service \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	78,028	5,309	14,590	11	97,938
Inter-segment revenue	22	1,698	686	10,431	12,837
Interest income	172	250	199	-	621
Gain on disposal of subsidiaries	-	37,410	-	-	37,410
Net fair value gain on investment properties	1,486	8,173	1,006	312	10,977
Finance cost	(8,173)	(1,724)	(190)	(6,714)	(16,801)
Depreciation and amortisation	(9,652)	(1,378)	(338)	(2,461)	(13,829)
Impairment of goodwill	(6,140)	-	-	-	(6,140)
Share of results from joint ventures	-	-	-	(339)	(339)
Share of results from associates	(17)	774	(480)	-	277
Reportable segment profit/(loss) before income tax	(9,361)	45,699	8,253	(16,535)	28,056
Net profit/(loss) for the financial year	(7,021)	59,395	5,227	(16,494)	41,107
Other information:					
Additions to property, plant and equipment	64,255	263	18	10	64,546
Additions to investment properties	-	7,805	2,467	-	10,272
Additions to intangible assets	80	-	-	82	162
Investment in joint ventures	-	-	-	14,046	14,046
Investment in associates	817	47,865	4,974	-	53,656
Segment assets	405,682	285,384	242,307	89,887	1,023,260
Segment liabilities	(220,981)	(59,743)	(5,894)	(193,750)	(480,368)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)

(i) Geographical segments

	Asean \$'000	North Asia \$'000	South Asia \$'000	Australasia \$'000	Europe \$'000	Total \$'000
<u>2020</u>						
Revenue from external customers	38,815	55,388	972	1,948	3,354	100,477
Non-current assets	373,659	613,672	(31,025)	885	74,217	1,031,408
<u>2019</u>						
Revenue from external customers	34,454	55,844	1,133	3,740	2,767	97,938
Non-current assets	346,071	652,028	9,924	72,004	72,485	1,152,512

17. A breakdown of sales

		Group		
		30/06/20 \$'000	30/06/19 \$'000	Increase/ (Decrease) %
(a)	Sales reported for first half year	52,119	48,687	7
(b)	Profit after tax reported for first half year	8,334	(15,510)	NM
(c)	Sales reported for second half year	48,358	49,251	(2)
(d)	(Loss)/Profit after tax reported for second half year	(22,671)	56,557	NM

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

Not applicable.

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	51	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	30	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	27	Son of Mr. Chew Hua Seng, Chairman and CEO of REC	Vice President (Thailand Operations) since Jan 2018	Nil

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
26 August 2020