
Issuer & Securities

Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

Stapled Security

No

Announcement Details

Announcement Title

Financial Statements and Related Announcement

Date & Time of Broadcast

11-Feb-2021 20:23:30

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::HALF YEARLY RESULTS

Announcement Sub Title

Half Yearly Results

Announcement Reference

SG210211OTHRJ0IK

Submitted By (Co./ Ind. Name)

Chew Hua Seng

Designation

Chairman & CEO

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Financial Statements Announcement For The Half Year Ended 31 December 2020

Additional Details

For Financial Period Ended

31/12/2020

Attachments

[REC - Results Announcement - First Half FY21 - 11 February 2021.pdf](#)

Total size =368K MB

RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		Group		
		First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000	Increase/ (Decrease) %
Revenue	8.1	48,427	52,119	(7)
Other operating income	8.2	35,357	4,653	NM
Personnel expenses	8.3	(19,495)	(21,178)	(8)
Other operating expenses	8.4	(14,984)	(18,933)	(21)
Finance costs	8.5	(6,742)	(8,715)	(23)
Depreciation and amortisation expenses	8.6	(8,861)	(7,692)	15
Gross fair value gain on investment properties	8.7	9,477	2,070	NM
Share of results of joint ventures	8.8	2,666	(148)	NM
Share of results of associates		674	152	NM
Operating profit before income tax		46,519	2,328	NM
Foreign exchange gain		1,575	2,996	(47)
Foreign exchange loss		(7,680)	(1,220)	NM
Profit before income tax		40,414	4,104	NM
Income tax expense	8.9	(180)	(868)	(79)
Deferred tax (expense)/credit	8.10	(2,625)	5,098	NM
Profit after tax		37,609	8,334	NM
Other comprehensive income, net of tax Items that may be reclassified subsequently to profit or loss:				
Currency exchange differences arising on translating foreign operations	8.11	26,000	(11,725)	NM
Total comprehensive income/(loss)		63,609	(3,391)	NM
Attributable to:				
Equity holders of the Company		35,703	7,708	NM
Non-controlling interests		1,906	626	NM
Net profit		37,609	8,334	NM
Attributable to:				
Equity holders of the Company		59,212	(2,992)	NM
Non-controlling interests		4,397	(399)	NM
Total comprehensive income/(loss)		63,609	(3,391)	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 HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Group		
	First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000	Increase/ (Decrease) %
<u>Included in Other Operating Income</u>			
Bargain purchase on acquisition of subsidiary	915	-	NM
Fair value gain on previously held interest in associate	2,342	-	NM
Interest income	1,031	2,418	(57)
Government grant	257	9	NM
Gain on disposal of property, plant and equipment	28,097	37	NM
Reversal of loss allowance on trade receivables	9	-	NM
<u>Included in Other Operating Expenses</u>			
Loss allowance on trade receivables	-	(18)	NM
Bad trade receivables written off	(167)	(134)	24
Loss on disposal of property, plant and equipment	(3)	(2)	50
Lease expenses	(82)	(1,162)	(93)
Property, plant and equipment written off	-	(14)	NM
<u>Included in Personnel Expenses</u>			
Share-based payment	(10)	(39)	(74)
<u>Income tax expense</u>			
Current financial period	(155)	(936)	(83)
(Under)/Overprovision of income tax expense in prior financial periods	(25)	68	NM
<u>Deferred tax (expense) / credit</u>			
Current financial period	(2,725)	(1,446)	88
Overprovision of deferred tax expense in prior financial periods	100	6,544	(98)

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)

	Group	
	First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000
ADJUSTED EBITDA		
Profit after tax	37,609	8,334
<u>Add/(less):</u>		
Bargain purchase on acquisition of subsidiary	(915)	-
Fair value gain on previously held interest in associate	(2,342)	-
Government grant	(257)	(9)
Finance costs	6,742	8,715
Income tax expense/(credit)	2,805	(4,230)
Depreciation and amortisation	8,861	7,692
Net foreign exchange loss/(gain)	6,105	(1,776)
Property, plant and equipment written off	-	14
Net gain on disposal of property, plant and equipment	(28,094)	(35)
Share of results of joint ventures	(2,666)	148
Share of results of associates	(674)	(152)
Adjusted EBITDA	<u>27,174</u>	<u>18,701</u>

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION	Item No.	Group		Company	
		31/12/20 \$'000	30/6/20 \$'000	31/12/20 \$'000	30/6/20 \$'000
Non-current assets					
Property, plant and equipment	8.12	585,983	462,830	10	10
Right-of-use assets		5,216	5,292	-	-
Investment properties	8.13	425,763	405,407	-	-
Investment in subsidiaries		-	-	476,992	478,489
Investment in joint ventures	8.14	3,636	970	-	-
Investment in associates	8.15	4,614	49,758	-	-
Intangible assets		109,101	105,684	103	106
Deferred tax assets		1,687	1,720	-	-
Other receivable		1,000	1,000	36,244	36,373
Restricted bank balances	8.16	2,100	3,745	-	-
		1,139,100	1,036,406	513,349	514,978
Current assets					
Inventories		83	96	-	-
Trade and other receivables	8.17	126,867	102,680	224,636	223,187
Cash and bank balances		52,492	34,607	276	211
		179,442	137,383	224,912	223,398
Non-current assets held for sale	8.12	24,781	-	-	-
		204,223	137,383	224,912	223,398
Less:					
Current liabilities					
Trade and other payables	8.18	82,919	46,518	311,926	313,581
Course fees received in advance	8.19	33,791	13,243	-	-
Education facilities rental service fees received in advance	8.20	3,542	1,454	-	-
Income tax payable		10,290	10,018	51	51
Borrowings	1.b.ii	161,962	161,414	31,903	32,005
Lease liabilities		1,377	1,679	-	-
		293,881	234,326	343,880	345,637
Net current liabilities	8.21	(89,658)	(96,943)	(118,968)	(122,239)
Less:					
Non-current liabilities					
Trade and other payables	8.22	18,870	23,971	-	-
Borrowings	1.b.ii	174,172	173,252	13,883	5,000
Lease liabilities		3,899	3,675	-	-
Deferred tax liabilities	8.23	63,672	56,983	-	-
		260,613	257,881	13,883	5,000
Net assets		788,829	681,582	380,498	387,739
Capital and reserves					
Share capital		554,337	554,337	554,337	554,337
Treasury shares		(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves		162,379	103,157	(134,156)	(126,915)
Equity attributable to equity holders of the Company		677,033	617,811	380,498	387,739
Non-controlling interests	8.24	111,796	63,771	-	-
Total equity		788,829	681,582	380,498	387,739

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

GROUP BORROWINGS AND DEBT SECURITIES	Group	
	31/12/20 \$'000	30/06/20 \$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured ^{1,2,3,4}	161,855	161,414
Unsecured	107	-
	161,962	161,414
<u>Amount repayable after one year:</u>		
Secured ^{1,2,3}	173,355	173,252
Unsecured	817	-
	174,172	173,252
Total borrowings	336,134	334,666

Details of securities / additional information:

- ¹ Property mortgage loans of \$274,824,000 were secured by certain properties of the subsidiaries.
- ² Bank borrowings of \$32,994,000 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 \$38,409,000.
- ³ Bank borrowings of \$16,352,000 were secured by certain properties in Switzerland and restricted bank balances of \$2,100,000.
- ⁴ Out of current bank borrowings of \$161,962,000, \$112,751,000 will be refinanced or continuing (refer to item 8.21).

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.	First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000
Cash flows from operating activities			
Profit before income tax		40,414	4,104
Adjustments for:			
Amortisation of intangible assets		182	255
Bad trade receivables written off		167	134
Bargain purchase on acquisition of subsidiary		(915)	-
Depreciation for property, plant and equipment		7,795	6,741
Depreciation for right-of-use assets		884	696
Fair value gain on previously held interest in associate		(2,342)	-
Fair value gain on investment properties		(9,477)	(2,070)
Gain on lease cancellation		(122)	-
Gain on divestment of investment properties		-	(2,007)
Finance costs		6,742	8,715
Interest income		(1,031)	(2,418)
Loss allowance/(write back) on trade receivables		(9)	18
Net gain on disposal of property, plant and equipment		(28,094)	(35)
Property, plant and equipment written off		-	14
Write back of accrued capital expenditure		(1,724)	-
Share-based payment		10	39
Share of results of joint ventures		(2,666)	147
Share of results of associates		(674)	(152)
Operating profit before working capital changes		9,140	14,181
Working capital changes:			
Trade and other receivables		(7,732)	(4,970)
Inventories		14	41
Course fees received in advance		20,549	19,578
Education facilities rental service received in advance		2,087	6,590
Trade and other payables		1,799	(7,820)
Cash from operations		25,857	27,600
Interest paid		(4,519)	(9,346)
Interest received		356	1,593
Income and withholding taxes paid		(409)	(891)
Net cash from operating activities	8.25	21,285	18,956
Cash flows from investing activities			
Additions for development cost and computer software		-	(29)
Additions of trademarks and licenses		(2)	-
Additions of investment properties		(820)	(2,091)
Acquisition of a subsidiary, net of cash acquired	8.27	(16,158)	-
Advance payment for construction of new campus	8.27	(7,066)	-
Compensation received from compulsory land acquisition	8.26	26,203	-
Net proceeds from divestment of investment properties		-	71,712
Proceeds from sale of property, plant and equipment		29	51
Proceeds from disposal of subsidiary		-	16,481
Purchases of property, plant and equipment	8.27	(11,452)	(17,673)
Payment for assignment of the dividend from non-controlling interests in subsidiary		-	(6,581)
Net cash (used) in/from investing activities		(9,266)	61,870

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.	First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000
Cash flows from financing activities			
Increase in deposits pledged	8.27	(11,108)	(295)
Decrease in restricted bank balances		1,721	602
Repayment to a director	8.27	(4,519)	(4,157)
Drawdown of borrowings	8.26	15,515	12,971
Repayment of borrowings	8.27	(12,369)	(78,631)
Repayment of obligation under leases		(801)	(794)
Interest paid on leases		(131)	-
Contribution from non-controlling interests		-	571
Net cash used in financing activities		(11,692)	(69,733)
Net change in cash and cash equivalents		327	11,093
Cash and cash equivalents at beginning of financial period		8,197	7,749
Effect of exchange rate changes on cash and cash equivalents		5,559	165
Cash and cash equivalents at end of financial period	8.28	14,083	19,007
- Note A			

Note A:

Cash and cash equivalents	Item No.	First Half ended 31/12/20 \$'000	First Half ended 31/12/19 \$'000
<u>Current</u>			
Fixed deposits with banks		38,409	25,955
Cash and bank balances		14,083	19,388
<u>Non-current</u>			
Restricted bank balances		2,100	3,513
Cash and bank balances in the statement of financial position		54,592	48,856
Pledged fixed deposits and bank balances		(38,409)	(26,336)
Restricted bank balances		(2,100)	(3,513)
Cash and cash equivalents in the statement of cash flow	8.28	14,083	19,007

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

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company					Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Share-based Payment Reserve	Accumulated Profits and Other Reserves	Total		
FY2021							
Balance at 1 July 2020	554,337	(39,683)	2,632	100,525	617,811	63,771	681,582
Total comprehensive income	-	-	-	59,212	59,212	4,397	63,609
Share-based payment	-	-	10	-	10	-	10
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	43,628	43,628
Balance at 31 December 2020	554,337	(39,683)	2,642	159,737	677,033	111,796	788,829
FY2020							
Balance at 1 July 2019	554,337	(39,683)	2,584	117,567	634,805	61,253	696,058
Total comprehensive loss	-	-	-	(2,992)	(2,992)	(399)	(3,391)
Share based payment	-	-	39	-	39	-	39
Contribution from non-controlling interests in subsidiary	-	-	-	(8)	(8)	571	563
Assignment of rights of dividends from non-controlling interests in a subsidiary	-	-	-	(2,938)	(2,938)	(370)	(3,308)
Balance at 31 December 2019	554,337	(39,683)	2,623	111,629	628,906	61,055	689,961

COMPANY	Share Capital	Treasury Shares	Share-based Payment Reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
FY2021					
Balance at 1 July 2020	554,337	(39,683)	2,632	(129,547)	387,739
Share-based payment	-	-	10	-	10
Total comprehensive loss	-	-	-	(7,251)	(7,251)
Balance at 31 December 2020	554,337	(39,683)	2,642	(136,798)	380,498
FY2020					
Balance at 1 July 2019	554,337	(39,683)	2,584	(135,361)	381,877
Share-based payment	-	-	39	-	39
Total comprehensive loss	-	-	-	(4,873)	(4,873)
Balance at 31 December 2019	554,337	(39,683)	2,623	(140,234)	377,043

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

SHARE CAPITAL

During the financial period ended 31 December 2020, no ordinary shares were repurchased.

During the financial period ended 31 December 2020, no ordinary shares were issued in respect of the conversion of share options.

As at 31 December 2020, the company has 1,458,446,772 issued and fully paid ordinary shares (including 79,790,100 treasury shares).

SHARE OPTIONS

As at 31 December 2020, there was unexercised share option for 2,590,483 unissued ordinary shares (30 June 2020: 2,590,483) under the Raffles Education Corporation Employees' Share Option Schemes.

TREASURY SHARES

As at 31 December 2020, there were 79,790,100 treasury shares (30 June 2020: 79,790,100).

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

The total number of issued shares was 1,378,656,672 (excluding treasury shares) as at 31 December 2020 (30 June 2020: 1,378,656,672).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 31 December 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 2020.

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**

Not applicable. Please refer to Note 4.

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 +/- %
	First Half ended 31/12/20	First Half ended 31/12/19	
i) Based on the weighted average number of shares (in cents)	2.59	0.56	NM
- Weighted average number of shares	1,378,656,672	1,378,656,672	
ii) On a fully diluted basis (in cents)	2.59	0.56	NM
- Adjusted weighted average number of shares	1,378,656,672	1,378,656,672	

NM – Not meaningful

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

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	31/12/20	30/06/20		31/12/20	30/06/20	
NAV per ordinary share (in cents)	49.11	44.81	9	27.60	28.12	(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 decreased from \$52.1 million for 1st half FY2020 to \$48.4 million for 1st half FY2021 was mainly due to:

- (a) ASEAN revenue was impacted by the Covid-19 pandemic ("the pandemic") and its consequential border lockdown and travel restrictions. This disrupted foreign students already studying in the colleges/schools from returning to resume their studies and disrupted recruitment effort to sign up and bring in new foreign students. Revenue generated from ASEAN operations dropped by \$3.1 million from \$19.8 million for 1st half FY2020 to \$16.7 million for 1st half FY2021.
- (b) People's Republic of China ("PRC") operating colleges owned by the Group saw an increase in revenue due to higher enrolment. This has partly mitigated the effect of closure of college in Hong Kong, PRC. Revenue increased by \$3.2 million from \$20.1 million for 1st half FY2020 to \$23.3 million for 1st half FY2021.

However, revenue from the leasing of education facilities for Oriental University City Holdings (H.K.) Limited ("OUCHK") decreased from \$7.2 million for 1st half FY2020 to \$5.6 million for 1st half FY2021 mainly due to the reduced leasing space and leasing period for education facilities leased out to colleges, education institutions, training centres and educational corporate entities ("Contract Colleges") in Langfang, the PRC. The COVID-19 outbreak in the year 2020 had led to movement restrictions, quarantine measures, suspension of work and stay-at-home for work and study ("COVID-19 Impact") that have affected the businesses of Contract Colleges that leases from the Group. This, in turn, has resulted in reduced leasing space and leasing period from Contract Colleges for 1st half FY2021.

- (c) Australia revenue decreased by \$1.9 million after the disposal of investment properties in Parramatta, New South Wales, Australia on 29 November 2019.
- (2) Other operating income increased from \$4.7 million for 1st half FY2020 to \$35.3 million for 1st half FY2021 was mainly due to:
- (a) Gain on disposal of property plant and equipment of \$28.1 million was mainly from Hefei City Land Reserve Center of the Peoples Republic of China ("Hefei City Authority") compulsory acquisition of land owned by Hefei Lanjing Science and Trade Co., Ltd. ("HLST");
- (b) Bargain purchase of additional equity interest of 35.9% in Langfang Hezhong Real Estate Development Co., Ltd ("Hezhong") for \$0.9 million on 30 Sept 2020 ("date of acquisition")
- (c) Fair value gain of \$2.3 million at date of acquisition on remeasurement of fair value of pre-existing interest in Hezhong which was previously held as an associate; and
- (d) Government grants received by certain subsidiaries increased from \$nil for 1st half FY2020 to \$0.2 million in 1st half FY2021 due to certain governments' measures to help reduce financial burden of businesses during the pandemic period.

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

- (3) Personnel expenses decreased from \$21.2 million for 1st half FY2020 to \$19.5 million for 1st half FY2021 was mainly due to closure of college in Hong Kong, disposal of investment properties of a subsidiary in Australia (the subsidiary become dormant in FY 2021) and overall reduction in headcounts.
- (4) Other operating expenses decreased from \$18.9 million for 1st half FY2020 to \$14.9 million for 1st half FY2021 was mainly due to the disruption of the pandemic. To comply with governments' measures to combat with the pandemic, certain schools, colleges and universities operate by the Group had to postpone the new semester or conduct online teaching. As a result, certain direct cost including utilities, class & office supplies, transportation costs and maintenance fee reduced in 1st half FY2021 as compared to 1st half FY2020.
- (5) Finance costs decreased from \$8.7 million for 1st half FY2020 to \$6.7 million for 1st half FY2021 was mainly due to decrease in interest rates on borrowings.
- (6) Depreciation and amortisation expenses increased from \$7.7 million for 1st half FY2020 to \$8.9 million for 1st half FY2021 was mainly due to acquisition of fixed assets on the acquisition of Hezhong.

	31/12/20 \$'000	31/12/19 \$'000
Depreciation expenses for property, plant and equipment	7,795	6,741
Amortisation expenses for right-of-use assets	884	696
Amortisation expenses for intangible assets	182	255
Total depreciation and amortisation expenses	8,861	7,692

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

- (7) Gross and net fair value gain on investment properties of \$9.5 million and \$6.7 million respectively recognized in 1st half FY2021 were wholly attributable to the revaluation of investment properties in OUCHK (refer to item 8.13):

	31/12/20 \$'000	31/12/19 \$'000
Gross fair value gain on investment properties	9,477	2,070
Deferred tax expense	(2,761)	(438)
Net fair value gain on investment properties	6,716	1,632

- (8) Share of results of joint venture increased from \$(0.1) million for 1st half FY2020 to 2.6 million for 1st half FY2021 was mainly due to sharing of results of Value Vantage Pte Ltd ("VVPL"). VVPL received a one-off compensation of \$6.1 million from the buyer of VVPL's subsidiary (refer to item 8.14).
- (9) Income tax expense decreased from \$0.8 million for 1st half FY2020 to \$0.1 million for 1st half FY2021 was mainly due to:
- (a) Reduction of chargeable income of OUCHK; and
 - (b) Reduction in chargeable income of Raffles Assets Australia Pty Ltd which become dormant in FY2021.
- (10) Deferred tax expense increased from \$(5.0) million for 1st half FY2020 to \$2.6 million for 1st half FY2021 was mainly arising from the revaluation of the investment properties of OUCHK (refer to item 8.7).
- (11) Currency translation gain of \$26.0 million arose from the consolidation of foreign operations mainly from the translation of net asset value for OUCHK, Oriental University Limited, Tianjin University of Commerce Boustead College and Wanbo Institute of Science & Technology.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2020 AND 30 JUNE 2020)

- (12) Property, plant and equipment increased from \$462.8 million in FY2020 ("ended 30 June 2020") to \$585.9 million in 1st half FY2021 ("ended 31 December 2020") was mainly due to:
- (a) Inclusion of property, plant and equipment of \$151.0 million is due to the acquisition of additional 35.9 percent shares in Langfang Hezhong Real Estate Development Co., Ltd ("Hezhong"), making Hezhong a subsidiary through business combination (refer to item 8.15); and
 - (b) Additions to property, plant and equipment of \$2.1 million; and
 - (c) Foreign currency translation gain of \$5.9 million
- Offset by:
- (d) Depreciation charge of \$7.7 million;
 - (e) Disposal of property, plant and equipment with carrying amount of \$3.8 million; and
 - (f) Transfer of property, plant and equipment to non-current assets held for sale of \$24.5 million for the compulsory acquisition of lands owned by Wanbo Institute of Science & Technology ("Wanbo") by Hefei City Authority.
- (13) Investment properties increased from \$405.4 million in FY2020 to 425.7 million for 1st half FY2021 was mainly due to:
- (a) Gross fair value gain of \$9.4 million from the revaluation of investment properties held by Oriental University City Holdings (H.K.) Limited ("OUCHK") (refer to item 8.7); and
 - (b) Additions to investment properties of \$0.1 million; and
 - (c) Foreign currency translation gain of \$10.8 million.
- (14) Investment in joint venture increased from \$0.9 million in FY2020 to 3.6 million in 1st half FY2021 was mainly due to sharing of results of Value Vantage Pte Ltd (refer to item 8.8).
- (15) Investment in associates decreased from \$49.7million in FY2020 to 4.6 million in 1st half FY2021 was mainly due to the Group's acquisition of 35.9% additional equity interest in Hezhong whereby Hezhong was an associate, became a subsidiary (item 8.12a).
- (16) Restricted bank balances decreased from \$3.7 million in FY2020 to \$2.1 million in 1st half FY2021 was mainly due to the use of funds in restricted bank balances to partially repay the term loans.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2020 AND 30 JUNE 2020) (CONT'D)

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

	31/12/20 \$'000	30/06/20 \$'000
Current trade receivables:		
Third parties, (net) ^(a)	10,192	4,436
Current other receivables:		
Third parties	745	1,312
Receivable from disposal of subsidiary ^(b)	59,911	57,192
Prepayments ^(c)	14,859	6,206
Deposits	10,888	9,905
Joint ventures	21,012	21,780
Tax recoverable	2,422	1,505
Others ^(d)	6,838	344
	116,675	98,244
Total current trade and other receivables	126,867	102,680

(a) Increase in trade receivables from \$4.4 million in FY2020 to \$10.2 million in 1st half FY2021 was mainly due to annual billing cycle of Wanbo and OUCHK.

(b) Receivable from disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd ("LDZ Sino-Singapore Education Investment").

(c) Increase in prepayments from \$6.2 million in FY2020 to \$14.9 million in 1st half FY2021 was mainly due to:

- Advance payment for construction of new campus by Wanbo of \$7.1 million.
- Prepaid student recruitment service fee of \$1.3 million in Wanbo.
- Prepaid management fees of \$1.4 million to joint venture university of Tianjin University of Commerce Boustead College ("BC").

Offset by:

- Reclassification to tax recoverable of \$0.9 million by OUCHK.

(d) Included:

- (i) Amount receivable from Hefei City Authority for the compulsory land acquisition of land owned by HLST amounting to \$5.8 million; and
- (ii) Interest receivable of \$0.7 million, from the purchaser of LDZ Sino-Singapore Education Investment, on the extension of final settlement date of sales consideration.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2020 AND 30 JUNE 2020) (CONT'D)

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

	31/12/20 \$'000	30/06/20 \$'000
Current trade payables:		
Third parties	2,735	4,025
Current other payables:		
Other accruals	11,857	10,448
Accruals for property and land use tax ^(a)	3,756	28
Accruals for business tax	1,858	1,657
Accruals for capital expenditure	1,725	1,963
Amount due to joint venture	6,240	3,483
Amount due to a Director	1,295	5,840
Payable for purchase of Campus Facilities by BC	6,003	7,940
Payable for acquisition of 35.9% equity interest in Hezhong	35,457	-
Other payables	11,993	11,134
	80,184	42,493
Total current trade and other payables	82,919	46,518

(a) Included accrued property and land use tax of the newly acquired subsidiary, Hezhong, amounting to \$3.3 million (refer to item 8.15).

(19) Course fees received in advance increased from \$13.2 million in FY2020 to \$33.8 million in 1st half FY2021 was mainly due to annual fee collections from students in BC and Wanbo. This deferred income will be recognised as revenue over the second half of FY2021 (refer to item 8.21.c).

(20) Education facilities rental service fees received in advance increased from \$1.5 million in FY2020 to \$3.5 million in 1st half FY2021 was mainly due to annual education facilities leasing fees from colleges in OUCHK. This deferred income will be recognised as revenue over the second half of FY2021 (refer to item 8.21.c).

(21) Net current liabilities in 1st half FY2021 was mainly a result of:

(a) A mortgage borrowings of \$98.6 million which is fully backed by assets and the management is confident that this loan will be refinanced in May 2021;

(b) Included overdraft facilities of \$14.1 million that are classified as current but this overdraft facilities will be continuing.

(c) Included course fees received in advance of \$33.8 million (refer to item 8.19) and education facilities rental service fees received in advance of \$3.5 million (refer to item 8.20) which will be recognised as revenue over the second half of FY2021.

(22) Non-current payables decreased from \$23.9 million in FY2020 to \$18.8 million in 1st half FY2021 was mainly due to payments of \$6.4 million made by BC reducing the amount payable for Campus Facilities.

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

COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER 2020 AND 30 JUNE 2020) (CONT'D)

(23) Deferred tax liabilities breakdown for 1st half FY2021 as follows:

	Accelerated tax depreciation on PPE \$'000	Fair value adjustment on investment properties \$'000	Divestment of land and properties \$'000	Others \$'000	Total \$'000
Balance at 1 Jul 2020	549	34,667	21,812	(45)	56,983
Charged/(credited) to profit or loss	(143)	2,761	-	7	2,625
Acquisition of subsidiary	2,156	-	-	-	2,156
Foreign currency realignment	55	1,080	773	-	1,908
Balance at 31 Dec 2020	2,617	38,508	22,585	(38)	63,672

(24) Non-controlling interest increased from \$63.7 million in FY2020 to \$111.6 million in 1st half FY2021 was mainly due to acquisition of additional 35.9% equity interest in Hezhong. Majority of non-controlling interest of the Group comprises of the 25% equity interest of Oriental University City Holdings (H.K.) Limited and 30% equity interest of Hezhong held by third party.

COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS

(25) Net cash from operating activities amounted to \$21.3 million.

(26) Major cash inflows were:

- (a) Compensation received from Hefei City Authority for the compulsory land acquisition of \$26.2 million; and
- (b) Drawdown of bank borrowings of \$15.5 million.

(27) Major cash outflows were for:

- (a) Purchase consideration paid for the acquisition of Hezhong of \$16.2 million;
- (b) Advance payment for the construction of new campus by Wanbo of \$7.1 million;
- (c) Purchase of property, plant and equipment of \$11.5 million;
- (d) Additional fixed deposit pledged with a bank \$11.1 for a new facility;
- (e) Net repayment of loan to a director of \$4.5 million; and
- (f) Repayment of borrowings of \$12.4 million.

(28) The Group's cash position was \$14.1 million at the 1st half of FY2021 (1st half FY2020: \$19.0 million).

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

No forecast was made. The Group's operations are generally in line as stated in item 10 of the Group's results announcement for the financial period ended 30 June 2020.

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

The challenging global education environment, with increasing competition in an uncertain global economy and currency volatility will continue to impact the Group.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

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

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

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the half year 31 December 2020 to be false or misleading in any material aspect. A statement signed by two directors is on record.

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

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

Not applicable.

17. A breakdown of sales

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
11 February 2021