RafflesEducationCorp

POWER OF WEAVE

ANNUAL REPORT 2014

Success by Design

POWER OF WEAVE

When Raffles Design Institute was first established in Singapore in 1990, it was symbolic of an empty loom, set up in readiness to weave a tapestry of educational institutions across multiple regions. Just as in weaving with yarn, working with colours and fabrics to form beautiful designs, the RafflesEducation*Corp* tapestry has evolved into a colourful pattern of educational institutions across the Asia-Pacific.

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Our Vision

Our vision is to be the premier education Group.

Our Mission

We are committed to provide quality education and related services through our network of institutions.

Our Values & Culture

We provide a learning environment that leads to successful careers through educational experiences that promote:

- **S**ocial responsibility
- **P**rofessional excellence for employability
- **A**nalytical thinking for problem solving
- **C**reativity to encourage innovation
- **E**ntrepreneurship

● Artist's impression of Raffles Bangkok in Bangna, Thailand

Corporate Profile

Raffles Education Corporation Limited ("RafflesEducation*Corp*" or "the Group") is the largest premier education Group. Since establishing its first college in Singapore in 1990, the Group has grown to operate 30 colleges in 29 cities across 12 countries in the Asia-Pacific: Australia, Cambodia, China, India, Indonesia, Malaysia, Mongolia, Philippines, Saudi Arabia, Singapore, Sri Lanka and Thailand.

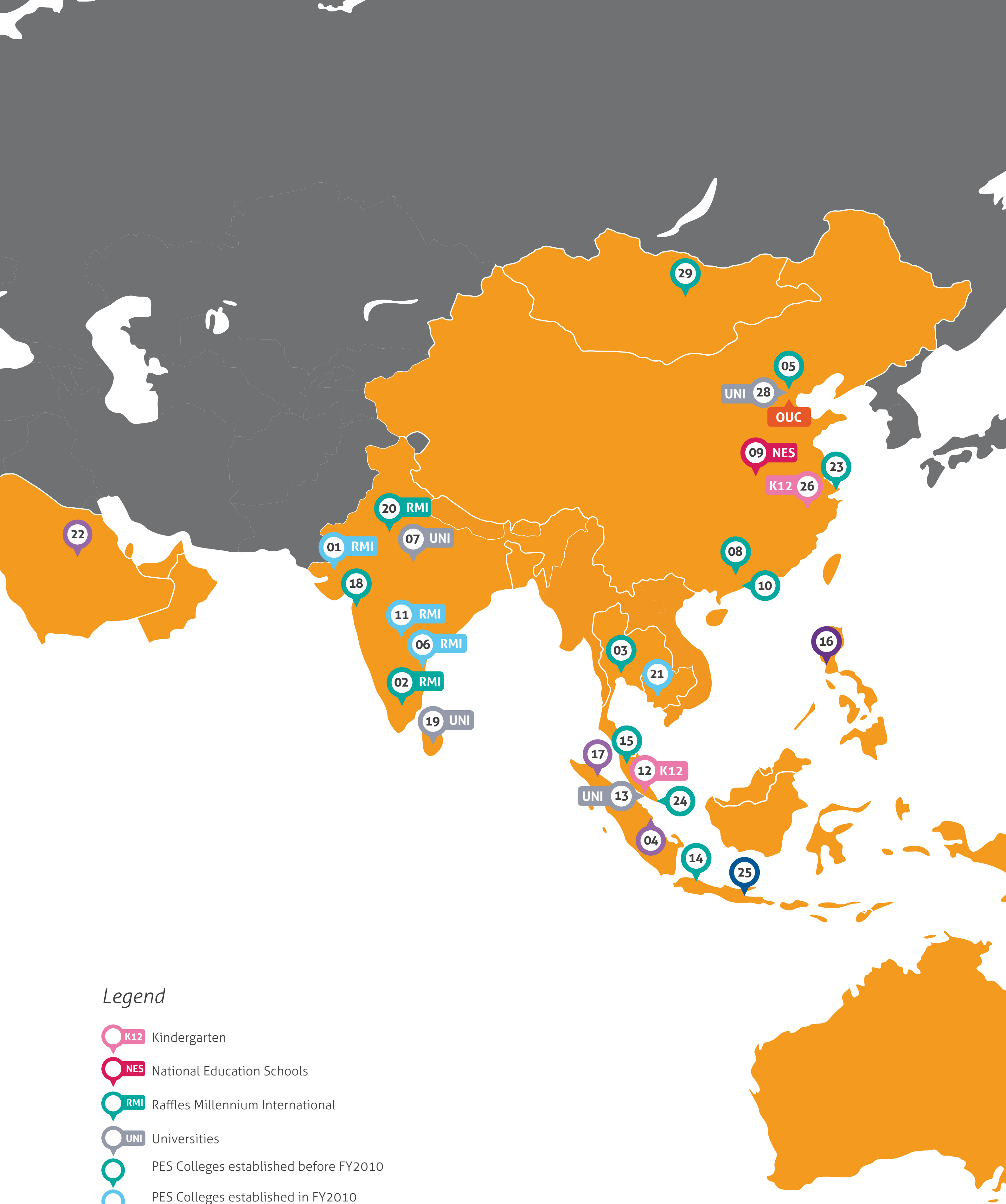
More than 20,275 students enrolled in RafflesEducation*Corp*'s tertiary programmes benefit from a quality education that provides graduates with a well-rounded hands-on experience that is relevant to the industry.

In 2012, the Group launched the Raffles University Iskandar ("RUI") and Raffles American School ("RAS") in Iskandar, Malaysia. Raising the profile of the Group is RUI, a comprehensive university approved by the Malaysian Government. As the Group's first pre-tertiary institution offering American K-12 education, RAS marks the Group's entry into the international school business and its expansion into a new demographic market.

The Group also owns the Oriental University City in Langfang, Hebei Province, China – a 1.3 million square metre self-contained campus. Within this campus, Oriental University City provides education services to six colleges with an additional student population of over 19,000.

Headquartered in Singapore, RafflesEducation*Corp* employs close to 2,500 academic and administrative staff, and is listed on the Mainboard of the Singapore Exchange.

Note: Number of students and colleges shown in this publication are for the financial year ended 30 June 2014 ("FY2014").



Legend

K12 Kindergarten

NES National Education Schools

RMI Raffles Millennium International

UNI Universities

PES Colleges established before FY2010

PES Colleges established in FY2010

PES Colleges established in FY2011

PES Colleges established in FY2012

PES Colleges established in FY2013

* Pending approvals

Expanding Our **Geographical** Presence

30 Colleges
29 Cities
12 Countries

01 RMI Ahmedabad
02 RMI Bangalore
03 Bangkok
04 Batam
05 Beijing
06 RMI Chennai
07 UNI Greater Noida*
08 Guangzhou
09 NES Hefei
10 Hong Kong
11 RMI Hyderabad
12 K12 Iskandar
13 UNI Iskandar
14 Jakarta
15 Kuala Lumpur
16 Manila
17 Medan
18 Mumbai
19 UNI Negombo*
20 RMI New Delhi
21 Phnom Penh
22 Riyadh
23 Shanghai
24 Singapore
25 Surabaya
26 K12 Suzhou
27 UNI Sydney
28 UNI Tianjin
29 Ulaanbaatar
OUC Oriental Universiy City

Corporate Milestones

We have the makings of a premier education Group, evident by our ***astonishing*** *milestones.*

2014

30 *Colleges*
29 *Cities*
12 *Countries*

1990

April 1990
Established Raffles Design Institute in Singapore

1992

March 1992
Established Raffles Design Institute in Kuala Lumpur, Malaysia

1996

October 1996
Established Raffles-BICT in Beijing, China

2001

August 2001
Established Raffles Design Institute in Bangkok, Thailand

2002

January 2002
Listed on SGX-SESDAQ with a market capitalisation of S$16 million

2004

July 2004
Acquired KvB Institute of Technology, Sydney (Rebranded as Raffles College of Design and Commerce in August 2007)

Established Raffles Design International in Mumbai, India

2005

January 2005
RafflesEducationCorp stepped up to the Mainboard of SGX

2006

January 2006
Acquired Thames Business School in Auckland, New Zealand

2007

March 2007
Acquired China Education Limited

June 2007
Acquired Zhongfa College in Shanghai, China

2008

March 2008
Acquired Oriental University City Development Co., Ltd in Langfang, Hebei, China

Acquired Wanbo Education Management Co., Ltd in Hefei, China

May 2008
Established JV with Educomp Solutions Ltd, India

September 2008
Established a joint cooperative education project with Tianjin University of Commerce Boustead College in Tianjin, China

2009

February 2009
Established new college in Jakarta, Indonesia

April 2009
Established new college in Bangalore, India

2010

January 2010
Established new college in Phnom Penh, Cambodia

Established new colleges in India (Ahmedabad, Chennai and Hyderabad)

March 2010
Established new college in Colombo, Sri Lanka

April 2010
Established new college in Dhaka, Bangladesh

May 2010
Established new college in Kolkata, India

September 2010
Established new college in Manila, Philippines

2011

May 2011
Signed JVA with Education@Iskandar Sdn Bhd to establish Raffles University Iskandar, Malaysia

June 2011
Established Value Vantage Partnership

August 2011
First student intake at Millennium International University, Uttar Pradesh, Greater Noida, India

2012

January 2012
Established new college in Surabaya, Indonesia

Raffles College of Higher Education

Singapore awarded four-year EduTrust Certification by the Council for Private Education

June 2012
Established Raffles Academy of Continuing Education, Singapore

August 2012
First student intake at Raffles University Iskandar, Malaysia

First student intake at Raffles American School, Malaysia

September 2012
RafflesEducation*Corp*, through its subsidiary, Raffles K12 Sdn. Bhd., inked land deal with Iskandar Investment Berhad to develop Raffles American School

2013

January 2013
Groundbreaking ceremony of Raffles American School in Iskandar, Malaysia

March 2013
RafflesEducation*Corp*'s wholly-owned subsidiary, Raffles Assets (Private) Limited, signed an investment agreement with the Board of Investment of Sri Lanka to establish Raffles University Sri Lanka

April 2013
RafflesEducation*Corp*'s headquarters and Raffles College of Higher Education Singapore moved into a new building named Raffles Education Square, its first wholly-owned permanent home after 23 years

July 2013
Established new college in Riyadh, Saudi Arabia

Established new colleges in Batam and Medan, Indonesia

2014

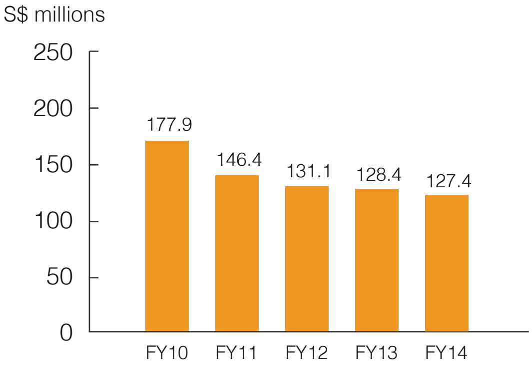
August 2014
RCDC acquired its own campus building at 1-3 Fitzwilliam Street in Parramatta, NSW, Australia

November 2014
Completion of state-of-the-art permanent campus for Raffles Bangkok at Bangna, Bangkok, Thailand.

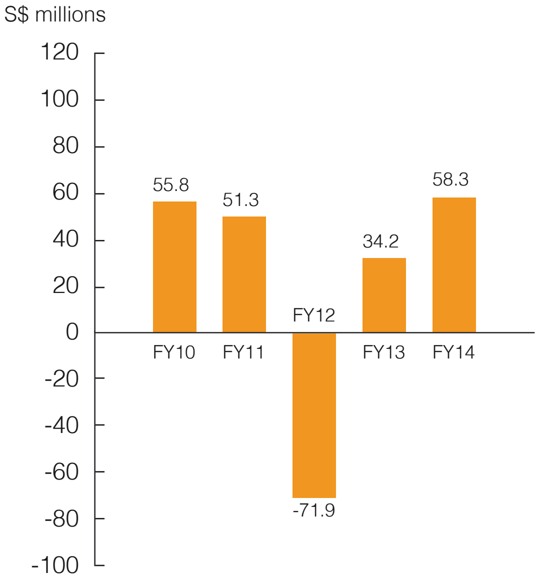
Financial Highlights

For the year ended 30 June (S$ thousands)	2010	2011	2012 Restated#	2013	2014
Operating Results					
Revenue	177,934	146,353	131,135	128,377	127,390
Profit/(loss)					
EBITDA	83,729	26,115	32,735	29,581	103,540
Operating	68,760	9,574	63,253	(5,232)	91,295
Before Tax from continuing operations	58,341	70,699	(10,355)	27,952	86,921
After Tax from continuing operation	51,055	45,693	(58,907)	34,498	58,501
After Tax from continuing & discontinuing operations	55,820	51,271	(71,862)	34,248	58,264
Attributable to shareholders	52,560	41,917	(66,261)	26,672	55,374
Operating Cashflow	60,526	29,331	13,768	9,009	12,354
Earnings per Share (cents)- Basic*	5.39	4.36	(6.91)	2.66	5.40
- Diluted*	5.39	4.36	(6.91)	2.66	5.40
Shares used in calculating EPS (millions) -Basic*	975	961	958	1,004	1,025
-Diluted*	975	961	958	1,004	1,025
Financial Position					
Issued Share Capital**	441,281	436,696	436,696	460,402	457,720
Shareholders Funds	551,874	551,399#	500,409	554,418	563,695
Non-current Assets	838,885	967,102	737,268	804,237	744,149
Current Assets	207,969	168,756	432,657	263,846	378,729
Current Liabilities	257,417	256,499	552,560	218,617	279,427
Non-current Liabilities	191,319	285,566#	76,038	246,169	240,166
Net Asset Value per Share (cents)*	64.16	64.53#	58.56	54.07	55.41
Return On Shareholders Funds					
Return on Equity (%)	9.5%	7.6%	-13.2%	4.8%	9.8%
Net Profit Margin (%)	29.5%	28.6%	-50.5%	20.8%	43.5%

Revenue



Net Profit/(Loss) After Tax



Note:

* Financial year 2010, 2011 and 2012 are restated to take into consideration for the share consolidation of three (3) existing shares held by shareholders into one (1) consolidated share on 1 April 2011 and rights issue on 23 October 2012.

** Net of treasury shares

\# Certain accounting policies or accounting standards had changed in the financial years 2013. Only the financial information presented above for each of the years immediately preceding 2013 and the financial position of 2011 had been restated to reflect the relevant changes in accounting policies or accounting standards.

For the year ended 30 June (S$ thousands)	2013	2014	Change
Operating Results			
Revenue	128,377	127,390	-0.8%
Profit/(loss)			
EBITDA	29,581	103,540	250.0%
Operating	(5,232)	91,295	NM
Before Tax from continuing operations	27,952	86,921	211.0%
After Tax from continuing operations	34,498	58,501	69.6%
After Tax from continuing and discontinuing operations	34,248	58,264	70.1%
Attributable to shareholders	26,672	55,374	107.6%
Operating Cashflow	9,009	12,354	37.1%
Earnings per Share (cents)- Basic	2.66	5.40	103.0%
- Diluted	2.66	5.40	103.0%
Shares used in calculating EPS (millions) -Basic	1,004	1,025	2.1%
-Diluted	1,004	1,025	2.1%
Financial Position			
Issued Share Capital**	460,402	457,720	-0.6%
Shareholders Funds	554,418	563,695	1.7%
Non-current Assets	804,237	744,149	-7.5%
Current Assets	263,846	378,729	43.5%
Current Liabilities	218,617	279,427	27.8%
Non-current Liabilities	246,169	240,166	-2.4%
Net Asset Value per Share (cents)	54.07	55.41	2.5%

As at 30 June	2010	2011	2012	2013	2014
Student Population					
Private Education Schools	11,108	9,095	6,713	6,260	5,737
National Education Schools	19,427	15,858	14,680	14,047	14,538
Total Student Population	30,535	24,953	21,393	20,307	20,275
Revenue Contribution by Region					
Asean	17.1%	17.6%	22.5%	24.8%	27.5%
North Asia	73.0%	68.7%	60.8%	56.6%	57.2%
Australasia	7.6%	10.2%	11.8%	12.4%	9.8%
South Asia	2.3%	3.5%	4.9%	6.2%	5.5%
Total	100.0%	100.0%	100.0%	100%	100%

Revenue Contribution by Segments

(S$'000)	2013	2014
Private Education System	78,265	74,403
National Education System	26,124	27,691
OUC Assets & Education Management	23,469	23,876
Corporate & Others	189	87
Raffles K12	330	1,333
Total	128,377	127,390

Earnings Contribution by Segments

(S$'000)	2013	2014
Private Education System	13,412	22,492
National Education System	8,535	7,382
OUC Assets & Education Management	34,193	32,158
Corporate & Others	(19,606)	(1,646)
Raffles K12	(2,036)	(1,885)
Total	34,498	58,501

Note:
** Net of treasury shares

Letter to Shareholders

• *Mr Chew Hua Seng, Chairman and CEO of* RafflesEducation*Corp*

Dear Shareholders,

When Raffles Design Institute was first established in Singapore in 1990, it was symbolic of an empty loom, set up in readiness to weave a tapestry of educational institutions across multiple regions. Just as in weaving with yarn, working with colours and fabrics to form beautiful designs, the RafflesEducation*Corp* tapestry has evolved into a colourful pattern of educational institutions across the Asia-Pacific.

Today, RafflesEducation*Corp* operates 30 colleges in 29 cities across 12 countries in the Asia-Pacific: Australia, Cambodia, China, India, Indonesia, Malaysia, Mongolia, Philippines, Saudi Arabia, Singapore, Sri Lanka and Thailand.

Every year, more than 20,000 students are enrolled in our tertiary programmes, benefitting from a quality education that provides graduates with a well-rounded hands-on experience relevant to the industry.

Weaving involves an intricate three-step process that harnesses the different yarns tightly together into a secure pattern of colours, which forms the intended design when the tapestry is completed.

Likewise at RafflesEducation*Corp*, we have been weaving in related businesses - adding the Management of Education Assets and Facilities and the Education-Linked Real Estate Investment and Development to strengthen our core business as a Premier Education Provider. RafflesEducation*Corp* has morphed into a business with three related growth engines.

Premier Education Provider

Our core business remains focused on a full range of education services from K-12 to tertiary programmes. Backed by over two decades of expertise, coupled with a good track record and strong branding in Asia's vibrant education space, we believe RafflesEducation*Corp* is well-positioned to tap on opportunities across the globe. Especially in Asia, where nearly 40% of students in higher education are enrolled in the private institutions[1].

In this regard, we are proud to be well-established beyond the confines of Singapore and China, where we have a large and strong presence, to new markets in India and the Middle East and most recently, Switzerland.

We are also honoured to have received prestigious accreditation from the Western Association of Schools and Colleges ("WASC"), USA, for the Raffles American School ("RAS") in Johor, Malaysia. The accreditation is significant on several fronts - the RAS being conferred this accolade as a young institution, just two years into its academic year, with the unanimous affirmative endorsement of the WASC Executive Committee. As only the most accomplished schools received immediate accreditation by the WASC Executive Committee without delay for a full Commission vote, this is a clear signal of the confidence in RAS' ability to provide quality education, backed by our strength that accompanies the vision.

● *Reception Area**

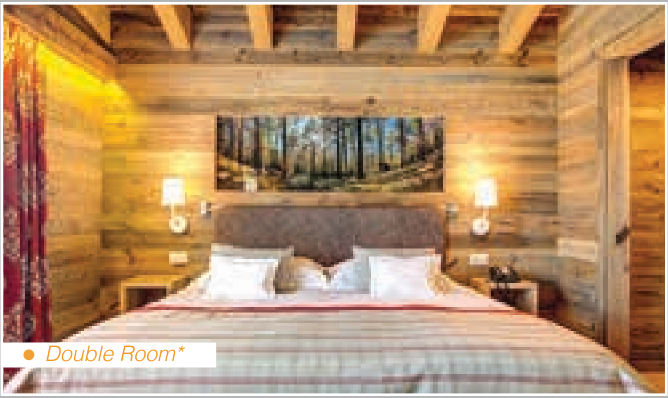
In September 2014, we expanded our footprint to Europe with an upcoming hospitality management school in Nendaz, Switzerland. We are excited by the prospects of establishing our presence in the famed tourism and hospitality education choice destination of Switzerland, marking our maiden step into Europe. By intertwining our hospitality management school with the acquisition of a hotel and other related facilities, we aim to provide our students around the world with an opportunity of a holistic and invaluable internship at the hotel. Our strategy of building a pool of newly trained talent will then cascade down to meet the human capital needs of the hospitality industry, and set in motion a virtuous cycle of enhancing student intakes across our colleges worldwide.

These developments will provide us with opportunities to implement other exciting initiatives, such as the establishment of a design school and a Swiss International Baccalaureate School in Nendaz, Switzerland.

[1] Source: Higher Education in Asia – Expanding Out, Expanding Up, UNESCO Institute for Statistics, 2014
[*] Source: Pictures Courtesy of Hotel Nendaz 4 Vallees and Spa

● Traditional Restaurant*

● Hotel Suite*



● Double Room*

● Indoor Spa*

Management of Education Assets and Facilities

We have acquired invaluable expertise and gained traction as a manager of education assets and facilities from the acquisition of Oriental University City ("OUC") in Langfang, Hebei, China since 2008. That first step has borne fruits for RafflesEducation*Corp*. We now have 10 colleges with a student population of over 19,000 within the campus, providing a strong recurring income for RafflesEducation*Corp*.

Riding on the success of OUC, we acquired a commercial property in Parramatta, situated in Sydney, Australia in July 2014. The six-storey commercial building with a net lettable area of 9,782 sq m is an ideal permanent campus for our Raffles College Design and Commerce ("RCDC") which is currently operating out of leased premises in North Sydney. In doing so, we will avoid the unpredictability of rental increases. In addition to the rental savings and permanency for RCDC, we also expect to derive rental income from retail facilities where food & beverage operators and retailers operate to support the lifestyle of our student population.

The cost substitution measure is a strategy that we have started to implement selectively throughout RafflesEducation*Corp* – OUC, our flagship Raffles College of Higher Education in Singapore's Raffles Education Square, RCDC in Sydney and soon our new Bangna Campus for Raffles Bangkok. Not only will these investments provide cost savings but will also improve our competitive advantage and enhance our brand image as a premier education provider of choice.

The Bangna Campus for Raffles Bangkok will be completed in October 2014, and commence operations in January 2015. This S$33 million investment has a total built-up area of 20,194 sq m, consisting of an academic building of 10,103 sq m and a commercial building with a retail and office space of 10,091 sq m. The commercial building will serve as an incubator for our graduates' start-up businesses as well as to bring in other creative industries to co-locate with us in order to capitalise on the talents that are flowing out of the college. This in turn will provide opportunities of internship for our students and employment for our graduates.

This holistic education model epitomises our mission of "a quality education that provides graduates with a well-rounded hands-on experience relevant to the industry" which we believe is the right formula to merge "study and work". This model will be deployed throughout our upcoming developments across RafflesEducation*Corp*, as it will certainly uplift the quality of education that we provide.

Education-Linked Real Estate Investment and Development

The focus of our holistic approach of integrating education into different aspects of "learn, live, work and play" has opened up many new opportunities for RafflesEducation*Corp*.

With the experience gained in running and developing OUC, an education township, where education is intertwined with commercial and residential activities, building of new academic and residential buildings in Tianjin Boustead College, our recent acquisition of a commercial property in Parramatta and the upcoming completion of the Bangna Campus, RafflesEducation*Corp* is ready to explore more education-linked real estate investment and development.

With good investment foresight, we were able to divest about S$500 million of our education-linked real estate over the past three years, thereby turning our balance sheet from negative assets to an asset-backed balance sheet. The realisation of these funds allowed us to recycle and reinvest our capital into value-accretive businesses within our three engines of growth. Where opportunity arises, RafflesEducation*Corp* will further develop the concept of "learn, live, work and play", including the building of residences on Group-owned land to optimise returns for our Shareholders.

Our recent acquisitions in Switzerland will incorporate all these synergies that will increase the value of the collective assets compared to their respective standalone values. In addition, the rental revenue generated from the hotel property also serves as an additional stream of stable and recurring income for RafflesEducation*Corp*.

We are also delighted to announce that the Board has recommended a final one-tier tax exempt cash dividend of 1 cent per ordinary share as a reward to our Shareholders.

In Closing

I would like to extend my deep appreciation to the Board for their wise and invaluable counsel.

Lastly, I would also like to thank our Shareholders, students, business partners, staff and all stakeholders for their support, trust and confidence in RafflesEducation*Corp*.

Mr Chew Hua Seng
Chairman and CEO

● *Tianjin University of Commerce Boustead College in Tianjin, China*

FY2014 Financial Review

FY2014 has been a year of transition for RafflesEducation*Corp* as we continue our transformation into an integrated education provider with three related growth engines. We have effectively monetised some non-core real estate holdings and recycled this capital to invest in high quality properties in the Asia-Pacific as well as Switzerland to enhance our key competency in providing holistic premier education services.

Our net profit rose 70% to S$58.3 million in FY2014 from S$34.2 million in FY2013 on the back of steady revenue of S$127.4 million. The higher net profit is largely due to contributions from the divestment of 490 mu of investment properties in OUC for a S$45.5 million gain before taxes, as well as the disposal of our 50% equity interest in Value Vantage Investment and Management (Hangzhou) Co., Ltd for a S$40.8 million gain. Other operating income increased to S$102.5 million from S$67.2 million in FY2013 on the back of these divestments. Correspondingly, Earnings Per Share climbed to 5.40 cents from 2.66 cents while the Group's Net Asset Value reached 55.41 cents from 54.07 cents in FY2013.

Notwithstanding our strategy of building the Group into an asset-backed company through selective acquisitions, our net gearing ratio remained low at 0.37 times. This gives us opportunities to build a strong asset pipeline through a measured and balanced approach. During FY2014, we completed the acquisition of a 10% stake in OUC from Khazanah Nasional Berhad for S$81.3 million which increased our borrowings marginally, but it gives us control and flexibility to enhance the asset for higher returns.

We repurchased over 8.0 million ordinary shares during FY2014 with an additional 1.2 million repurchased subsequent to the financial year end in view of our stock price's under-valuation.

Overall, we have seen our revenue in the PRC stabilising and we expect positive developments from the transformational strategies that are being undertaken. In addition, we also anticipate our expansion strategy outside of the PRC to yield positive outcomes in the near future.

Board of Directors

Mr Chew Hua Seng
Chairman and CEO

Mr Chew Hua Seng is the Founder, Chairman and CEO of Raffles Education Corporation Limited ("RafflesEducation*Corp*" or "the Group"). Under his astute leadership, RafflesEducation*Corp* has grown to become the premier education Group.

Mr Chew has led RafflesEducation*Corp* to achieve an excellent track record of growth since founding the Group in 1990. Apart from leading the Group through its highly successful initial public offering on the Singapore Exchange in 2002, the Group was also ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion" list from 2006 to 2009 under his keen leadership. Mr Chew holds a Bachelor's Degree in Business Administration from the University of Singapore (now known as the National University of Singapore) and was awarded the National University of Singapore Business School Eminent Business Alumni Awards in November 2010 for his outstanding achievements. Mr Chew was also conferred the Public Service Medal by the President of Singapore for his contribution to community service in 2010.

In 2007, Mr Chew established the Chew Hua Seng Foundation (the "Foundation") to further charitable causes, predominantly in education. Commissioned with the motto "Compassion through the Generations", the Foundation's mission is aligned with RafflesEducation*Corp*'s overarching principle to provide the invaluable gift of education to needy youths, with a special focus to support poor students in the Asia-Pacific region.

Mr Henry Tan Song Kok
Lead Independent Director

Mr Henry Tan Song Kok is the Managing Director of Nexia TS Public Accounting Corporation and the Chairman of Nexia China. He graduated with a First Class Honours Degree in Accountancy from the National University of Singapore.

He is a fellow of the Institute of Singapore Chartered Accountants, Insolvency Practitioners Associations of Singapore Ltd and the Institute of Chartered Accountants in Australia, member of Institute of Internal Auditors, Inc (Singapore Chapter), Singapore Institute of Accredited Tax Professional Limited and Singapore Institute of Directors. Mr Tan is also director of YHI International Limited, Chosen Holdings Limited, China New Town Development Co Ltd and Ascendas Funds Management (S) Limited (Manager of Ascendas Real Estate Investment Trust).

Mr Lim Tien Lock, Christopher
Independent Director

Mr Lim Tien Lock, Christopher is the Group Executive Director of Hotel Properties Limited ("HPL"). He is responsible for the overall management of the HPL Group. Prior to joining HPL in 1989, Mr Lim held the position of Director and Head of Corporate Finance of N M Rothschild & Sons (Singapore) Limited with 10 years of experience in the field of investment banking. He graduated from the National University of Singapore with a Bachelor's Degree in Business Administration.

Dr Tan Chin Nam

Independent Director

Dr Tan Chin Nam is the Chairman of Temasek Management Services Pte Ltd and Global Fusion Capital Pte Ltd. His other appointments include serving as Senior Adviser to the Salim Group, Singbridge Corporate Pte Ltd, Litmus Group Pte Ltd and Zana Capital Pte Ltd. He is a Director of Stamford Land Corporation Ltd, Yeo Hiap Seng Ltd, Gallant Venture Ltd, PSA International Ptd Ltd and Sino-Singapore Guangzhou Knowledge City Investment and Development Co., Ltd. He is also a member of Centre of Liveable Cities Advisory Board and Board of Trustees, Bankinter Foundation for Innovation (Spain).

Dr Tan had 33 years of distinguished service in the Singapore Public Service holding various key appointments before completing his term as a Permanent Secretary in 2007. He held various top leadership positions including as General Manager and Chairman of National Computer Board, Managing Director of Economic Development Board, Chief Executive of Singapore Tourism Board, Permanent Secretary of Ministry of Manpower, Permanent Secretary of Ministry of Information, Communications and the Arts, Chairman of National Library Board and Chairman of Media Development Authority. He played a leading role in information technology, economic, tourism, manpower, library, media, arts and creative industries' development of Singapore.

Dr Tan graduated from the University of Newcastle, Australia with first degrees in Industrial Engineering and Economics, and a Master of Business Administration Degree from the University of Bradford, UK. He has an Honorary Doctor of Letters Degree conferred by the University of Bradford and an Honorary Doctor of Engineering Degree conferred by the University of Newcastle. He holds 4 Public Administration Medals of Singapore. He is an Eisenhower Fellow and was conferred the EDB Society Distinguished Fellow Award and the Eminent Alumnus Award conferred by the Australian Alumni Association of Singapore and the Australian Government.

Mr Teo Cheng Lok John

Independent Director

Mr Teo Cheng Lok John was in public accounting practice from 1981 to 2010. He was a Founder and a Senior Partner of TeoFoongWongLCLoong and Baker Tilly TFWLCL. Mr Teo qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. He is a Fellow of the Institute of Chartered Accountants in England & Wales, Institute of Singapore Chartered Accountants, Institute of Certified Public Accountants in Australia and a member of the Chartered Management Institute, UK.

Mr Chew Kok Chor

Executive Director and Deputy CEO

Mr Chew Kok Chor joined RafflesEducation*Corp* in 1998 as Executive Vice-Dean for Raffles Design Institute (Shanghai), and was subsequently appointed as Vice-President of the Group's China Operations in May 2001, as Chief Operating Officer in August 2004 and as Deputy CEO in April 2005. He holds a Bachelor's Degree (Second Class Honours) in Mechanical & Production Engineering from the National University of Singapore and was a scholar with Exxon Mobil Singapore. Mr Chew will continue to be overall in charge of the operations of the Group and directly responsible for Greater China.

Management Team

Mr Chew Hua Seng
Chairman and CEO

Mr Chew Kok Chor
Executive Director and Deputy CEO

Mr Liu Yingchun
Deputy CEO, Oriental University City

Mr Kenneth Ho Kah Chuan
Chief Financial Officer

Ms Doris Chung
Director,
Raffles University Iskandar/Raffles American School

Mr Ong Kai How
Vice President, South East Asia Operations;
Director, Human Resource

Prof Graeme Britton
Vice President, Raffles University Iskandar

Prof Steve Rawlinson
Vice President, Raffles University Sri Lanka

Mr Issac Ng
Vice President, Australia Operations;
CEO, Raffles College of Design and Commerce, Sydney

Mr Edmund Hwong Kee Hong
Vice President, South China Operations

Ms Karen Grace Lam Kar Yan
Vice President, IndoChina Operations

Mr Mike Yam Keong Chee
Vice President, India Operations

Mr Edmund Lim
Vice President, South India Operations

Mr Mok Kam Wah
Vice President, Malaysia;
Chief Financial Officer,
Raffles University Iskandar/Raffles American School

Dr Rob Mockrish
Superintendent, Raffles American School

Business Overview

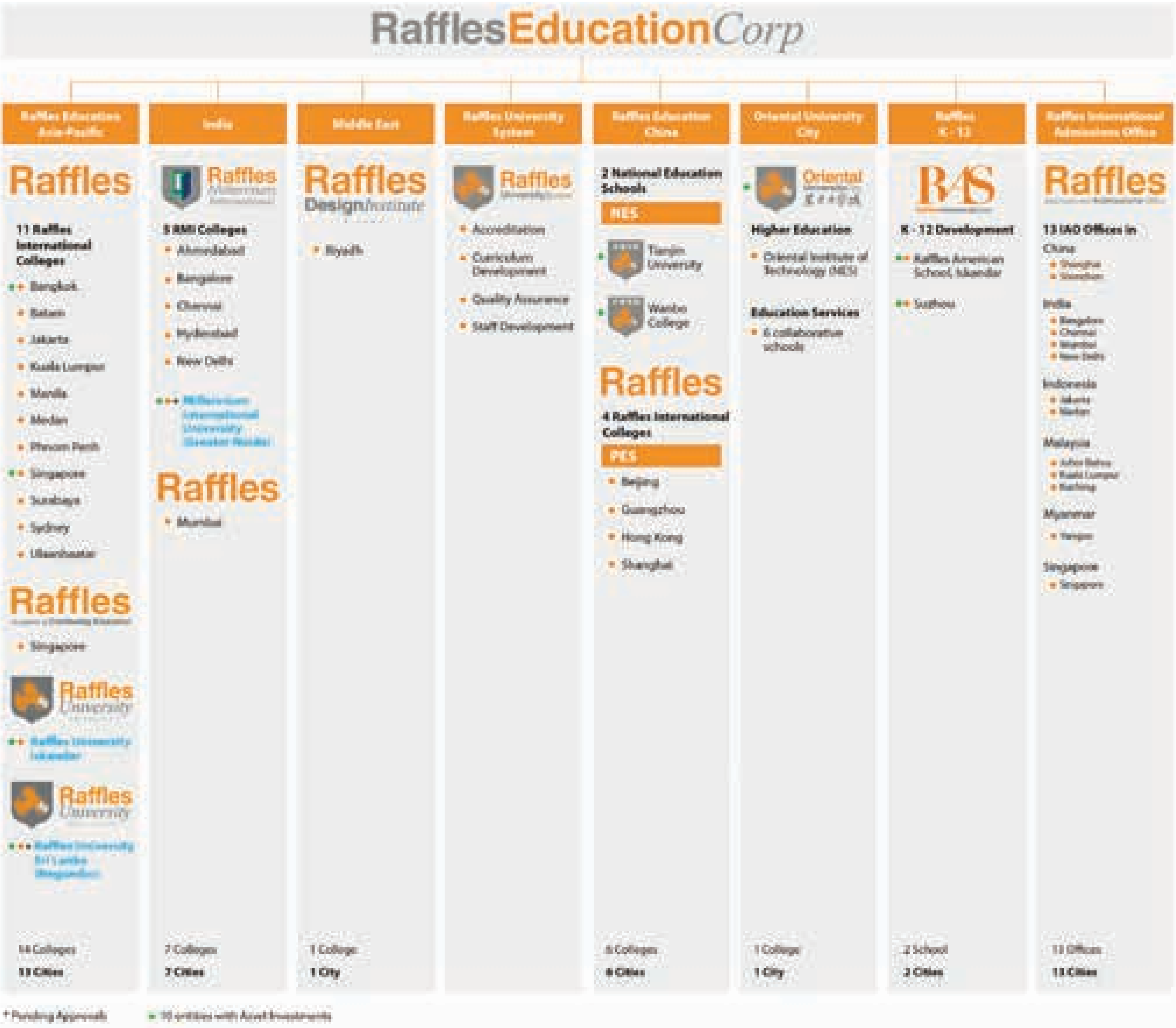
RafflesEducation*Corp* is a premier education Group that is committed to providing quality education and related services through its network of institutions across the Asia-Pacific.

Our strategic goal is to nurture and groom skilled professionals through the transfer of industry-relevant knowledge and technical know-how to succeed in the globalised economy. The Group strives to provide a well-balanced education that encourages creative and critical thinking, thus allowing students to realise their potential and aspirations, while enjoying the learning process at our colleges.

Since its founding in 1990, RafflesEducation*Corp* has grown its portfolio from one college in Singapore to 30 institutions in 29 cities across 12 countries in the Asia-Pacific.

Our colleges offer a comprehensive range of internationally recognised programmes leading to Diploma, Advanced Diploma, Degree and Masters qualifications. The diagram below illustrates the structure of RafflesEducation*Corp*:

As an educator,
the greatest gift we can bestow on our students is to
design a unique educational pathway
towards a ***luminous career.***



Raffles Singapore College's Students

Private Education Colleges

RafflesEducation*Corp*'s colleges under the Private Education System ("PES") provide a range of Degree, Diploma and Certification programmes in various professional disciplines. They include Design, Information Technology, Business, Biomedical Sciences and Psychology. Courses are conducted in English by an international faculty.

The Group currently has 30 PES colleges, with close to 6,300 students in the Asia-Pacific region.

Raffles Academy of Continuing Education ("RACE"), an institute of Raffles College of Higher Education, was established in December 2011 to provide quality continual learning to adult learners who aspire to upgrade their existing skills and expand their knowledge horizon. Classes, conducted by subject-matter experts, are complete with practical sessions to enhance the learning experience at the Academy. As a programme partner of the Employment & Employability Institute ("e2i") and the Workforce Development Agency ("WDA") from the year 2012 to 2013, adult learners were supported and funded by both agencies to maximise their experiential learning with RACE. Given the strong enrollment at the launch of RACE's Professional Diplomas, these programmes are now available to all interested public.

National Education Colleges

In China, the Group has one University and three Vocational and Technical colleges under the National Education System ("NES"). NES colleges provide academic and skills training courses that lead to nationally recognised tertiary qualifications.

The mainstream education is taught in Chinese by quality local faculty, and students receive qualifications accredited by the Ministry of Education of the People's Republic of China. There are currently over 14,000 students at the Group's NES colleges, including at the Group's Oriental Institute of Technology in Oriental University, Langfang.

Raffles Millennium International

India has the largest youth population in the world with over 600 million youths. It is inevitable that the Group has identified India to be one of its key markets.

Raffles Millennium International ("RMI") colleges were formed through a joint venture between RafflesEducation*Corp* and Educomp Solutions Ltd, one of India's largest public-listed education company. RMI introduces the Group's entire suite of award-winning programmes in Design, Business and Hospitality to the large student population in India.

There are currently five RMI colleges in five Indian cities, namely Ahmedabad, Bangalore, Chennai, Hyderabad and New Delhi, offering Advanced Diploma and Degree programmes.

● *Raffles Fashion Designers*

● *Raffles Creative Practitioner*

● *Raffles Graphic Designers*

Raffles University System

RafflesEducation*Corp* is committed to providing quality education through its network of institutions in the Asia-Pacific. Raffles University System ("RUS") is the principal body that holds the overall responsibility for coordinating and harmonising the curriculum, quality assurance of content and delivery, as well as improvement of academic programmes for the Group's network of colleges and universities.

RUS has a stringent and rigorous reporting and audit system to ensure quality standards and assurance, as well as operational compliance. A Senate is appointed to coordinate standards between the Universities. Harmonisation between the Advanced Diploma and Degree offerings is achieved through the Curriculum Review Committee and RUS membership on Academic Boards and Senate Committees.

University-level Institutions

RafflesEducation*Corp* has four university-level institutions that are strategically located in Australia, China, India and Malaysia. In March 2013, the Group signed an investment agreement with the Board of Investment of Sri Lanka to establish Raffles University Sri Lanka. This addition enhanced the Group's footprint of university-level institutions.

• *Raffles College of Design and Commerce and Commerce's New Location in Parramatta, Sydney*

Raffles College of Design and Commerce

Raffles College of Design and Commerce ("RCDC") has a history of over 35 years in Sydney, offering Bachelor's and Master's degree programmes in several fields of Design and Business. RCDC also offers Diploma programmes and Certificate courses that lead to a Bachelor's degree.

RCDC is registered with the Tertiary Education Quality and Standards Agency (TEQSA) in Australia. It is also registered with the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) through the Australian Government's Department of Tertiary Education. The degrees awarded by RCDC comply with the Australian Qualifications Framework (AQF), are accredited by the Australian Government through TEQSA, and are recognised by both Australian and international universities.

RCDC graduates are often sought after by potential employers, even before graduation, because of their excellent industry knowledge and skills. The curriculum, taught by industry professionals, continually keeps pace with current industry demands.

In August 2014, RafflesEducation*Corp* acquired 22,000 square feet of land and a six-storey building at 1-3 Fitzwilliam Street in Parramatta, New South Wales (NSW) which will be developed into a permanent campus site for RCDC. Parramatta is about 24 kilometres from the Sydney's central business district and within the western suburbs of Sydney. Western Sydney is a large and dynamic region, characterised by a young and diverse community, a strong economy and a unique natural environment.

The new campus will be conveniently located within a one minute walk from the major Parramatta railway station (an interchange for both suburban commuting and intercity services), main transport hub for buses and taxis, the largest Westfield Shopping Centre in NSW and several NSW Government offices.

Tianjin University of Commerce Boustead College

Tianjin University of Commerce Boustead College ("Boustead College") was officiated in October 2002 to provide skills training programmes that lead to tertiary qualifications which are nationally and internationally recognised.

Boustead College offers Degree programmes in Business Administration, Computer Science and Information Technology as well as Literature and Arts. The campus in Tianjin was refurbished in 2013 with additional amenities and facilities for students and academics to enjoy a conducive learning and living environment.

• *Tianjin University of Commerce Boustead College in Tianjin, China*

• *State-of-the-art Campus*

• *Overview of the College's Stadium*

Artist's impression of Raffles American School in Iskandar, Malaysia

Raffles American School's students

Raffles American School

Raffles American School ("RAS") is currently operating in a temporary premise at the Anjung Neighbourhood Center, Nusajaya in Johor, Malaysia. It offers K-12 American education with Advanced Placement in the high school, providing a viable alternative schooling for the local and expatriate communities in the region.

RAS continues to develop its curriculum by adding new grade levels each year. This year, a new class for students aged four and five, as well as Grade 10 were added. The curriculum of RAS is jointly developed by RAS Faculty and International Schools Services (ISS) New Jersey, USA, a world leader in curriculum development, school management, supply sourcing and recruitment. RAS prepares students for admission to top US and Western universities, as well as universities around the globe. RAS received a prestigious accreditation from the Western Association of Schools and Colleges (WASC), USA, in its second year of operation. The accreditation is an affirmation of RAS's ability in providing quality education.

The construction of our 46-acre permanent state-of-the-art campus at EduCity in Iskandar, Malaysia is well underway, and Phase One of the opening will be scheduled in August 2015. The campus, overlooking the Iskandar Development Region, is designed by the world-renowned architectural firm in New York, Skidmore, Owings & Merrill which is famous for designing the iconic One World Trade Center in New York and the Burj Khalifa in Dubai. Upon its completion, RAS will serve 2,000 students with full boarding capacity.

● Artist's impression of Raffles Bangkok in Bangna, Thailand

● Artist's impression of Raffles Bangkok's Campus

Raffles Bangkok, Bangna

Raffles Bangkok, established in 2001, currently operates from a leased premise that has a floor area of 1,900 square metres in the Silom Center Building at Silom Road.

To cater to a growing student population, RafflesEducation*Corp* invested in a permanent campus that has a floor area of 24,000 square metres in Bangna, a fast-developing district. The new state-of-the-art campus comprises of two buildings nestled in beautifully landscaped grounds and restful water features, and is scheduled to be completed in November 2014.

The education building also houses a two-storey library, an auditorium, fully-equipped laboratories and rooms for Creative Practitioners. The other building comprises commercial and office space.

Raffles Sri Lanka

Raffles Design Institute, Colombo, is the flagship college in Sri Lanka and offers RCDC Degree programmes that major in Fashion Design, Fashion Marketing, Interior Design and Graphic Design. The next phase of development is the set up of Raffles University Sri Lanka ("RUSL"). RUSL will be a fully comprehensive, self-accrediting institution that offers internationally recognised foundation and Degree programmes in Design, Business Administration, Hospitality and Tourism, Accountancy, Psychology, Engineering and Technology.

RafflesEducation*Corp* has purchased land in Negambo, Sri Lanka to build a city campus with state-of-the-art facilities, student accommodation and a boutique training hotel.

Strategy

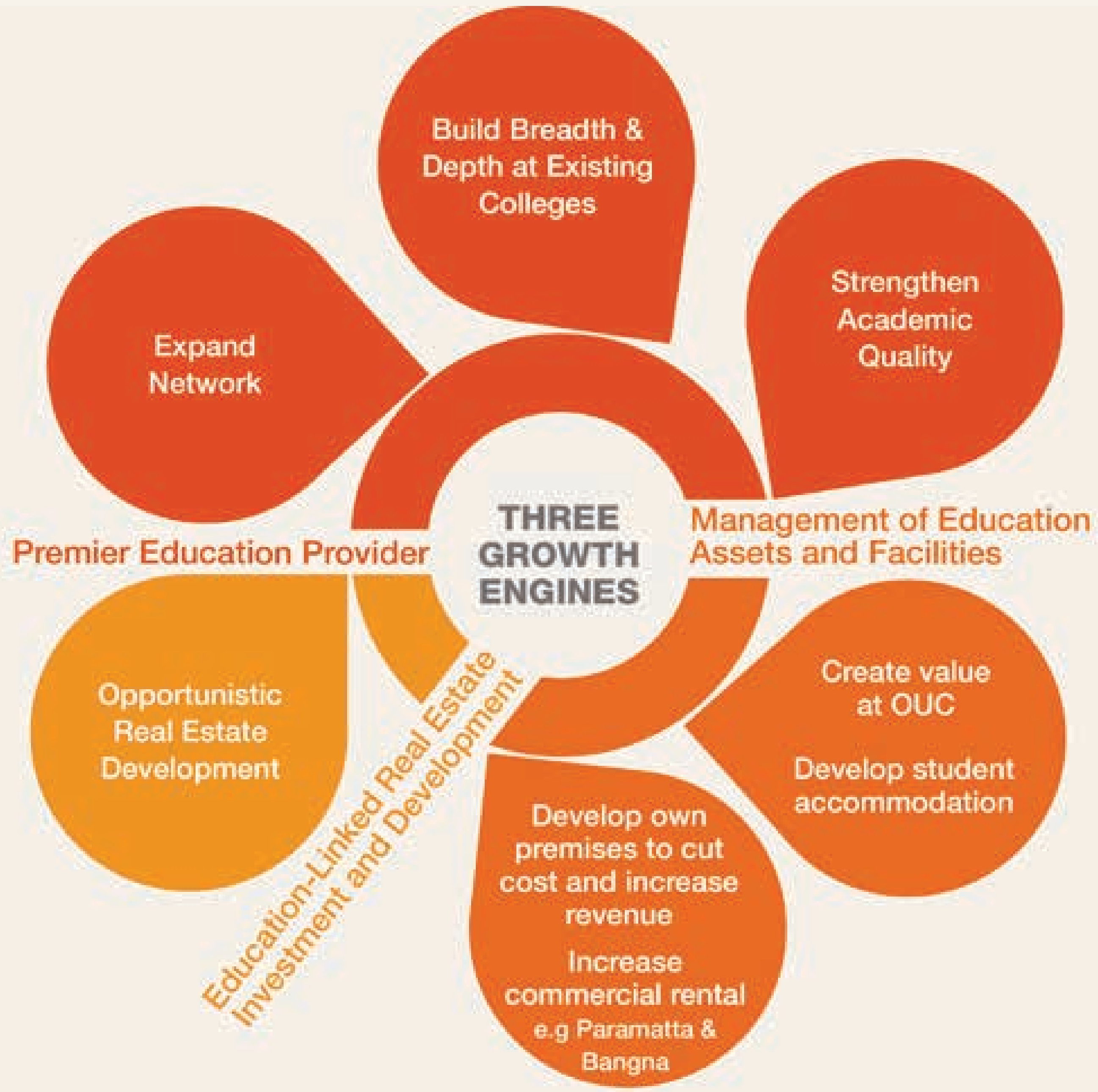
Our strategies are meant to make our education business truly ***enduring***.

Today, RafflesEducation*Corp* is the largest premier education Group in the Asia-Pacific with 30 colleges in 29 cities across 12 countries. Our journey to success did not happen by chance; it was a corporate journey crafted with great foresight and a well-designed roadmap that has taken the Group to where it is today.

The foundation of an excellent educational institution comprises a superior curriculum, an outstanding faculty and an intellectual environment. For years, these core functions remain as the Group's core competencies.

RafflesEducation*Corp* seeks sustainable growth that creates value for its stakeholders. The trusted Raffles brand name and its network of institutions support the Group's continued organic growth. The Group also owns valuable education assets across the Asia-Pacific that can be realised for reinvestment into its education business.

Capitalising on its strong fundamentals, the Group will continue to build breadth and depth at its existing colleges, expand its network of institutions, grow its university group, create value at its university city and strengthen its academic quality.



Build Breadth and Depth of Existing Colleges

RafflesEducation*Corp* enjoys a reputation of quality education that focuses on practical training and academic excellence. As the largest premier education group in the Asia-Pacific, the Group is relentless in implementing initiatives and efforts to fortify its education business.

Resources are invested to continually enhance and expand programme offerings to cater to a diverse community of students, as well as to attract and retain exceptional faculty. The Group also strives to deepen its ties with industry partners to better prepare students for the dynamic workplace and therefore increase their employability. Together, these efforts enable the Group to build breadth and depth of its existing colleges for greater growth.

Expand Network of Institutions

One of the unique advantages of Raffles education is the opportunity for students to complete their studies anywhere within the Raffles network. Given the Group's formidable global presence, students can receive international exposure to enrich their personal outlook and learning experience.

The enlarged Raffles network has strengthened the Group's portfolio and increased its geographical reach. RafflesEducation*Corp* is poised to provide quality education to Asia's large and growing youth population for future growth.

• *Raffles University Iskandar's students*

• *Raffles American School's students*

• *Raffles Interior Designers*

Expand Raffles University Group

RafflesEducation*Corp* currently has four university-level institutions, namely in Australia, China, India and Malaysia. In the pipeline is a fifth university in Sri Lanka. These institutions were established with a strong applied education focus to develop industry-skilled professionals for high employability.

The expansion of Raffles University Group is significant, as it raises the profile of the Group from a higher education provider to a full-fledged university group. This will eventually translate into a larger market share for RafflesEducation*Corp*. The university group, as a centre of excellence, will further enable the Group to expand in the region.

Create Value at Oriental University City

To shore up its balance sheet, RafflesEducation*Corp* adopted a strategic asset-backed strategy with the acquisition of Oriental University City ("OUC") in 2008 in Langfang, China. Besides providing educational services to schools located in OUC, the Group also collects fee revenues by providing higher education on campus through new school establishments and partnerships.

The vast resources of land and buildings at OUC enables the Group to further develop a large-scale university city with amenities and facilities for a conducive learning and living environment.

The Group has systematically divested some of its non-core assets in the region, including some assets located in OUC. It is the Group's intent to streamline its assets and realise the value of its education assets for reinvestment into its growing education business.

Strengthen Academic Quality

RafflesEducation*Corp* places a strong emphasis on curriculum development that is relevant to industry trends and needs. The ultimate goal of an education with Raffles is to groom skilled professionals through the transfer of industry-relevant knowledge and technical know-how to succeed in the globalised economy. Raffles University System ("RUS") is the corporate unit responsible for all academic matters.

RUS adheres strictly to a rigorous reporting and audit system to ensure quality standards and assurance, as well as operational compliance. A Senate is appointed to coordinate standards between the Universities. Harmonisation between the Advanced Diploma and Degree offerings is achieved through the Curriculum Review Committee and RUS membership on Academic Boards and Senate Committees.

The Group's colleges and programmes are registered, accredited and certified by various government bodies, state and federal authorities. For instance, Singapore's Raffles College of Higher Education ("RCHE") was registered with the Council of Private Education as a Private Education Institution under the Private Education Act 2009 and granted a four-year registration from 13 June 2011 to 12 June 2015. RCHE also attained a four-year EduTrust accreditation from 16 January 2012 to 15 January 2016. The EduTrust accreditation is only granted to private education institutions that have met a stringent set of requirements defined by the Singapore Government, and this enables RCHE to offer its programmes to international students.

Through RUS, the Group grows its intellectual property portfolio by establishing new institutions, updating the curriculum, and strengthening its accreditations and academic credibility. Conscientious efforts are put into curriculum enhancement to ensure quality and relevance for students to succeed in the ever-changing and globalised economy.

POWER OF WEAVE

RafflesEducation*Corp* today is a market leader in the Asia-Pacific. The Group has a strong business model and a resilient growth strategy to consistently deliver long-term returns to its stakeholders. The continued development of its infrastructure and resources will reinforce the Raffles brand name regionally and catapult it to be a cut above its peers in the private education landscape.

Success by *Design*

Raffles Students Speak

"I chose to study at Raffles Singapore because of its flexible curriculum which allows me to tailor my course structure according to my schedule. Unlike other colleges, I can now complete my study within three years.

My learning journey at Raffles Singapore has been fantastic so far. My Creative Practitioners are competent and friendly. I feel comfortable approaching them for clarifications whenever I don't understand a concept. My course is well-structured with practical activities, volunteering work and industry attachments. These experiences will enable me to enhance my abilities and prepare me well for my future career.

I was even selected to present a project at the 28th International Congress of Applied Psychology in July 2014. It was a great achievement for me and I hope that I will continue to progress well throughout my study at Raffles Singapore."

Aldo Alberto Conti

Raffles Singapore
Bachelor of Science with Honours in Psychology, Class of 2015
Italy

"Studying at Raffles is one of the best experiences that I have. We learnt beyond the basics, which is a good step forward into the fashion industry.

At Raffles Jakarta, the courses are also specially tailored to cover the scope of the industry so that students can broaden our horizons with a more practical approach. For aspiring students who are passionate to pursue their dreams in the fashion industry, Raffles will be the ideal choice!"

Livia Japutra

Raffles Jakarta
Advanced Diploma in Fashion Marketing & Management, Class of 2014
Indonesia

“The advantage of an education with Raffles is that, as a student, we get to meet and interact with many creative designers. I constantly challenged myself to understand their culture as well as learning from them.

Raffles Designers never stop learning. Raffles Creative Practitioners also set a high standard for the students to ensure that they are well-prepared for the industry.”

Raymond Hartawan

Raffles Jakarta
Advanced Diploma in Interior Design, Class of 2014
Indonesia

“Raffles has a variety of courses and has great flexibility in allowing me to be transferred between courses after I realised that my interest wasn’t in management. Raffles Creative Practitioners guide the students by sharing relevant industry examples, and they also create a positive learning environment which made it easier for us to understand the subjects.

I was lucky to have my first experience at a big company, Robinsons & Co Ltd, through an industrial attachment at Raffles Singapore. During my study at Raffles Singapore, I met different students from all over the world and have developed a better understanding of their culture and traditions.”

Maxim Misak

Raffles Singapore
Bachelor of Commerce with major in Finance, Class of 2014
Russia

Raffles Students Speak

"Raffles International College Cambodia helped me to realise my potential and led me to my current dream job. Raffles also provides a great environment for students from different countries to interact and share experiences with each other."

Kevin Pharin

Raffles International College Cambodia
Advanced Diploma in Business Management, Class of 2014
Cambodia

"Raffles Medan is the first international design institution in Medan. Joining Raffles Medan was the best decision I have ever made. Raffles has a unique teaching style as they give me the freedom to explore Fashion Design using my creativity skills (even though I don't have strong knowledge in design yet). At Raffles, I learnt the fundamentals of Fashion Design and also the qualities to be a good fashion designer."

Angel

Raffles Medan
Advanced Diploma in Fashion Design, Class of 2015
Indonesia

"I heard about Raffles through a friend who was also a student from Raffles. Prior to my study at Raffles Bangkok, my friend had always told me about how great her Creative Practitioners were and I also knew that Raffles has a very good reputation. So, I decided to further my studies with them.

Currently, I am an intern with Netizen Corporation while pursuing my course at Raffles Bangkok. I also discovered how productive I could be and am able to produce designs that meet their expectations.

My Creative Practitioners are amazing. I gained a tremendous amount of experience and knowledge in the field of Graphic Design, which allowed me develop my own style. The knowledge gained through Raffles Bangkok will definitely give me a head start in my future career."

Noemie Audrey Klein

Raffles Bangkok
Bachelor of Design with major in Graphic Design, Class of 2015
France

"My knowledge in Graphic Design was limited prior to my study at Raffles School of Design Shanghai. My interest is in photography and the idea that I can attend photography classes as part of my Degree programme excites me. And this led to my decision to pursue my study at Raffles School of Design Shanghai.

Over the past two years, I have learnt many things at Raffles School of Design Shanghai. I am happy to have made the right choice because it has been a delightful learning experience for me."

Pan Ting Iris

Raffles School of Design Shanghai
Bachelor of Design with major in Graphic Design, Class of 2016
China

Raffles Alumni Speak

A Promising Raffles Interior Designer with Peter Silling & Associates in Cologne, Germany.

“I gained a good background and knowledge in Interior Design when I studied at Raffles Hong Kong. It was also a great honour for me to learn from Creative Practitioners who are knowledgeable and enthusiastic.

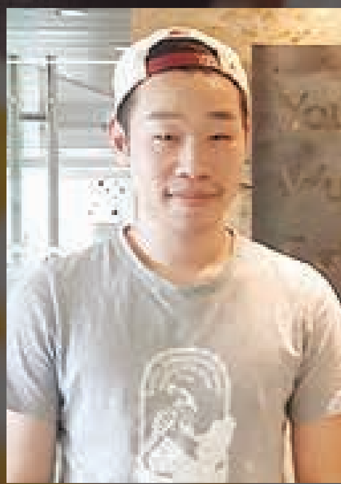
Raffles Hong Kong helps students to develop their knowledge by inspiring them to approach design with curiosity and positive energy through a wide array of tools to communicate ideas. The learning experience was memorable for me.”

Iryna Shapoval

Raffles Hong Kong
Graduated in 2013 with Bachelor of Design with major in Interior Design
Hong Kong

Winner of the Bronze Award in Cannes Lions 2014 for Outstanding Design on ‘The Power of Colour’ for Pantone, Inc.

“Winning the Cannes Lions, the world’s biggest celebration of creativity in communications, has been a big honour for a novice designer like me. This wouldn’t be possible without the good training that I have received at Raffles. I would like to thank all Raffles Creative Practitioners for their guidance and for equipping with the design skills that allowed me to think out-of-the-box to create exceptional designs.”



Alair Qu

Raffles Design Institute Shanghai and Raffles Australia
Graduated in 2013 with Bachelor of Design with major in Graphic Design
China

"Without Raffles, I don't think I would have gotten to where I am today. After graduating from Raffles, I was accepted by my dream institution in New York to further my studies. It has been a surreal journey as everything happened so quickly.

Through Raffles, I gained a deeper understanding of my course in Fashion Design. The experience gained also led me to work at several well-known companies, such as Milk Studios and Spring Studios, for New York's Fashion Week."

Eriya Miura

Raffles International College, Cambodia
Graduated in 2012 with Advanced Diploma in Fashion Design
Cambodia

Opened the First-ever Skate Shop and Park in Cambodia and Owns a Franchise in Phnom Penh.

"My learning journey with Raffles was a blessing. Raffles Creative Practitioners taught me to discover my inner self on what I truly love, encouraged me to be creative and think out-of-the-box.

Right after my graduation, I opened the first-ever Skate Shop "10K" and Skate Park in Cambodia, as well as being able to own a standard franchise "TELA" gas station in Phnom Penh."

Dysamil Luon

Raffles International College, Cambodia
Graduated in 2013 with Advanced Diploma in Business Management
Cambodia

Raffles Alumni Speak

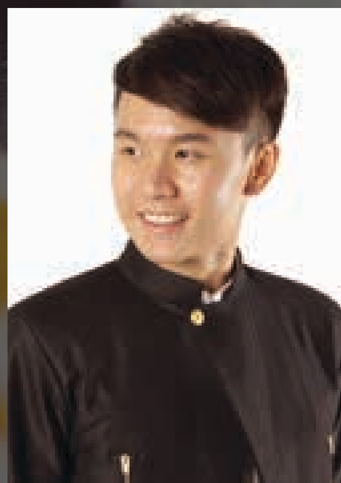
"I have always been inquisitive about how products are created and I am always pondering about how to customise my own product whenever I looked at things.

It is not just about understanding products but creating them became my zeal. However, I could not find the right course to pursue until I discovered the courses offered by Raffles. I was lucky to learn from three senior Creative Practitioners. All of them were experienced designers in their own forte."

Kashyap Rawat

Raffles Design International, Mumbai
Graduated in 2010 with Advanced Diploma in Product Design
India

Founder of a new fashion label "AMOS ANANDA"



"Raffles Singapore has enriched me with the novel and out-of-the-box thinking, which I have applied when developing my fashion label "AMOS ANANDA". Raffles does not merely seek to prepare students for the workforce - they provide students with a stepping stone into the job market through industrial collaborations to assist students in their career path. It is through this unique feature of Raffles that the foundation of the students is anchored, thus preparing them for their future journey.

A big thanks to my College Director, Principal Joe Spinelli, Creative Practitioners and Raffles for your support during my study and even after my graduation."

Amos Yeo Kang Ting

Raffles Singapore
Graduated in 2014 with Bachelor of Design with major in Fashion Marketing
Singapore

Raffles puts focus on our technical skills and ensures that students are groomed creatively. And at the same time, they cover from the basics to the intricate details of constructing a garment so that students have a clearer picture of the knowhow.

This motivated me to explore my own clothing creation beyond sketches. Raffles Creative Practitioners definitely played a very huge role in giving me constant feedback and guidance whenever I needed help. They showed me the ropes and even paved the way for me to bring my designs to another level.

Xiaojun Chiang

Raffles Singapore
Graduated in 2011 with Bachelor of Design with major in Fashion Design
Singapore

Raffles is a library of knowledge and skills. I started with zero knowledge about fashion and now became a good fashion designer that possesses good knowledge and technical skills imparted by my inspiring Creative Practitioners.

At Raffles, I was given the freedom to use my imagination and explore innovative ideas. I learnt to be creative and yet practical at the same time. I gained practical experiences at Raffles after working with industry professionals. I also challenged my limits and unleashed my potential by participating in competitions.

Raffles has been very supportive of its graduates too. Through Raffles Singapore, I participated in numerous fashion shows. My success in the Mercedes Fashion Week Australia 2014 would not be possible without the opportunity and help from Raffles Singapore.

It was a great learning journey and self-discovery in Raffles. Thank you Raffles for being the best college and home to me. Without you, I would not be who I am today.

Paul Nathaphol Sirivitpakdikul

Raffles Singapore
Graduated in 2011 with Bachelor of Design with major in Fashion Design
Thailand

Raffles Win

Auradee Sae Lin
IKEA Singapore's Young Designer Award 2014
Grand Winner
Thailand

Agnes Angelin Tjioe
Bossini Design A Tee Campaign 2013
Grand Winner (Be Happy Theme)
Indonesia

Ong Arief Wiranata
Safety@Work Creative Awards 2014
Gold Award
Indonesia

Chen Zhipeng
3rd Japan Creative Centre (JCC) Sustainable Fashion Design Contest
Top Three Winners
China

Raksha Reddy
MIJF Jewellery Design
Awards 2014
Grand Winner
(Necklace Category)
India

Alair Qu
61st Cannes Lions
Bronze
China

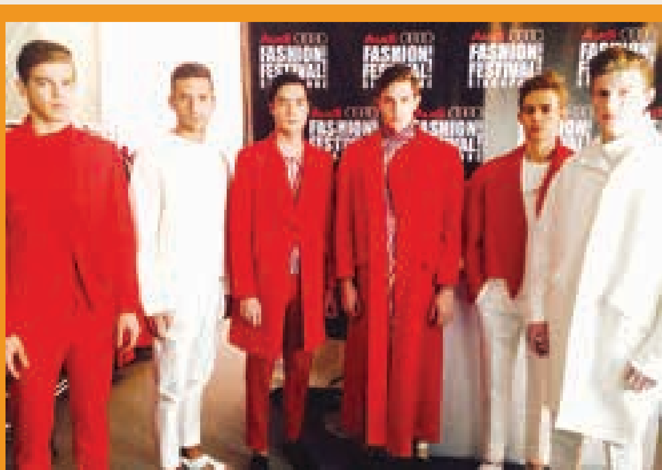
Mai Takemori
Crowne Plaza Dressed to Rest
Design contest 2014
Grand Winner
Malaysia

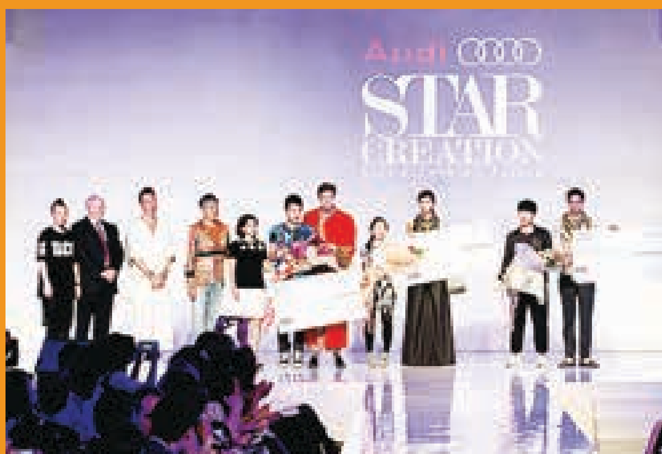
Chawit Piroonhapat
What's New/Next 2014 by W Hotel
Jury's Selection
(by Editor-in-Chief of Vogue Thailand)
Thailand

Raffles Win

Namrata Kotwani
Made in India Competition 2014
1st prize winner in Home Accessories
(Home Accessories)
India

Manaphol Buranasetakul
BIG Toy Design Innovation Award 2014
Honourable Mention
Thailand





Zhou Jun
Audi Star Creation 2014
Grand Winner
China

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Raffles Education Corporation Limited (the "Company") is committed to a high standard of corporate governance, seen as essential to the sustainability of the Group's businesses and performance and the enhancement of shareholders' value.

The Group's corporate governance practices and processes are guided by the principles and guidelines of the Code of Corporate Governance 2005 and the revised Code of Corporate Governance 2012 (the "Code"). The Group has complied with the provisions of the Code during the financial year ended 30 June 2014. Where there are deviations from the Code, appropriate explanation has been provided within this report.

I. BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Board Responsibility

The Board directs the Group in the conduct of its affairs, exercising its fiduciary role at all times in the interests of the Group to ensure that corporate responsibility and ethical standards are met. The Board is ultimately responsible for the activities of the Group, its strategy and governance, risk management and financial performance.

The following matters are specifically reserved to the Board:

- Setting the strategic direction and long-term goals of the Group and ensuring adequate resources to meet these objectives.
- Approving and monitoring capital and financial plans to ensure alignment with Group's strategic directions.
- Approving the annual budget, the annual and interim financial statements, major funding proposals and capital expenditures, and strategic acquisitions and divestments.
- Reviewing the adequacy of internal controls and setting risk appetites, establishing a risk strategy and a framework for risks to be assessed and managed.
- Approving appointments to the Board and endorsing the appointments of key personnel, internal and external auditors.
- Monitoring and reviewing management performance.
- Making succession plans for itself and key persons to ensure continuity of leadership.

Corporate Governance Statement

Delegation by the Board

The Board delegates certain functions to committees to enable the Board to manage more effectively its stewardship and fiduciary responsibilities. The Board is assisted by four committees, namely, the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, each with clearly defined terms of reference. Each Board committee has direct access to management and the power to hire independent advisers as it deems necessary.

Board Meetings and Attendance

The schedule for all Board meetings and Board committee meetings for the next calendar year is planned well in advance, in consultation with the directors. The Board meets at least four times a year at regular intervals. Additional meetings are convened where necessary to address significant transactions or issues that arise. Where exigencies prevent a member from attending a Board meeting in person, the member can participate by telephone. Board and Board committee decisions are also obtained through written resolutions approved by circulation. The Articles of Association of the Company allow written resolutions that are signed by any two members, being the quorum necessary for transaction of the business of the directors, to be as effective as if they were passed at physical meetings.

The attendance at Board and Board Committee meetings held in the financial year ended 30 June 2014 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
No. of meetings held	4	4	1	1	0
No. of meetings attended by respective directors					
Mr Chew Hua Seng	4	4*	1	1*	N.A.
Mr Henry Tan Song Kok	4	4	1*	1*	N.A.
Dr Tan Chin Nam	4	4*	1	1	0
Mr Teo Cheng Lok John	4	4	1*	1	0
Mr Lim Tien Lock, Christopher	2	2	1	1	0
Mr Chew Kok Chor	3	3*	0	0	N.A.
Mr Chong Ee Yong**	1	1*	0	0	N.A.

* Attendance at invitation of the Committees.
** Mr Chong Ee Yong resigned as a director on 30 September 2013.

Board Induction

New directors are appointed by the Board upon recommendation of the Nomination Committee. Newly appointed directors are given an orientation on the Group's business and governance practices. They are also provided with information on their duties as a director under Singapore law and how to discharge those duties. Members of the Board are updated regularly on key accounting and regulatory changes.

From 1 January 2007, all newly appointed directors were issued with a formal letter of appointment or service agreement setting out the scope of their duties and their obligations.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Independence of Judgement

The present Board comprises of six members who are business leaders and professionals with financial backgrounds. There are among them four non-executive and independent, and two executive.

An "independent director" is defined in the Code as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. There is therefore a strong and independent element on the Board as the number of non-executive and independent directors exceeds the requirement set out in the Code.

Each director is appointed on the strength of his field of expertise, depth of experience, grasp of corporate strategy and potential to contribute to the Company. Please refer to the section on "Board of Directors" in the Annual Report for key information on each director.

Annual Review of Director's Independence

The Nomination Committee conducts an annual review to determine whether each director is independent.

Name of Director	Appointment	Date of Initial Appointment	Last Re-election
Mr Chew Hua Seng	Chairman and Chief Executive Officer Member of Nomination Committee	25 November 1999	N.A.
Mr Henry Tan Song Kok	Lead Independent Director Chairman of Audit Committee	1 September 2000	29 October 2012
Dr Tan Chin Nam	Independent Director Chairman of Nomination Committee Member of Remuneration and Risk Management Committees	24 October 2008	29 October 2013
Mr Teo Cheng Lok John	Independent Director Chairman of Remuneration Committee Member of Audit and Risk Management Committees	24 October 2008	29 October 2013
Mr Lim Tien Lock, Christopher	Independent Director Chairman of Risk Management Committee Member of Audit, Nomination and Remuneration Committees	19 November 2008	29 October 2012
Mr Chew Kok Chor	Executive Director and Deputy Chief Executive Officer	24 January 2011	21 October 2011

Mr Henry Tan Song Kok has served as a director of the Company for over 14 years but is regarded as independent as he is capable of exercising objective judgment on corporate affairs of the Group, independent of management.

Board Composition

The Nomination Committee is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Company's objectives and that the current board size is adequate, taking into account the nature and scope of the Company's operations.

The composition, date of initial appointment and last re-election of each member of the Board and committees of the Board are presented in the preceding table.

Meeting of Directors without Management

A formal session is arranged annually for non-executive directors to meet without the presence of management or executive director to review and discuss any matters required to be raised privately. The session is chaired by the Chairman of the Audit Committee who is also the Lead Independent Director.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Separation of the Role of Chairman and the Chief Executive Officer ("CEO")

Mr Chew Hua Seng is both the Chairman and CEO of the Company. As such, he bears executive responsibility for the overall management and strategic development of the Group in addition to overseeing the workings of the Board and ensuring that procedures are in place for compliance with the Code.

Although the roles and responsibilities for both Chairman and CEO are vested in Mr Chew, major decisions are made in consultation with the Board which comprises a majority of non-executive and independent directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual. In addition, the Board has appointed an independent director to be the Lead Independent Director as recommended by Guideline no. 3.3 of the Code.

As the Chairman, Mr Chew is responsible for:

- Ensuring that Board meetings are held when necessary and preparing meeting agendas (with the assistance of the Company Secretary) to enable the Board to perform its duties effectively having regard to the flow of the Group's business and operations.
- Reviewing board papers before they are presented to the Board to ensure information provided is adequate.
- Ensuring sufficient allocation of time for Board members to engage in constructive debate on strategic issues and business planning.
- Controlling the quality, quantity and timeliness of information flow between the Board and management.
- Fostering constructive dialogue between shareholders, the Board and management during Annual General Meetings and other shareholder meetings.
- Promoting high standards of corporate governance.

PRINCIPLE 4: BOARD MEMBERSHIP

Nomination Committee

The Nomination Committee (the "NC") has put in place a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three members, of which two are non-executive and independent directors:

1. Dr Tan Chin Nam, Chairman of NC (Independent Director)
2. Mr Lim Tien Lock, Christopher (Independent Director)
3. Mr Chew Hua Seng (Executive Director)

The NC's responsibilities include:

- Reviewing regularly the composition of the Board and Board committees, taking into consideration the size and independence requirements, amongst others. Please refer to Principle 2 for details of the "Annual Review of Director's Independence".
- Reviewing the Board's succession plans for directors, in particular, the Chairman and the CEO.
- Identifying, reviewing and recommending Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board.
- Reviewing and recommending to the Board the re-appointment of any non-executive director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skillset.
- Development of a process for evaluation of the performance of the Board, the Board committees and the directors.
- Conducting an annual evaluation on the performance of the Board, the Board committees and the directors and in particular where the directors concerned have multiple board representations, whether the NC is satisfied that sufficient time and attention has been given by the directors to the affairs of the Company notwithstanding their multiple board representations.

Selection Criteria and Nomination Process for New Directors

The NC recognizes the importance of an appropriate balance and diversity of industry knowledge, skills, backgrounds, experience and professional qualifications in building an effective Board. To this end, the NC reviews the Board's collective skills matrix regularly.

As part of the formal process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skillsets that will enhance the Board's effectiveness. Suitable candidates are identified from various sources including search companies and through recommendations. The NC considers the proposed candidate's independence, expertise and background, and determines if he or she possesses the skills required, and makes its recommendations to the Board accordingly.

Rotation and Re-election of Directors

The Articles of Association require one-third of directors who are longest-serving to retire from office every year at the Annual General Meeting ("AGM").

Key Information on Directors

The Notice of AGM sets out the directors proposed for re-election. Key information on each director can be found in the "Board of Directors" section of the Annual Report.

In addition, information on shareholdings in the Company held by each director is set out in the "Report of the Directors" section of this Annual Report.

PRINCIPLE 5: BOARD PERFORMANCE

The NC makes an assessment at least once a year to determine whether the Board, the Board committees and the directors are performing effectively and formulate action plans for improvement.

The performance of the directors, individually and collectively, is assessed by means of a performance appraisal that covers a range of issues including Board size, the proportion of non-executive directors versus executive directors, whether there is an adequate degree of independence, the right mix of expertise, experiences and skills, and whether expertise and skills applied to the various issues that come before the Board enabled sound, balanced and well considered decisions.

PRINCIPLE 6: ACCESS TO INFORMATION

Agendas for Board meetings are set in advance with items proposed by the CEO and management. Directors have separate and independent access to senior management and the Company Secretary, and are provided with complete and relevant information in a timely manner. Directors are entitled to request from management such additional information as are needed in order to make informed and timely decisions. Directors also have the discretion to seek independent professional advice at the expense of the Group.

Company Secretary

The Company Secretary attends all Board meetings and ensures that applicable rules and regulations and Board procedures are complied with. Under the Articles of Association, the appointment and removal of the Company Secretary require the approval of the Board.

II. REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee (the "RC") comprises three members who are all non-executive and independent directors:

1. Mr Teo Cheng Lok John, Chairman of RC (Independent Director)
2. Mr Lim Tien Lock, Christopher (Independent Director)
3. Dr Tan Chin Nam (Independent Director)

The principal functions of the RC are to:

- Establish a framework for attracting, retaining and motivating senior management staff of the Group through competitive compensation and progressive policies.
- Review and approve annually the remuneration for directors and senior management staff.
- Administer the Raffles Education Corporation Employees' Share Option Scheme (Year 2011).
- Administer the Raffles Education Corporation Performance Share Plan.

The RC has access to internal and/or external human resource expert advice when needed.

The Raffles Education Corporation Employees' Share Option Scheme (Year 2011) replaced the Raffles Education Corp Employees' Share Option Scheme (Year 2001) in accordance with the rules as approved by shareholders on March 23, 2011. Executive directors, non-executive directors and employees of the Group have been granted share options under both the Year 2001 and Year 2011 schemes. Share options to be granted to employees and directors who are controlling shareholders of the Company are to be approved by independent shareholders.

The Raffles Education Corporation Performance Share Plan (the "Share Plan") was introduced to complement the share option schemes in providing the Company with a more comprehensive and flexible set of remuneration tools to better motivate, retain and recruit talent. The Share Plan allows for participation by non-executive directors and employees of the Group. Mr Chew Hua Seng, who is the controlling shareholder, and his associates are not entitled to participate in the Share Plan. Details of the share option schemes and Share Plan can be found in the "Report of the Directors" section of this Annual Report.

In setting remuneration packages, the RC ensures that the directors are adequately but not excessively remunerated as compared to the industry and in comparable companies. The RC's recommendations are made in consultation with the Board and submitted for the entire Board's endorsement. None of the RC member or director is involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The remuneration structure of executive directors seeks to incentivize the executive directors to achieve the Group's long-term goals and ensure that they are aligned with shareholders' interests.

Remuneration of Executive Director

The Chairman and Chief Executive Officer's remuneration package has a variable bonus as well as share option elements, which are performance-related and subject to RC's approval. The Chairman and Chief Executive Officer entered into a three-year service agreement with the Company on July 1, 2008. The service agreement is renewable every three years and was last renewed on July 1, 2014. The RC had reviewed and approved the aforementioned service agreement in FY2014, and was of the opinion that there are no excessively long or onerous removal clauses in the service agreement.

Remuneration of Non-Executive Directors

All non-executive and independent directors will receive director's fees and these fees are subject to shareholders' approval at the Company's AGM. They do not have service contracts with the Company and their terms of appointment are as specified in the Articles of Association.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Board has not included a separate annual remuneration report to shareholders in this annual report as the Board is of view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Statement and the financial statements of the Company.

Remuneration of Directors for the year ended 30 June 2014 in bands of S$250,000 is set out below:

Name of Director	Fees %	Salary %	Others %	Total %
Between S$5 million to S$6 million				
Mr Chew Hua Seng	-	14	86	100
Between S$500,001 to S$750,000				
Mr Chew Kok Chor	-	100	-	100

Name of Director	Fees %	Salary %	Others %	Total %
Below S$250,000				
Mr Henry Tan Song Kok	100	-	-	100
Dr Tan Chin Nam	100	-	-	100
Mr Teo Cheng Lok John	100	-	-	100
Mr Lim Tien Lock, Christopher	100	-	-	100

Although the Code and the Guidelines recommend that the remuneration of at least the top five key executives (who are not directors) be disclosed within bands of S$250,000 and in aggregate, the Board believes that such disclosure would be disadvantageous to the business interests of the Company, in view of the shortage of talented and experienced personnel in the education industry.

Mdm. Doris Chung Gim Lian, spouse of CEO, received remuneration of between S$250,000 to S$300,000 for the year ended 30 June 2014 which is comprised solely by salary. Save as disclosed, none of the directors had family members who were employees of the Group and whose personal remuneration exceeded S$50,000.

III. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board provides shareholders with quarterly and annual financial reports, price sensitive reports and reports to regulators (if required). In presenting these reports, the Board aims to give shareholders a balanced and understandable assessment of the Group's financial performance, position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

Management currently provides annual budgets and business plans to the Board members for endorsement. Detailed management reports of the Group are also provided to Board members on a quarterly basis. Executive directors receive detailed management accounts of the Group on a monthly basis.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management Committee

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives and reported to the AC for review.

The Board established a Risk Management Committee (the "RMC") on 20 September 2012 to assist the Board in the oversight of risk management of the Group.

The RMC comprises three members which are all non-executive and independent directors:

1. Mr Lim Tien Lock, Christopher, Chairman of RMC (Independent Director)
2. Mr Teo Cheng Lok John, (Independent Director)
3. Dr Tan Chin Nam (Independent Director)

The principal functions of the RMC are to:

- Review and recommend to the Board the type and level of business risks that the Group undertakes on an integrated basis to achieve its business objectives.
- Review and recommend the appropriate framework and policies for managing risks that are consistent with the Group's risk appetite.
- Advise the Board on proposed strategic transactions, focusing on risk aspects and implications for risk appetite and tolerance of the Group.
- Review reports on any material breaches of risk limits and the adequacy of proposed action.
- Consistently review the effectiveness of the Group's internal controls and risk management systems.

Internal Controls

The Group has instituted an internal controls framework covering financial, operational, compliance and technology controls, as well as risk management policies and systems.

An enterprise-wide risk management framework has been set in place to enhance the Group's risk management capabilities. This is administered by the Enterprise Risk Management team ("ERM"). The key risks of the Group are identified and action plans made to mitigate these risks. Risk awareness and ownership of risk treatments will be continually instilled and re-inforced throughout the organization.

As the environment in which the Group operates changes, risks and opportunities change. Under the ERM Framework, which is developed with reference to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Model, management of all levels are expected to constantly review the business operations and the environment that the Group operates in to identify risk areas and ensure mitigating measures are promptly developed to address these risks. The ERM Framework outlines the Group's approach to managing enterprise-wide risks and sets out a systematic process for identifying, evaluating, managing and monitoring risks faced by the Group.

Individual business units have different cultures and risk profiles. Hence, each business unit will identify and evaluate its own set of risks. As part of the internal audit of each business unit, risk identification, analysis and evaluation exercise will be carried out and treated according to the risk management process as set out in the ERM Framework. The risk owners, internal auditor and management participate in the review process.

The Board has received assurance from the CEO and Chief Financial Officer ("CFO") that, as at 30 June 2014:

(a) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems were adequate to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, reviews performed by management and various Board Committees and assurances received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate as at 30 June 2014 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Board notes that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this respect, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Related Party Transactions

The Company has adopted procedures to comply with all regulations governing related party transactions, and for the periodic review and approval of these transactions by the AC.

During the financial year, the Group did not enter into any interested person transaction of a value equal to or above $100,000.

Dealings in Securities

The Company has adopted the SGX-ST Best Practices Guide with respect to dealings in securities for the guidance of directors and employees. Directors and employees of the Group are not permitted to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly or half yearly results and one month before the announcement of the full year results, and ending on the date of the relevant announcement, or when they are in possession of any unpublished material price sensitive information on the Group.

PRINCIPLE 12: AUDIT COMMITTEE

The Audit Committee (the "AC") has written terms of reference that are approved by the Board and clearly set out its responsibilities.

The AC comprises three members who are all non-executive and independent directors:

1. Mr Henry Tan Song Kok, Chairman of AC (Lead Independent Director)

2. Mr Teo Cheng Lok John (Independent Director)

3. Mr Lim Tien Lock, Christopher (Independent Director)

The AC meets on a quarterly basis, with further meetings if circumstances require. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibility properly. Please refer to the section on "Board of Directors" in the Annual Report for key information on the AC members, including their academic and professional qualifications.

The AC assists the Board to maintain a high standard of corporate governance, particularly in the areas of effective financial reporting and the adequacy of internal control systems of the Group.

The responsibilities of AC include:

- Review of planned scope of annual internal and external audit plans, evaluation of internal accounting control systems, audit report, significant internal audit observations and management's responses thereto.
- Review the quarterly and annual financial statements before submission to the Board for approval.
- Review and discuss with external auditors any suspected fraud, irregularities or regulatory breaches which has or likely to have a material impact on the Group's operating results or financial position.
- Evaluate the assistance given by management to the external auditors and discuss issues of concern, if any, arising from interim and final audits or any matters the auditors wish to discuss.
- Review at least annually the adequacy and effectiveness of the internal audit function.
- Review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (with the assistance of competent external professionals, if necessary).
- Review the scope and results of the external audit, and the independence and objectivity of the external auditors.
- Review any interested person transactions in perspective of Interested Person Transactions Policy and Listing Manual of the SGX-ST.
- Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and which warrant AC's attention.
- Undertake such other functions and duties as may be required under the AC Terms of Reference, by statute or the Listing Manual of SGX-ST, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, and has full access to and cooperation by management. All AC meetings are also attended by the CEO. The AC has the full discretion to invite any director, executive officer, internal auditors and external auditors to attend its meetings.

The AC meets with the external auditors, BDO LLP, without the presence of management, at least once a year. The external auditors also have unrestricted access to the AC. The internal auditors, who report to the Chairman of the AC, engage in regular communication with the AC.

External Auditors

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditors, including the remuneration and terms of engagement.

The AC reviewed the independence and objectivity of the external auditors through discussions with them as well as a review of the volume and nature of all non-audit services provided by the external auditors during the relevant financial year. The AC is satisfied that the financial, professional and business relationships between the Group and BDO LLP will not prejudice their independence and objectivity and has recommended their re-appointment as external auditors of the Company at the coming AGM.

Whistle-blowing Policy

The Group has a whistle-blowing policy and established procedures which provide well-defined and accessible channels within the Group on the escalation, investigation and follow up of any reported wrong-doing by an employee, customer, vendor or third party.

PRINCIPLE 13: INTERNAL AUDIT

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The internal audit function is outsourced to a firm of certified public accountants.

The responsibilities of internal audit include:

- Evaluating the adequacy and effectiveness of the Group's risk management and internal control systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets.

- Reviewing whether the Group complies with relevant laws and regulations and adheres to established policies.

- Reviewing whether management is taking appropriate steps to address control deficiencies.

The internal audit is an independent function that reports directly to the Chairman of the AC and administratively to the CEO. The AC reviews annually the adequacy and effectiveness of the internal audit function.

The AC reviews and approves the annual internal audit plans and reviews the scope and results of internal audit procedures issued by the internal auditors. Internal audit has unfettered access to the AC, the Board and senior management, as well as the right to seek information and explanation. Internal audit also has unfettered access to all of the Group's documents, records, properties and personnel. All audit reports are circulated to the AC, the CEO, the external auditors and the relevant senior management representatives. Information on outstanding issues is categorized according to level of concern and high risk outstanding issues are escalated to senior management for timely resolution.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS

The Group treats all shareholders fairly and equitably. The Group is committed to the practice of fair, transparent and timely disclosure of material information to enable shareholders to make informed decisions in respect of their investments in the Company. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts.

Announcements of quarterly results and information on new initiatives are first published through the SGXNET followed by news releases. Results and annual reports are announced or issued within the mandatory period. Shareholders can also access information on the Group via the website www.raffles-education-corporation.com.

All shareholders of the Company receive the annual report, circulars and notices of the shareholders' meetings. The notices are also advertised in newspapers. The Company's Articles of Association allow an ordinary shareholder of the Company to appoint up to two proxies to attend and vote in his/her stead. Proxies need not be shareholders of the Company. At shareholders' meetings, shareholders are given the opportunity to participate, engage and openly communicate to the directors their views on matters relating to the Group.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Group's investor relations activities promote regular, effective and fair communication with shareholders. All press statements and quarterly financial statements are published on the Group's website www.raffles-education-corporation.com and SGX website.

A dedicated investor relations team supports the Chairman and CEO in maintaining a close and active dialogue with institutional investors. Contact details for investors to submit their feedback and queries are provided on the Group's website.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The AGM provides shareholders with the opportunity to share their views and to meet the Board of Directors, including chairpersons of the Board Committees and certain members of senior management. The Group's external auditors are also present at AGM to address shareholders' queries. The Group encourages and values shareholder participation at its general meetings.

In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

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Report of the Directors

The Directors of the Company present their report to the members together with the audited consolidated financial statements of the Group and statement of changes in equity of the Company for the financial year ended 30 June 2014 and the statement of financial position of the Company as at 30 June 2014.

1. Directors

The Directors of the Company in office at the date of this report are:

Chew Hua Seng
Henry Tan Song Kok
Tan Chin Nam
Teo Cheng Lok John
Lim Tien Lock, Christopher
Chew Kok Chor

2. Arrangements to enable Directors to acquire shares or debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors who held office at the end of the financial year had any interests in the shares or debentures of the Company and its related corporations except as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
(a) *Interests in Raffles Education Corporation Limited*				
	Number of ordinary shares			
Chew Hua Seng	330,435,853	330,345,853	26,187,046	26,187,046
Henry Tan Song Kok	818,089	818,089	208,036	208,036
Teo Cheng Lok John	278,125	278,125	-	-
Chew Kok Chor	588,465	588,465	-	-

3. Directors' interests in shares or debentures (Continued)

(a) *Interests in Raffles Education Corporation Limited* (Continued)

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of the year	**At end of the year**	**At beginning of the year**	**At end of the year**
	Number of options to subscribe for ordinary shares			
Henry Tan Song Kok	275,332	208,666	-	-
Teo Cheng Lok John	208,666	208,666	-	-
Lim Tien Lock, Christopher	208,666	208,666	-	-
Tan Chin Nam	208,666	208,666	-	-
Chew Kok Chor	869,999	869,999	-	-

(b) *Related corporations*

Interests in Raffles College of Higher Education Sdn. Bhd.

	Number of ordinary shares			
Chew Hua Seng	-	-	800,000	800,000

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of directors' shareholdings, the Directors' interests as at 21 July 2014 in the shares of the Company have not changed from those disclosed as at 30 June 2014.

By virtue of Section 7 of the Act, Chew Hua Seng is deemed to have interests in the shares of all the related corporations of the Company as at the beginning and end of the financial year.

4. Directors' contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5. **Share options and performance shares**

5.1 Share options

(a) Options to take up unissued shares

The Raffles 2000 Employees' Share Option Scheme (Year 2000) (the "Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 August 2000. Following the Company's change of name on 8 June 2001 to Raffles Lasalle Limited, the Scheme came to be known as "Raffles Lasalle Employees' Share Option Scheme (Year 2001)". On 30 November 2004, the Scheme was renamed as "Raffles Education Corporation Employees' Share Option Scheme (Year 2001)" (the "REC Scheme"). After the expiration of the REC Scheme on 27 August 2010, the Company had, by way of a shareholders' approval at an Extraordinary General Meeting held on 23 March 2011, adopted a new scheme "Raffles Education Corporation Employees' Share Option Scheme (Year 2011)" (the "REC ESOS Scheme").

Both REC Scheme and REC ESOS Scheme are administered by the Remuneration Committee whose current members are:

Teo Cheng Lok John (Chairman)
Lim Tien Lock, Christopher
Tan Chin Nam

A member of the Remuneration Committee who is also a Participant of the REC Scheme and REC ESOS Scheme must not be involved in its deliberations in respect of options granted or to be granted to him or held by him.

Statutory and other information regarding REC Scheme and REC ESOS Scheme are set out below:

(i) The Committee may at its discretion, fix the subscription price at a discount up to 20% off market price, or a price equal to the average of the last dealt market prices for the 5 consecutive market days on which the shares of the Company were traded on the SGX-ST immediately preceding the date of grant of the options.

(ii) Consideration for the grant of an option is $1.00.

(iii) Options can be exercised 1 year after grant for market price options and 2 years for discounted options.

(iv) Options granted will expire after 5 years for participants not holding a salaried office or employment in the Group, and 10 years for employees of the Group.

(v) Options granted will lapse when participant ceases to be a full-time employee with the Group, subject to certain exceptions at the discretion of the Company.

(vi) The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under REC Scheme and REC ESOS Scheme, shall not exceed 15% of the total number of issued shares excluding treasury shares of the Company on the day preceding that date of grant.

5. Share options and performance shares (Continued)

5.1 Share options (Continued)

(b) Unissued shares under option and options exercised

Under the REC Scheme and REC ESOS Scheme, share options granted, exercised and cancelled during the financial year and outstanding as at 30 June 2014 were as follows:

Date of grant	At 1 July 2013 ('000)	Exercised ('000)	Expired/ cancelled ('000)	Balance as at 30 June 2014 ('000)	Subscription price $	Exercise period
REC Scheme						
21 September 2004	20	-	-	20	0.4200	21 September 2005 to 20 September 2014
12 October 2005	163	-	-	163	0.6675	12 October 2006 to 11 October 2015
23 November 2006	57	-	(11)	46	2.4450	23 November 2007 to 22 November 2016
31 January 2008	221	-	(17)	204	3.7050	31 January 2009 to 30 January 2018

5. Share options and performance shares (Continued)

5.1 Share options (Continued)

(b) Unissued shares under option and options exercised (Continued)

Date of grant	At 1 July 2013 ('000)	Exercised ('000)	Expired/ cancelled ('000)	Balance as at 30 June 2014 ('000)	Subscription price $	Exercise period
REC Scheme (Continued)						
8 January 2009	66	-	(66)	-	1.7850	8 January 2010 to 7 January 2014
2 February 2009	507	-	(56)	451	1.5450	2 February 2010 to 1 February 2019
10 November 2009	267	-	-	267	1.3050	10 November 2010 to 9 November 2014
9 February 2010	579	-	(78)	501	1.0350	9 February 2011 to 8 February 2020
REC ESOS Scheme						
24 March 2011	268	-	-	268	0.8100	24 March 2012 to 23 March 2016
24 March 2011	1,095	-	(168)	927	0.8100	24 March 2012 to 23 March 2021
2 September 2011	300	-	-	300	0.4620	2 September 2012 to 1 September 2016
	3,543	-	(396)	3,147		

5. Share options and performance shares (Continued)

5.1 Share options (Continued)

(c) Share options pursuant to the REC Scheme and REC ESOS Scheme (the "Schemes")

Aggregate options granted to Directors and controlling shareholders of the Company under the REC Scheme and REC ESOS Scheme since their commencement, adjusted for the share splits in financial years 2005, 2007 and 2008 and share consolidation in financial year 2011, are as follows:

	Options granted during the financial year ended 30 June 2014 ('000)	Aggregate options granted since the commencement of the Schemes to 30 June 2014 ('000)	Aggregate options exercised/ cancelled since the commencement of the Schemes to 30 June 2014 ('000)	Aggregate options outstanding as at 30 June 2014 ('000)
Chew Hua Seng	-	1,500	(1,500)	-
Henry Tan Song Kok	-	632	(423)	209
Lim Tien Lock, Christopher	-	209	-	209
Tan Chin Nam	-	209	-	209
Teo Cheng Lok John	-	209	-	209
Chew Kok Chor	-	1,117	(247)	870
Doris Chung Gim Lian*	-	300	(300)	-
	-	4,176	(2,470)	1,706

*Ms Doris Chung Gim Lian is the spouse of Mr Chew Hua Seng.

5. Share options and performance shares (Continued)

5.1 Share options (Continued)

(d) During the financial year, no options were granted at a discount to market price.

(e) During the financial year, no employee received 5% or more of the total number of options, available under the Schemes.

(f) There were no options granted to participants who are controlling shareholders of the Company and their associates except for options granted to Chew Hua Seng and Doris Chung Gim Lian, as disclosed above.

(g) These options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.

Save as disclosed above, there were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

5.2 Performance shares

The Raffles Education Corporation Performance Shares Plan (the "Shares Plan") was approved by the shareholders at an Extraordinary General Meeting held on 5 March 2008.

The Shares Plan is administered by the Remuneration Committee.

No member of the Remuneration Committee shall participate in any deliberation or decision in respect of performance shares to be granted to him or held by him.

Chew Hua Seng, who is a controlling shareholder, and his associates are not eligible to participate in the Shares Plan.

The Shares Plan contemplates award of fully-paid shares to participants after satisfaction of certain pre-determined benchmarks. Group executives and Non-executive Directors who, in the opinion of the Remuneration Committee, have contributed to the success and development of the Group, shall be eligible to participate.

Awards granted under the Shares Plan may be time-based or performance-related, and in each instance, shall vest only:

- where the award is time-based, after the satisfactory completion of time-based service conditions; or

- where the award is performance-related, after the participant achieves a pre-determined performance target.

Participants are not required to pay for the awards.

5. Share options and performance shares (Continued)

5.2 Performance shares (Continued)

The Company will have the flexibility to deliver existing shares (including treasury shares) and new shares to holders of awards granted under the Shares Plan. The aggregate number of shares to be issued and/or transferred under the Shares Plan and any other share-based incentive schemes of the Company shall not exceed 15% of the total number of issued shares of the Company (excluding treasury shares).

Since the inception of the Shares Plan, no award has been granted.

6. Audit Committee

The members of the Audit Committee as at the end of the financial year and at the date of this report are:

Henry Tan Song Kok (Chairman)
Teo Cheng Lok John
Lim Tien Lock, Christopher

The Audit Committee performs the functions specified in Section 201B(5) of the Act. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plans and the overall scope of examination by the external auditor of the Group;
- the independence of the external auditor of the Company and the nature and extent of non-audit services provided by the external auditor;
- the assistance provided by the Company's officers to the external auditor; and
- the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2014, as well as the independent auditor's report on these financial statements thereon prior to submission to the Directors of the Company for adoption.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

Report of the Directors

7. Auditor

The auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Chew Hua Seng
Director

Henry Tan Song Kok
Director

Singapore
19 September 2014

Statement by Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and of the results, changes in equity and the cash flows of the Group and the changes of equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Chew Hua Seng
Director

Henry Tan Song Kok
Director

Singapore
19 September 2014

Independent Auditor's Report

TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Raffles Education Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on page 68 to 159.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on the Financial Statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
19 September 2014

Statements of Financial Position

As at 30 June 2014

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current assets					
Property, plant and equipment	4	301,420	304,417	-	-
Investment properties	5	301,943	368,006	-	-
Investments in subsidiaries	6	-	-	426,549	300,031
Investments in associates	7	1,432	1,304	-	-
Available-for-sale financial assets	9	610	616	-	-
Intangible assets	10	127,829	129,037	128	157
Deferred tax assets	16	755	857	-	-
Other receivables	11	10,160	-	4,854	-
		744,149	804,237	431,531	300,188
Current assets					
Inventories		119	109	-	-
Trade and other receivables	11	320,070	151,741	272,756	286,606
Cash and cash equivalents	12	58,540	70,895	1,099	8,277
		378,729	222,745	273,855	294,883
Assets classified as held for sale	13	-	41,101	-	-
		378,729	263,846	273,855	294,883
Less:					
Current liabilities					
Trade and other payables	14	114,327	120,395	102,361	62,173
Income tax payable		83,820	50,486	265	421
Borrowings	15	81,280	47,736	74,800	19,000
		279,427	218,617	177,426	81,594
Net current assets		99,302	45,229	96,429	213,289
Less:					
Non-current liabilities					
Trade and other payables	14	46,012	46,363	-	-
Borrowings	15	184,411	178,517	128,508	127,962
Deferred tax liabilities	16	9,743	21,289	-	-
		240,166	246,169	128,508	127,962
Net assets		603,285	603,297	399,452	385,515
Equity					
Share capital	17	481,785	481,785	481,785	481,785
Treasury shares	18	(24,065)	(21,383)	(24,065)	(21,383)
Accumulated profits/(losses) and other reserves	19	105,975	94,016	(58,268)	(74,887)
Equity attributable to equity holders of the Company		563,695	554,418	399,452	385,515
Non-controlling interests		39,590	48,879	-	-
Total equity		603,285	603,297	399,452	385,515

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	20	127,390	128,377
Other operating income	21	102,494	67,153
Personnel expenses	22	(59,003)	(57,224)
Depreciation and amortisation expenses	24	(16,182)	(15,030)
Other operating expenses		(63,404)	(128,508)
Fair value gain on investment properties, net	5	7,331	41,676
Impairment of goodwill	10	-	(240)
Finance costs	23	(11,833)	(8,504)
Share of results of associates		128	252
Profit before income tax from continuing operations	24	86,921	27,952
Income tax (expense)/credit	25	(28,420)	6,546
Profit after income tax from continuing operations		58,501	34,498
Discontinued operations			
Loss after income tax from discontinued operations	26	(237)	(250)
Net profit for the financial year		58,264	34,248
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Revaluation gain on transfer of owner-occupied property to investment property	5	5,631	-
Items that may be reclassified subsequently to profit or loss:			
Currency exchange differences arising on translating foreign operations		(6,134)	4,296
Total comprehensive income for the financial year		57,761	38,544
Attributable to:			
Equity holders of the Company		55,374	26,672
Non-controlling interests		2,890	7,576
Net profit for the financial year		58,264	34,248
Attributable to:			
Equity holders of the Company		54,541	30,279
Non-controlling interests		3,220	8,265
Total comprehensive income for the financial year		57,761	38,544
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share			
Continuing operations	27	5.43	2.68
Discontinued operations	27	(0.03)	(0.02)
		5.40	2.66
Diluted earnings/(loss) per share			
Continuing operations	27	5.43	2.68
Discontinued operations	27	(0.03)	(0.02)
		5.40	2.66

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

		Attributable to equity holders of the Company								
Group	Note	Share capital $'000	Treasury shares $'000	Revaluation reserve (Note 19) $'000	Foreign currency translation reserve (Note 19) $'000	Share-based payments reserve (Note 19) $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2013		481,785	(21,383)	1,255	(9,135)	2,453	99,443	554,418	48,879	603,297
Total comprehensive income		-	-	4,710	(5,543)	-	55,374	54,541	3,220	57,761
Repurchase of shares	18	-	(2,682)	-	-	-	-	(2,682)	-	(2,682)
Acquisition of additional interest in joint venture		-	-	-	-	-	(2,813)	(2,813)	-	(2,813)
Acquisition of non-controlling interest in a subsidiary		-	-	576	(156)	-	(25,641)	(25,221)	(29,855)	(55,076)
Swap of equity interest in certain subsidiaries with non-controlling interest		-	-	640	(126)	-	(15,231)	(14,717)	17,346	2,629
Disposal of interest in joint venture	12	-	-	-	169	-	-	169	-	169
Balance at 30 June 2014		481,785	(24,065)	7,181	(14,791)	2,453	111,132	563,695	39,590	603,285

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014 (Continued)

		← Attributable to equity holders of the Company →								
Group	**Note**	**Share capital $'000**	**Treasury shares $'000**	**Revaluation reserve (Note 19) $'000**	**Foreign currency translation reserve (Note 19) $'000**	**Share-based payments reserve (Note 19) $'000**	**Accumulated profits $'000**	**Total $'000**	**Non–controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2012		458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
Total comprehensive income		-	-	-	3,607	-	26,672	30,279	8,265	38,544
Issue of shares	17	23,706	-	-	-	-	-	23,706	-	23,706
Expiry of share options		-	-	-	-	7	-	7	-	7
Disposal of subsidiaries	12	-	-	-	17	-	-	17	(304)	(287)
Balance at 30 June 2013		481,785	(21,383)	1,255	(9,135)	2,453	99,443	554,418	48,879	603,297

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2014 (Continued)

	Note	Share capital $'000	Treasury shares $'000	Share-based payments reserve (Note 19) $'000	Accumulated losses $'000	Total equity $'000
Company						
Balance at 1 July 2013		481,785	(21,383)	2,453	(77,340)	385,515
Total comprehensive income		-	-	-	16,619	16,619
Repurchase of shares	18	-	(2,682)	-	-	(2,682)
Balance at 30 June 2014		481,785	(24,065)	2,453	(60,721)	399,452
Balance at 1 July 2012		458,079	(21,383)	2,446	(72,793)	366,349
Total comprehensive loss		-	-	-	(4,547)	(4,547)
Issue of shares	17	23,706	-	-	-	23,706
Share-based payments		-	-	7	-	7
Balance at 30 June 2013		481,785	(21,383)	2,453	(77,340)	385,515

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before income tax from continuing operations		86,921	27,952
Loss before income tax from discontinued operations	26	(237)	(116)
		86,684	27,836
Adjustments for:			
Depreciation for property, plant and equipment	4	14,009	12,411
Fair value gain on investment properties, net	5	(7,331)	(41,676)
Net gain on disposal of investment properties		(45,460)	(14,577)
Allowance for doubtful trade receivables	11	18	378
Reversal of allowance for doubtful trade receivables	11	(54)	(1)
Amortisation of intangible assets	10	2,173	2,623
Bad trade receivables written off	24	287	605
Bad non-trade receivables written off	24	-	4,554
Gain on disposal of interest in subsidiaries	12	-	(19)
Gain on disposal of interest in joint venture	21	(40,842)	-
Impairment of goodwill	10	-	240
Compensation income	21	(4,065)	-
Interest expense	23	11,833	8,504
Interest income	21	(1,527)	(1,660)
Net loss/(gain) on disposal of property, plant and equipment	24	284	(11)
Property, plant and equipment written off	24	2	211
Share of results of associates		(128)	(252)
Share-based payments		-	7
Operating profit/(loss) before working capital changes		15,883	(827)
Working capital changes:			
Inventories		(10)	19
Trade and other receivables		(8,852)	65,804
Course fees and management fees received in advance		378	1,285
Trade and other payables		17,371	(45,965)
Cash generated from operations		24,770	20,316
Interest paid		(10,715)	(5,804)
Interest received		1,527	747
Income tax paid		(3,228)	(6,250)
Net cash from operating activities		12,354	9,009

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014 (Continued)

	Note	2014 $'000	2013 $'000
Investing activities			
Proceeds from disposal of property, plant and equipment		137	952
Proceeds from disposal of investment properties	A	77,382	28,848
Purchase of property, plant and equipment	B	(21,471)	(23,001)
Acquisition of investment properties	C	(1,960)	(17,662)
Proceeds from disposal of interest in joint venture, net of cash disposed off	12	(461)	-
Proceeds from disposal of interest in subsidiary, net of cash disposed off	12	-	776
Advance payment for development cost of new projects		(16,057)	(3,041)
Net cash inflow arising from additional interest in joint venture		29	-
Acquisition of subsidiaries, net of cash acquired	29	(4,774)	-
Acquisition of development costs	10	(83)	(296)
Additions of computer software	10	(52)	-
Additions of trademarks	10	(366)	(1)
Dividends received from associates		-	210
Net cash from/(used in) investing activities		32,324	(13,215)
Financing activities			
Net proceeds from rights issue	17	-	23,706
Purchase of treasury shares	18	(2,682)	-
Net proceeds from issue of medium term notes		-	127,812
Drawdown of borrowings		131,928	9,305
Repayment of borrowings		(104,465)	(126,686)
Acquisition of non-controlling interests in a subsidiary		(81,273)	-
Net cash outflow arising from equity swap with non-controlling interests		(1,338)	-
Net cash (used in)/from financing activities		(57,830)	34,137
Net change in cash and cash equivalents		(13,152)	29,931
Cash and cash equivalents at beginning of financial year		70,895	42,143
Effect of exchange rate changes in cash and cash equivalents		797	(1,179)
Cash and cash equivalents at end of financial year	12	58,540	70,895

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014 (Continued)

	Note	2014 $'000	2013 $'000
Note A			
Gain on disposal of investment properties		(45,460)	(14,577)
Disposal of investment properties	5	(98,250)	(17,103)
Decrease in other payables in relation to investment properties		12,228	-
Increase in other receivables in relation to disposal of investment properties		54,100	2,832
Proceeds from disposal of investment properties per consolidated statement of cash flows		(77,382)	(28,848)
Note B			
Additions of property, plant and equipment	4	22,820	54,366
Increase in non-current other payables in relation to property, plant and equipment		-	(22,244)
Increase in other payables in relation to property, plant and equipment		(1,156)	(9,390)
(Increase)/decrease in other receivable in relation to property, plant and equipment		(193)	269
Purchase of property, plant and equipment per consolidated statement of cash flows		21,471	23,001
Note C			
Additions of investment properties	5	1,960	21,414
Increase in accruals in relation to investment properties		-	(3,752)
Additions of investment properties per consolidated statement of cash flows		1,960	17,662

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2014

1. General corporate information

Raffles Education Corporation Limited (the "Company") is incorporated in the Republic of Singapore (Registration Number: 199400712N), and its registered office and principal place of business at Raffles Education Square, 51 Merchant Road, Singapore 058283. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

The principal activities of significant subsidiaries are set out in Note 6 to the accompanying financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and joint ventures.

The consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2014 were authorised for issue by the Board of Directors of the Company on 19 September 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and the Singapore Financial Reporting Standards ("FRS"), including related interpretation of FRS ("INT FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. These accounting policies have been consistently applied to all the years presented in these financial statements, and have been consistently applied by the Group entities unless otherwise stated. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore Dollar ("$") which is the Company's functional currency. All financial information presented in Singapore Dollar has been rounded to the nearest thousands ($'000), unless otherwise stated. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions, based on management's best knowledge, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year.

Information about significant sources of estimation uncertainty and critical accounting judgements that are significant to the financial statements are disclosed in Note 3 to the financial statements.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

During the current financial year beginning 1 July 2013, the Group and the Company have adopted all applicable new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS does not result in any changes to the Group's and the Company's accounting policies and have no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

FRS 113 – Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope.

The adoption of FRS 113 does not have any material impact on any of the Group's fair value measurements, therefore they has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted prospectively from 1 July 2013 and therefore comparative information has not been presented for the new disclosure requirements.

Early adoption of FRS issued but not yet effective

Amendments to FRS 36 - Recoverable Amount Disclosures for Non-financial Assets

The consequential amendments of FRS 113 include amendments to FRS 36 that require the disclosure of information about the recoverable amount of any CGU for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life. As this was an unintended consequence, Amendments to FRS 36, effective for annual periods beginning on or after 1 January 2014, was issued to remove this requirement and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as additional disclosure when recoverable amount is based on fair value less costs of disposal.

The Group has early adopted the amendments to FRS 36 from 1 July 2013, and reflected the amended disclosure requirements in these financial statements. There is no impact on the Group's financial position or financial performance.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not early adopted the following new/revised FRS (including their consequential amendments) and INT FRS which are potentially relevant to the Group and the Company that have been issued but not yet effective for the current financial year.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014
FRS 28 (Revised)	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110	: Consolidated Financial Statements	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014

Consequential amendments were also made to various standards as a result of these new/revised standards.

Except as disclosed below, the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 July 2014 with full retrospective application.

FRS 111 Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures

FRS 111 supersedes FRS 31, Interest in Joint Ventures, and INT FRS 13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. Under FRS 111 all joint ventures must be accounted for under the equity method, as described in the revised FRS 28, with proportionate consolidation prohibited. These changes will take effect from the financial year beginning on 1 July 2014 with full retrospective application.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 July 2014.

Management is in the process of making an assessment of the above impact to the Group financial statements and is not yet in a position to state whether there is any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have majority voting power but is able to govern the financial and operating policies by virtue of de facto control. Such control may arise from circumstances such as, including but not limited to, enhanced minority rights or contractual terms between shareholders.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are stated at cost on the Company's statement of financial position less any accumulated impairment losses.

In preparing the consolidated financial statements, intra-group transactions, balances and any unrealised gains arising from intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company using consistent accounting policies. Where necessary, accounting policies of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests in subsidiaries are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned directly or indirectly by the Group. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to consolidated statement of profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.3 Business combination

Business combination on or before 30 June 2009

The purchase method of accounting is used to account for business combination. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any non-controlling interests.

2. Summary of significant accounting policies (Continued)

2.3 Business combination (Continued)

Business combination on or before 30 June 2009 (Continued)

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, accounted for in accordance with Note 2.8(i) to the financial statements.

Any excess of the Group's interest over the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill, credited in the consolidated statement of profit or loss of the Group on the date of acquisition.

Business combination on or after 1 July 2009

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in consolidated statement of profit or loss as incurred.

If the business combination is achieved by stages, the Group's previously held equity interest in the subsidiary is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in statement of profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (Continued)

2.4 Associates

Associates are entities over which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds a shareholding of between and including 20% and 50% of the voting rights of another entity.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment loss of individual investments. Losses of associates in excess of the Group's interest in those associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

Where the Group transacts with associates of the Group, profits and losses are eliminated to the extent of the Group's interest in the respective associate. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method of accounting. Where audited financial statements are not available, the share of results are included by reference to their latest interim and annual management financial statements, adjusted for any effects of significant transactions or events made up to the end of the financial year.

2.5 Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group recognises its interest in joint ventures using the proportionate consolidation method. Proportionate consolidation involves combining the Group's share of the joint ventures' income, expenses, assets and liabilities on a line-by-line basis with similar items in the Group's financial statements.

After application of the proportionate consolidation method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture companies. The joint venture companies are proportionately consolidated from the date the Group obtains joint control until the date that joint control ceases.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (Note 2.8 (i)).

2. Summary of significant accounting policies (Continued)

2.5 Joint ventures (Continued)

Where the Group transacts with its joint ventures, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint ventures.

The most recent available audited financial statements of the joint venture entities are used by the Group in applying the proportionate consolidation method. The reporting dates of the joint venture entities and the Group are identical.

2.6 Property, plant and equipment

Property, plant and equipment held for use in the supply of goods and services or administrative purposes, are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the assets to the location and necessary condition for its intended use, and the cost of dismantlement and removing the item and restoring the site on which they are located.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that the future economic benefits, in excess of standard performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. All other repair and maintenance expenses are recognised in the consolidated statement of profit or loss when incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation on other items of property, plant and equipment is calculated and recognised in the consolidated statement of profit or loss using the straight-line basis over their estimated useful lives as follows:

Leasehold land, buildings and improvements*	3 – 50 years
Plant and equipment	10 years
Furniture, fittings and equipment	3 – 5 years
Computer equipment	3 – 5 years
Motor vehicle	1 – 7 years

The assets' residual values, estimated useful lives and depreciation method are reviewed, and adjusted as appropriate, at each reporting date.

Construction in-progress represents buildings under construction, which is stated at cost. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in-progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided on construction in-progress. Depreciation commences when the asset is ready for its intended use.

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gain or loss on disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and its carrying amount and is recognised in the consolidated statement of profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

*Majority of the leasehold land and buildings are depreciated over 20 – 50 years.

2.7 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation and are not occupied by the Group, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value with any changes therein recognised in the consolidated statement of profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements are capitalised as additions and carrying amounts of the replaced components are written off to the consolidated statement of profit or loss. The cost of maintenance, repairs and minor improvement are charged to the consolidated statement of profit or loss when incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification become its cost for accounting purposes.

If an owner-occupied property becomes an investment property, the property is remeasured to fair value. Any revaluation increase arising from the revaluation of such property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

On disposal of an investment property, the difference between the net disposal proceeds and carrying amount is recognised in the consolidated statement of profit or loss.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets

An intangible asset that is acquired separately is capitalised at cost. Intangible asset from a business acquisition is capitalised at fair value at date of acquisition. After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss.

(i) Goodwill on acquisitions

Goodwill on acquisitions represents the excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment loss. Goodwill arising on acquisition of subsidiaries or jointly controlled entities is presented separately as intangible assets. Goodwill on acquisition of associates is included in carrying amount of the investments.

With effect from 1 July 2009, acquisition of non-controlling interests in a subsidiary are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on proportional amount of the net assets of the subsidiary.

Prior to 1 July 2009, goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(ii) Trademarks

Trademarks with definite useful lives are stated at cost less accumulated amortisation and accumulated impairment loss. They are assessed for impairment annually or whenever there are indications of impairment. The useful lives are reviewed on an annual basis, and amortised using the straight-line method from the date on which they are available for use, over the estimated useful lives of up to 10 years.

(iii) Acquired students population

Intangible assets arising from the acquisition of existing student's population were amortised over 3 years based on the expected benefits from the acquired population and assessed for impairment whenever there is an indication of impairment.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(iv) Development costs

Expenditures on development activities, being the application of technical findings and/or other knowledge to a plan or design for the production of new or substantially improved products or services before commercial production or use, is capitalised if the products or services are technically and commercially feasible; adequate resources available to complete development and sufficient certainty of future economic benefits to the Group will cover not only the usual operation and administrative costs but also the development costs themselves.

Expenditure capitalised comprises all directly attributable costs, including materials, services and appropriate proportion of overhead costs. Other development expenditure is recognised in the consolidated statement of profit or loss as expense when incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and assessed for impairment whenever there is an indication of impairment. Amortisation is calculated under straight-line method to allocate cost over the expected period of benefits, varying between useful lives of 3 to 7 years.

(v) Computer software

Computer software is initially capitalised at costs which include purchase price and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Maintenance costs are recognised as an expense when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment loss. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 7 years.

2.9 Impairment of non-financial assets

Non-financial assets other than goodwill

The carrying amounts of non-financial assets are reviewed at end of each financial year for impairment loss and whenever events or changes in circumstances or objective evidence indicate that the carrying amount may not be recoverable. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment loss is recognised in the consolidated statement of profit or loss, unless the asset is carried at revalued amount, in which case such impairment loss is treated as a revaluation decrease.

2. Summary of significant accounting policies (Continued)

2.9 Impairment of non-financial assets (Continued)

Non-financial assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the estimated future cash flows discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

An impairment loss for an asset other than goodwill, is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's (CGU's) carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the assets in prior years. Reversals of impairment loss are recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

Goodwill

Goodwill recognised separately as an intangible asset is tested annually for impairment, and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies arising from the business combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, including the goodwill, impairment loss is recognised in the consolidated statement of profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised as an expense and is not reversed in subsequent periods.

2.10 Inventories

Inventories comprising mainly teaching materials are measured at the lower of cost (first-in first-out method) and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

<u>Financial assets</u>

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into "loans and receivables" and "available-for-sale financial assets". The classification depends on the nature and purpose of these financial assets and is determined at initial recognition. Management will re-evaluate this designation at each reporting date.

Effective interest method

The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments to the net carrying amount of the financial instrument other than those financial instruments at fair value through profit or loss.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods and services directly to receivables with no intention of trading the receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are presented as "trade and other receivables" (excluding prepayments and tax recoverable) and "cash and cash equivalents" on the statements of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments in equity securities are designated in this category. They are presented as non-current assets unless management intends to dispose off the investment within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of profit or loss. The fair value of investment that is actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on each reporting date.

Investment in equity instruments whose fair values cannot be reliably measured are measured at cost less impairment loss, if any.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been adversely impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amounts and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of all financial assets are reduced by the impairment losses directly.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is transferred from equity to the consolidated statement of profit or loss. Reversal of impairment loss in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment loss on debt instruments is recognised in the consolidated statement of profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

With the exception of available-for-sale equity instruments (as described in preceding paragraph), if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in consolidated statement of profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as "other financial liabilities" and the accounting policies adopted for "other financial liabilities" are set out below.

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

(i) Trade and other payables

Trade and other payables (excluding course fees and management fees received in advance and accruals for indirect taxes and property-related expenses) are initially recorded at the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

The fair values of other classes of financial liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial liabilities are determined as follows:

- fair value of financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using price from observable current market transactions and dealer quotes for similar instruments.

(ii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently recognised at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings, where possible, using the effective interest method.

Borrowings which are due to be settled within 12 months after the reporting date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the reporting date are presented as non-current borrowings in the statements of financial position.

(iii) Financial guarantee contracts

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provision, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and consideration paid is recognised in the consolidated statement of profit or loss.

Offsetting financial instruments

Both financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset them and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Equity instruments and treasury shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

When a share recognised as equity is repurchased, it is classified as treasury shares. The consideration paid, including any directly attributable incremental cost is presented as a deduction from total equity, until they are subsequently cancelled, sold or reissued.

When the treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When the treasury shares are subsequently sold or reissued pursuant to the performance share plan, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as a change in equity of the Company.

2.12 Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

2. Summary of significant accounting policies (Continued)

2.12 Non-current assets held for sale and discontinued operations (Continued)

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.13 Provisions

Provisions are recognised if as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is recognised in the consolidated statement of profit or loss.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.14 Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is the lessee

Payments made and rental payable under operating lease (net of any incentives received from the lessor) are recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits for the leased assets are consumed. Contingent rentals arising under operating leases, if any, are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits for the leased assets are consumed.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2. Summary of significant accounting policies (Continued)

2.14 Operating leases (Continued)

When the Group is the lessor

Rental income from operating leases (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term. Assets subject to operating leases are included in investment properties and are stated at fair values and not depreciated.

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Course fees and related instruction costs are recognised over the period of instruction. Amounts of fees relating to future periods of instruction are included in course fees received in advance.

Revenue from rendering of management and registration services are recognised when the services are rendered.

Revenue from provision of canteen operations is recognised as and when such services are rendered.

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Rental income received and receivable from investment properties is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant operating leases. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the conditions for the grant will be met and will be received.

Grants in recognition of specific expenses are recognised in the consolidated statement of profit or loss over the periods necessary to match them with the relevant expenses they are intended to compensate. Grants related to depreciable assets are deferred and recognised in the consolidated statement of profit or loss over the period in which such assets are depreciated and used in the projects subsidised by the grants. The government grant is subject to tax.

2. Summary of significant accounting policies (Continued)

2.17 Income tax expense

Income tax expense represents the sum of current and deferred taxes.

Current income tax is the expected amount of tax payable on taxable income for the financial year to tax authorities, using tax rates enacted or substantively enacted by the reporting date in countries where the Group operates.

Deferred income tax is provided using the liability method, for all temporary differences arising between the carrying amounts and tax bases of assets and liabilities in the financial statements at the reporting date. Deferred tax liability is not recognised on temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred income taxes are recognised in the consolidated statement of profit or loss except to the extent that it relates to items or transactions which are recognised directly in equity, in which case such income tax is recognised in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

In determining the amount of current and deferred tax, the Group and the Company consider the impact of uncertain tax positions and whether additional taxes may be due. The Group and the Company believe that their accruals for tax liabilities are adequate for all open years based on their assessment of multiple factors, including interpretation and enforcement of tax laws and prior experience. These assessments rely on estimates and assumptions and involve significant judgements about future events. New information may become available that cause the Group and the Company to change their judgements regarding the adequacy of existing tax liabilities which will impact the tax expense in the period that such determination is made.

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date.

Share-based payments

The Company operates the following equity-settled share-based payment plans: Share options plan and Performance shares plan.

(i) Share options plan

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the consolidated statement of profit or loss with a corresponding increase in the share-based payments reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. In the valuation process, no account is taken of any performance conditions except of conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The expense recognised in the consolidated statement of profit or loss during each financial year reflects the manner in which the benefits will accrue to employees under the options plan over the vesting period. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the options are exercised and new ordinary shares issued, the proceeds received (net of any attributable transaction costs) and the corresponding amount of share option reserve are credited to share capital, or to the treasury shares account, when treasury shares are re-issued to employees.

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

Share-based payments (Continued)

(i) Share options plan (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payments arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(ii) Performance shares plan

The fair value of employee services received in exchange for the grant of the awards would be recognised as a charge to the consolidated statement of profit or loss over the vesting period is determined by reference to the fair value of each award granted on the date of the award with a corresponding credit to equity.

The expense recognised in the consolidated statement of profit or loss during each financial year reflects the manner in which the benefits will accrue to employees under the shares plan over the vesting period. The charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.19 Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation.

All other finance costs are recognised as an expense in the periods in which they are incurred.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currencies

Functional and presentation currency

Individual financial statements of each entity in the Group are measured and presented using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore Dollar, which is the functional currency of the Company.

Transactions and balances

Transactions in currencies other than the entity's functional currency ("foreign currency") are translated to the respective functional currencies of the Group's entities at the exchange rates prevailing on the date of the transactions.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated using the exchange rates prevailing on the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement and on re-translation of monetary assets and liabilities are recognised in the consolidated statement of profit or loss for the financial year. Exchange differences arising on settlement and on re-translation of non-monetary assets and liabilities are recognised in the consolidated statement of profit or loss except for differences arising on the re-translation of items of which gains and losses are recognised directly in equity.

Foreign operations

For the purpose of presenting consolidated financial statements, the results and financial positions of the Group's foreign operations (none of which has the currency of a hyperinflationary economy) are translated into Singapore Dollar as follows:

- assets and liabilities are translated at exchange rates prevailing at the reporting date;
- income and expenses are translated at average exchange rates for the financial year;
- all resulting foreign exchange differences, if any, are transferred to the foreign currency translation reserve. Such exchange differences are recognised in the consolidated statement of profit or loss and as part of the gain or loss on disposal in the period in which the foreign operation is disposed off; and
- goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operation and translated at exchange rates prevailing at the reporting date.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currencies (Continued)

Foreign operations (Continued)

On the disposal of the Group's entire interest in a foreign operation or a disposal resulting in loss of control over subsidiary that includes a foreign operation, or a disposal resulting in loss of joint control over a jointly-controlled entity that includes a foreign operation, or a disposal resulting in loss of significant influence over an associate that includes a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

On partial disposal where the Group still retains control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. On partial disposal where the Group still retains significant influence and joint control over an associate and jointly-controlled entity that include a foreign operation respectively, the proportionate share at accumulated exchange difference is reclassified to profit or loss.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders. Dividends proposed or declared after the reporting date are not recognised as a liability at the reporting date.

2.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses relating to transactions with the Group's other components. All operating segment's operating results are reviewed by the Group's Chief Executive Officer to make decisions about resources allocation to the segment and assess its performance, and for which discrete financial information is available.

2.23 Earnings/(loss) per share

The Group presents basic and diluted earnings/(loss) per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the Group's net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is determined by adjusting the weighted average numbers of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Company has one category of potentially dilutive ordinary shares which is share options.

2. Summary of significant accounting policies (Continued)

2.23 Earnings/(loss) per share (Continued)

For share options, the weighted average number of ordinary shares in issue is adjusted to include the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be assumed to be issued at a price lower than the fair value (average share price during the financial year). The difference between the weighted average number of shares to be issued at the exercise prices under the options scheme and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added as the dilutive effect to the number of ordinary shares outstanding for diluted EPS calculation. Adjustment, if any, will be made to the net profit or loss attributable to equity holders when calculating diluted EPS.

The average fair value of the Company's shares for the purpose of calculating dilutive effect of shares options was based on quoted market prices for the period during which the options were outstanding.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have the significant effect on the amounts recognised in the consolidated financial statements.

(i) Impairment of non-financial assets

Non-financial assets are tested for impairment annually or when there are indications that the carrying amounts may not be recoverable. The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

Determining whether the asset is impaired requires an estimation of the value in use of the assets or cash-generating unit. The value in use calculation requires management to estimate the future cash flows expected from the asset or cash-generating unit and a suitable discount rate in order to calculate present value.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

(ii) Impairment of financial assets

The Group follows the guidance of FRS 39 in determining whether a financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and other near-term business outlook, including industry and sector performance, changes in technology, operational and financing cash flow.

(iii) Litigation provisions

As a global company with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of commercial transactions, tax assessments and employee matters. The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and that could significantly impact the business and results of operations of the Group and of the Company.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Group and the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Group and the Company could be materially affected by unfavourable outcome of litigation.

Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, which can be reliably measured, a provision is recorded in the amount of the present value of the expected cash outflows. These provisions cover the estimated payments to claimants, court fees, attorney costs and the cost of potential settlements. The Group and the Company have in the past adjusted existing provisions as proceedings have continued, been settled or otherwise provided with further information on which the likelihood of outflows of resources can be reviewed and measured. Management expects to continue to do so in future periods.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies (Continued)

(iv) Classification between investment properties and property, plant and equipment

In accordance with FRS 40 *Investment Property*, the Group has established certain criteria in making judgement on whether a property qualifies as an investment property. Investment property is a property held for capital appreciation or to earn rentals or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property. In addition, depending on the Group's latest corporate strategies, from time to time, the management may change the usage of its landed properties between property, plant and equipment and investment properties.

(v) Evaluation of levels of control and influence

The Group and the Company carry on parts of its business activities through subsidiaries, associates or joint ventures. In those circumstances, the Group and the Company have the ability to affect the significant financial and operating policies of the investees through the presence of control, significant influence or joint control. The definition of control, significant influence and joint control is defined in Note 2.2, 2.4 and 2.5 respectively. The determination of the level of influence the Company and the Group have over a business is often a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment of investees in the Company's and the Group's financial statements. The management exercises significant judgement in analysing and evaluating relevant, subjective, diverse and sometimes contrasting qualitative and quantitative facts and circumstances surrounding its involvement in the investees, in determining whether the Group and the Company have control, significant influence or joint control over the investees. There are instances, elements are present that, considered in isolation, indicate control or lack of control over an investee, but when considered together make it difficult to reach a clear conclusion. In certain circumstances, despite the lack of the required legal equity ownership, there could exist a parent-subsidiary relationship, an investor-associate relationship or a joint-investor relationship between the Group and the Company with these investees. Such evaluation and assessment processes do take into consideration to account for transactions and events in accordance with their substance and economic reality, and not merely their legal forms.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Depreciation of property, plant and equipment and amortisation of computer software

Property, plant and equipment and computer software are depreciated and amortised respectively on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 50 years. The carrying amounts of the Group's property, plant and equipment and computer software as at 30 June 2014 were approximately $301,420,000 and $895,000 (2013: $304,417,000 and $1,097,000) respectively. Future changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation and/or amortisation charges could be revised.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of certain cash-generating units ("CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2014 was approximately $123,232,000 (2013: $123,215,000). More details on the impairment testing of goodwill are given in Note 10 to the financial statements.

(iii) Valuation of investment properties

The Company's and the Group's accounting policy relating to investment properties are described in Note 2.7 to the financial statements. In applying this policy, judgement made in the context of valuation of investment properties can materially impact the Company's and the Group's financial position and performance. Accordingly, the Company and the Group engaged independent valuation specialists who used recognised valuation techniques, subjective assumptions and estimates such as future cash flows from these assets to determine the fair values of the investment properties. These estimates are based on local market conditions existing at the reporting date. In arriving at their estimates of market values, the independent valuation specialists used their market knowledge and professional judgement and did not rely solely on historical transaction comparable. The carrying amount of investment properties as at 30 June 2014 was approximately $301,943,000 (2013: $368,006,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iv) Impairment of trade and other receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of trade and other receivables (excluding prepayments and tax recoverable) for the Group and the Company as at 30 June 2014 was approximately $308,112,000 (2013: $138,965,000) and $276,544,000 (2013: $285,429,000) respectively.

(v) Impairment of investments in subsidiaries, associates and joint ventures

Management follows the guidance of FRS 36 *Impairment of Assets*, in determining whether investments in subsidiaries, associates and joint ventures are impaired. This requires assumption to be made regarding the duration and extent to which the fair value of an investment is less than its costs, the financial health, and near-term business outlook of the investments including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment of investments in subsidiaries is based on the estimation of value in use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period of up to 10 years, using a suitable discount rate to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries and associates at 30 June 2014 was approximately $426,549,000 and $Nil (2013: $300,031,000 and $Nil) respectively.

(vi) Income tax position

The Group and the Company have exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the provisions for income taxes on a group basis.

Some of the Group's People's Republic of China ("PRC") subsidiaries did not recognise any income tax liabilities on its education-related income. Management is of the opinion such education-related income is tax exempted according to the tax practices in PRC and their experience as education operators in PRC. Further, there are no specific tax implementation measures applicable for such income in PRC yet and tax liabilities cannot be reliably quantified as at year end.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(vi) Income tax position (Continued)

The Group and the Company recognised liabilities for expected tax issues based on estimates of additional liable taxes. Where the final tax outcome of these matters is different from the tax position by the Group and the Company, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax assets and liabilities as at 30 June 2014 are $83,820,000 (2013: $50,486,000), $755,000 (2013: $857,000) and $9,743,000 (2013: $21,289,000) respectively. As at 30 June 2014, the Company's income tax payable is $265,000 (2013: $421,000).

(vii) Estimated tax provisions arising from a restructuring exercise and government grant

In the financial year ended 30 June 2013 and 30 June 2012, certain land titles were rationalised amongst the subsidiaries in the restructuring exercise. The transfer of land titles were subject to business tax and surcharges, land appreciation tax, stamp duties and corporate income tax which were estimated and provided for. A corresponding government grant income has been accounted for. Where the final tax outcome arising from the land restructuring is different from the amounts that were initially recorded, such differences will impact the relevant expenses and tax provision and previously recognised government grant will be adjusted correspondingly, in the period in which such determination is made. As at 30 June 2014, the carrying amounts of grant receivable, income tax payable and other payables are $30,911,000 (2013: $33,789,000), $29,909,000 (2013: $31,758,000) and $1,002,000 (2013: $2,031,000) respectively.

4. Property, plant and equipment

Group 2014	Freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Computer equipment $'000	Motor vehicle $'000	Construction in-progress $'000	Total $'000
Cost								
Balance at 1 July 2013	49,942	231,606	2,721	19,888	10,258	1,727	32,086	348,228
Additions	-	1,688	186	3,382	1,317	46	16,201	22,820
Disposals	-	(1,274)	(5)	(771)	(701)	(6)	-	(2,757)
Written off	-	-	-	(139)	(43)	-	-	(182)
Arising from acquisition of subsidiary (Note 29)	-	4,847	-	107	-	-	-	4,954
Arising from acquisition of additional interest in joint venture	-	1,756	122	113	168	4	34	2,197
Arising from equity swap with non-controlling interest	-	-	(244)	(7,379)	(794)	(148)	(1,300)	(9,865)
Reclassified from prepayments	-	-	-	-	-	-	9,034	9,034
Reclassified to intangible assets (Note 10)	-	-	-	-	-	-	(332)	(332)
Transfer to investment properties (Note 5)	-	(2,905)	-	-	-	-	(18,398)	(21,303)
Reclassifications	-	31,326	-	(7)	(1)	-	(31,318)	-
Foreign currency realignment	(1,122)	(2,224)	(32)	(348)	(273)	(24)	(131)	(4,154)
Balance at 30 June 2014	48,820	264,820	2,748	14,846	9,931	1,599	5,876	348,640

4. Property, plant and equipment (Continued)

Group 2014	Freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Computer equipment $'000	Motor vehicle $'000	Construction in-progress $'000	Total $'000
Accumulated depreciation and impairment losses								
Balance at 1 July 2013	-	21,411	1,944	12,961	6,463	1,032	-	43,811
Depreciation charged	-	9,108	308	2,609	1,755	229	-	14,009
Disposals	-	(1,092)	(3)	(653)	(649)	(6)	-	(2,403)
Written off	-	-	-	(144)	(36)	-	-	(180)
Arising from acquisition of additional interest in joint venture	-	439	59	68	121	2	-	689
Arising from equity swap with non-controlling interest	-	-	(52)	(6,610)	(625)	(94)	-	(7,381)
Transfer to investment properties (Note 5)	-	(210)	-	-	-	-	-	(210)
Foreign currency realignment	-	(642)	(23)	(235)	(197)	(18)	-	(1,115)
Balance at 30 June 2014	-	29,014	2,233	7,996	6,832	1,145	-	47,220
Carrying amounts								
Balance at 30 June 2014	48,820	235,806	515	6,850	3,099	454	5,876	301,420

4. **Property, plant and equipment** (Continued)

Group 2013	Freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Computer equipment $'000	Motor vehicle $'000	Construction in-progress $'000	Total $'000
Cost								
Balance at 1 July 2012	17,038	145,535	2,692	20,894	11,648	1,631	18,635	218,073
Additions	33,477	1,597	128	2,641	2,463	370	13,690	54,366
Disposals	-	(763)	(1)	(2,852)	(3,041)	(290)	-	(6,947)
Written off	-	(7,488)	(89)	(3,116)	(531)	-	-	(11,224)
Arising from disposal of subsidiaries (Note 12)	-	-	-	(232)	(206)	-	-	(438)
Reclassified from/(to) intangible assets (Note 10)	-	-	-	-	5	-	(103)	(98)
Transfer from investment properties (Note 5)	-	91,459	-	2,567	-	-	-	94,026
Reclassifications	17	665	-	2	(2)	-	(682)	-
Foreign currency realignment	(590)	601	(9)	(16)	(78)	16	546	470
Balance at 30 June 2013	49,942	231,606	2,721	19,888	10,258	1,727	32,086	348,228
Accumulated depreciation and impairment losses								
Balance at 1 July 2012	-	22,399	1,631	15,342	8,236	1,086	-	48,694
Depreciation charged	-	6,543	381	3,412	1,863	212	-	12,411
Disposals	-	(391)	(1)	(2,554)	(2,887)	(276)	-	(6,109)
Written off	-	(7,307)	(78)	(3,101)	(527)	-	-	(11,013)
Arising from disposal of subsidiaries (Note 12)	-	-	-	(196)	(183)	-	-	(379)
Foreign currency realignment	-	167	11	58	(39)	10	-	207
Balance at 30 June 2013	-	21,411	1,944	12,961	6,463	1,032	-	43,811
Carrying amounts								
Balance at 30 June 2013	49,942	210,195	777	6,927	3,795	695	32,086	304,417

4. Property, plant and equipment (Continued)

Land, buildings and leasehold improvements consist of certain land use rights. As these land use rights could not be reliably allocated between land, buildings and leasehold improvements, the rights were not separately disclosed.

As of 30 June 2014, legal ownership and title deeds of certain properties of carrying amount $43.6 million (2013: $44.5 million) have not been formally transferred from vendor to the Group due to delay in the completion of certain formal procedures.

Certain leasehold land, buildings and improvements with carrying value of $91.7 million (2013: $90.9 million) were mortgaged to secure borrowings as referred to in Note 15 to the financial statements.

5. Investment properties

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	368,006	411,821
Additions	1,960	21,414
Disposals	(98,250)	(17,103)
Fair value gain recognised in consolidated statement of profit or loss (net)	7,331	41,676
Transfer from property, plant and equipment (Note 4)	21,093	-
Transfer to property, plant and equipment (Note 4)	-	(94,026)
Revaluation gain on transferring from owner-occupied property recognised in other comprehensive income	5,631	-
Foreign currency realignment	(3,828)	4,224
Balance at end of financial year	301,943	368,006

(a) The investment properties in current financial year relate to land and properties of certain subsidiaries held by Oriental University City Limited ("OUCL"), Oriental University City Holdings (H.K) Limited ("OUC HK") (collectively "OUC"), Raffles Assets (Thailand) Co., Ltd ("RATH"), and Raffles Iskandar Sdn. Bhd. ("RISB"). Located in the Langfang Economic and Development Zone, Langfang City, Hebei Province, PRC, OUC and OUC HK owns and leases out investment properties to colleges within its self-contained campus. The land under RISB is vacant as at 30 June 2014. Building construction on the land of RATH is ongoing.

Rental income from the Group's investment properties which are leased out under operating leases, amounted to $13.3 million (2013: $14.2 million). Direct operating expenses arising from rental and non-rental-generating investment properties amounted to $7.9 million and $10.3 million (2013: $6.2 million and $9.8 million) respectively.

5. Investment properties (Continued)

(b) Investment properties are stated at fair value, determined based on professional valuation carried out by firms of independent valuation specialist holding recognised and relevant professional qualifications and recent experience in the locations and categories of the properties being valued.

The valuations are performed using Direct Comparison Approach and Income Approach.

Direct Comparison Approach makes reference to the comparable sales evidences in the relevant locality with adjustments made to reflect the differences in size, location, tenure, condition, prevailing market conditions and all other relevant factors affecting its use. The major inputs into the valuation model were the price and size of the properties.

Income Approach is based on capitalisation of net rental income derived from the existing tenancies with due allowances for revisionary income potential of the property or by reference to comparable market transactions. The major inputs into the valuation model were the rental rates and capitalisation rates.

In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

The Group categorise 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.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

5. **Investment properties** (Continued)

(b) (Continued)

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	8.5%	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	$2.8 - $4.1 per sqm	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre[1]	$140 - $600 per sqm	Increase in price per square metre would result in higher fair value.

[1] The yield adjustments are made for any difference in the nature, location or condition of the specific property.

(c) $259.0 million (2013: $336.6 million) of the Group's investment properties are held under leasehold interests between 35 to 40 years (2013: 36 to 41 years). The remaining investment properties are freehold.

(d) Certain investment properties with carrying values totalling $26.7 million (2013: $19.2 million) were mortgaged to secure borrowings as referred to in Note 15 to the financial statements.

(e) Investment properties of the Group are held mainly for leasing to tenants under operating leases.

(f) As at reporting date, the title deed of certain buildings with carrying amount approximately $22.9 million (2013: $21.9 million) had not been transferred to the Group due to delay in the completion of certain formal procedures.

6. Investments in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares, at cost	499,158	378,433
Less: Allowance for impairment loss	(72,609)	(78,402)
	426,549	300,031

Analysis of allowance for impairment loss on investments in subsidiaries during the financial year was as follows:

	Company 2014 $'000	Company 2013 $'000
Balance at beginning of financial year	78,402	72,354
Allowance made during the financial year	-	6,048
Allowance written off during the financial year	(5,793)	-
Balance at end of financial year	72,609	78,402

Particulars of the significant subsidiaries are as follows:

Subsidiaries	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Country of incorporation/ operation	Principal activities
Raffles Design Institute Shanghai[a]	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles Design Institute Guangzhou[a]	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles International College (HK) Ltd[b]	100	100	Hong Kong	Provider of education services
Raffles College Pty Ltd[c]	100	100	Australia	Provision of training programmes and courses in various areas of design and commerce

6. Investments in subsidiaries (Continued)

Particulars of the significant subsidiaries are as follows: (Continued)

Subsidiaries	Effective equity interest held by the Group 2014 %	2013 %	Country of incorporation/ operation	Principal activities
Raffles Design International (India) Pty Ltd[(a)]	100	100	India	Provision of training programmes and courses in various areas of design and management
Raffles Design International (Thailand) Limited[(d)(g)]	49	49	Thailand	Provision of training programmes and courses in various areas of design and management
PT Raffles Design Institute[(a)]	100	100	Indonesia	Provision of training programmes and courses in various areas of design and management
Wanbo Technology Vocation Institute[(a)]	100	100	People's Republic of China	Provision of vocational and technical training
Raffles International Mongolia Co., Ltd[(e)]	75	75	Mongolia	Provider of education services
Tianjin University of Commerce Boustead College[(a)]	100	100	People's Republic of China	Operation of education business
Raffles Design Institute Pte Ltd	100	100	Singapore	Provider of education services
Raffles School of Business Pte Ltd	100	100	Singapore	Provider of education services
Langfang Development Zone Oriental University City Higher Education Co., Ltd[(a)]	99*	81	People's Republic of China	Provider of education services
Langfang Development Zone Oriental University City Education Consultancy Co., Ltd[(f)]	99*	81	People's Republic of China	Provider of education supporting services

6. Investments in subsidiaries (Continued)

Particulars of the significant subsidiaries are as follows: (Continued)

Subsidiaries	Effective equity interest held by the Group 2014 %	2013 %	Country of incorporation/ operation	Principal activities
Langfang Development Zone Shenglong Property Management Service Co., Ltd[a]	99*	81	People's Republic of China	Provider of utilities management services
Langfang Oriental Institute of Technology[a]	51*	81	People's Republic of China	Provision of training programmes and courses in various areas of design and management

Notes on significant subsidiaries:

All the subsidiaries above are audited by BDO LLP, Singapore except for the following:

(a) Audited by overseas member firms of BDO
(b) Audited by other firm of auditors, Morison Heng CPA, Hong Kong
(c) Audited by other firm of auditors, RSM Bird Cameron Partners, Australia
(d) Audited by other firm of auditors, Sunantanawat Audit Company Limited, Thailand
(e) Audited by other firm of auditors, Dulguun Khairkhan Uul Audit LLC, Mongolia
(f) Audited by other firm of auditors, PricewaterhouseCoopers Zhong Tian CPAs Limited Company, People's Republic of China
(g) Deemed to be a subsidiary of the Company by virtue of management control

* During the financial year, the Group acquired an additional 10% interest in the above subsidiaries from the non-controlling shareholder. At the end of the financial year, upon satisfaction of certain key conditions required under the relevant agreements, the Group has accounted for the effect of the swap of equity interests in the above subsidiaries with another non-controlling shareholder.

In appointing the auditors of the Company and the subsidiaries, the Group has complied with Rule 712 and Rule 716 of the SGX-ST Listing Rules.

7. Investments in associates

	Group 2014 $'000	Group 2013 $'000
Unquoted equities, at cost	1,070	1,070
Share of post-acquisition results net of dividend received	362	234
	1,432	1,304

The summarised financial information of the Group's associates, not adjusted for the proportion of ownership interest held by the Group, is set out as follows:

	Group 2014 $'000	Group 2013 $'000
Assets	4,931	5,157
Liabilities	1,767	2,367
Revenue	3,981	5,036
Profit for the financial year	708	1,383

Details of significant associate as at 30 June 2014 are as follows:

Associate	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Country of incorporation/ operation	Principal activities
Raffles College of Higher Education Sdn. Bhd.[a]	20	20	Malaysia	Provision of training programmes and courses in various areas of design and management

Note on significant associate:

[a] Audited by overseas member firm of BDO

8. Investments in joint ventures

The Group's share of income and expense, and assets and liabilities of the joint ventures at the end of the financial year are as follows:

	Group 2014 $'000	Group 2013 $'000
Income and expenses		
Share of income	48,141	4,915
Share of expenses	(15,766)	(8,591)
Assets and liabilities		
Share of current assets	89,321	49,272
Share of non-current assets	12,556	11,311
Share of total assets	101,877	60,583
Share of current liabilities	29,447	1,926
Share of non-current liabilities	9	-
Share of total liabilities	29,456	1,926

There are no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the venture itself. The Group's share of capital commitments in the joint ventures are included in Note 31.

Particulars of the significant joint ventures as at 30 June 2014 are as follows:

Joint ventures	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Country of incorporation/ operation	Principal activities
Educomp-Raffles Higher Education Limited ("ERHEL")[(a)]	58	50	India	Provision of training programmes and courses in various areas of design and management
Shanghai Zhonghua Vocation Institute[(a)]	-	50	People's Republic of China	Provision of vocational and technical training

Notes on significant joint ventures:

(a) Audited by overseas member firm of BDO

8. Investments in joint ventures (Continued)

During the financial year 2014, the other joint venturer did not subscribe to the additional shares of ERHEL, resulting in the Group increasing its equity interest in ERHEL to 58%.

During the financial year 2014, Value Vantage Pte Ltd ("VVPL") entered into an equity transfer agreement to dispose all of the equity interest in the registered capital of Value Vantage Investment and Management (Hangzhou) Co., Ltd ("VVHZ") to an unrelated buyer. Shanghai Zhonghua Vocation Institute is a wholly-owned subsidiary of VVHZ.

9. Available-for-sale financial assets

	Group	
	2014	**2013**
	$'000	**$'000**
Unquoted equity interest, at cost	610	616

The unquoted equity interests were acquired as part of the assets in certain subsidiaries of OUC during the financial year 2008.

As these equity interests in unquoted corporations in the People's Republic of China are not similar in size and activity to any quoted entities and there is no active market for these equity interests, it is not practicable to determine the fair value of these unquoted equity interests with sufficient reliability. Consequently, these unquoted equity interests are carried at cost less impairment loss, if any, recoverable amounts based on management's assessment.

10. Intangible assets

Group 2014	Goodwill on acquisitions $'000	Trademarks and license $'000	Development costs $'000	Computer software $'000	Total $'000
Cost					
Balance at 1 July 2013	123,215	227	13,637	1,823	138,902
Arising from acquisition of subsidiary (Note 29)	16	-	-	-	16
Arising from acquisition of additional interest in joint venture	-	-	325	-	325
Additions	-	366	83	52	501
Reclassified from property, plant and equipment (Note 4)	-	-	332	-	332
Written off	-	-	(15)	-	(15)
Foreign currency realignment	1	(14)	(134)	-	(147)
Balance at 30 June 2014	123,232	579	14,228	1,875	139,914
Accumulated amortisation and impairment losses					
Balance at 1 July 2013	-	70	9,069	726	9,865
Arising from acquisition of additional interest in joint venture	-	-	147	-	147
Amortisation	-	18	1,901	254	2,173
Written off	-	-	(15)	-	(15)
Foreign currency realignment	-	-	(85)	-	(85)
Balance at 30 June 2014	-	88	11,017	980	12,085
Carrying amounts					
As at 30 June 2014	123,232	491	3,211	895	127,829

10. Intangible assets (Continued)

Group 2013	Goodwill on acquisitions $'000	Trademarks and license $'000	Acquired students population $'000	Development costs $'000	Computer software $'000	Total $'000
Cost						
Balance at 1 July 2012	189,387	226	2,815	13,501	1,846	207,775
Additions	-	1	-	296	-	297
Reclassified from property, plant and equipment (Note 4)	-	-	-	98	-	98
Written off	(66,172)	-	(2,707)	(131)	-	(69,010)
Foreign currency realignment	-	-	(108)	(127)	(23)	(258)
Balance at 30 June 2013	123,215	227	-	13,637	1,823	138,902
Accumulated amortisation and impairment losses						
Balance at 1 July 2012	65,932	54	2,815	6,886	479	76,166
Amortisation	-	16	-	2,353	254	2,623
Impairment	240	-	-	-	-	240
Written off	(66,172)	-	(2,707)	(131)	-	(69,010)
Foreign currency realignment	-	-	(108)	(39)	(7)	(154)
Balance at 30 June 2013	-	70	-	9,069	726	9,865
Carrying amounts						
As at 30 June 2013	123,215	157	-	4,568	1,097	129,037

10. Intangible assets (Continued)

	Company	
	2014	**2013**
	$'000	**$'000**
Trademarks		
Cost		
Balance at beginning of year	227	226
Additions	1	1
Reductions	(12)	-
Balance at end of year	216	227
Accumulated amortisation		
Balance at beginning of year	70	54
Amortisation	18	16
Balance at end of year	88	70
Carrying amounts	128	157

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the CGUs which made up of the various subsidiaries and joint ventures are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Continuing operations:		
China Education Limited	94,164	94,164
Educomp-Raffles Higher Education Limited	10,780	10,780
Raffles College Pty Ltd	10,481	10,481
Others[#]	7,807	7,790
	123,232	123,215

[#] Individually insignificant

The Group tests the CGUs annually for impairment or more frequently when there are indications that the CGUs might be impaired.

Impairment testing of goodwill

Except for the recoverable amount of ERHEL which was determined based on fair value less cost of disposal, the recoverable amounts of the other CGUs are determined from value in use calculations.

For determination of fair value less cost of disposal, the recoverable amounts are determined based on valuation performed by independent professional on the fair value of the main underlying assets, land and building. The land was valued based on Direct Comparison Approach while the building was valued based on Income Approach (Refer Note 5b for a brief discussion on the valuation technique). The fair value of the land and building are considered as level 3 fair value measurements.

10. Intangible assets (Continued)

Impairment testing of goodwill (Continued)

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 ten-years. Management is of the opinion that, ten-year cash flow projections are more reflective of the business prospective in which the CGUs are operating in.

The pre-tax discount rate applied to the cash flow projections is 7% (2013: 6%) per annum and reflects specific risks relating to the business segment and cash flows beyond the one-year period. The growth rates used are based on the industry growth forecast and for cash flow projections beyond a five-year period, no growth is projected after the fifth year.

Total impairment charge of approximately $Nil (2013: $240,000) was recognised in the consolidated statement of profit or loss. Impairment charge for previous financial year was related to "Others" category above.

The impairment loss was recognised as the impairment test carried out for the CGUs revealed that the recoverable amount of these CGUs were lower than the carrying amount of goodwill allocated to these CGUs.

Sensitivity analysis

The management has estimated that even if the projected net cash inflows had been 10% (2013: 10%) lower or if the estimated discounted rate applied to the discounted cash flows had been 8% instead of 7% (2013: 7% instead of 6%), there is no significant impact to the carrying amount of goodwill allocated to the significant CGUs/subsidiaries as shown in the table above.

11. Trade and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables:				
Trade receivables	4,068	4,308	-	-
Less:				
Allowance for doubtful trade receivables	(1,356)	(1,978)	-	-
	2,712	2,330	-	-
Other receivables:				
Third parties[(a)]	11,737	4,003	-	-
Receivable from sale of interest in subsidiary[(b)]	34,900	25,086	-	-
Receivables from sale of investment properties[(c)]	118,735	64,641	-	-
Receivable from sale of interest in joint venture	76,200	-	-	-
Government grant receivables (Note 3.2 (vii))	30,911	33,789	-	-
Deposits	5,690	4,334	-	-
Prepayments	10,718	11,691	179	290
Receivable from former joint venture	10,369	-	-	-
Receivables from joint venture partners	-	3,706	-	-
Subsidiaries[(d)]	-	-	271,164	285,173
Joint ventures[(d)]	16,176	351	492	162
Associates[(d)]	7	181	-	-
Tax recoverable	1,240	1,085	887	887
Others	675	544	34	94
	317,358	149,411	272,756	286,606
	320,070	151,741	272,756	286,606
Non-current other receivables				
Prepayments	10,160	-	-	-
Subsidiaries[(d)]	-	-	4,854	-
	10,160	-	4,854	-
	330,230	151,741	277,610	286,606

Trade receivables are non-interest bearing and are generally on 30 days credit term (2013: 30 days).

11. Trade and other receivables (Continued)

Analysis of trade receivables at the end of the financial year was as follows:

	Group	
	2014	2013
	$'000	$'000
Not past due and not impaired	1,354	1,339
Past due but not impaired	1,358	991
Impaired, individually assessed	1,356	1,978
Less: allowance for doubtful trade receivables	(1,356)	(1,978)
Total trade receivables, net	2,712	2,330

The maximum exposure to credit risk in the event that the customers fail to perform their obligations as at end of financial year in relation to each class of recognised financial assets is the carrying amounts of those assets stated in the statements of financial position. There are no collaterals held as securities or other credit enhancements. The concentration of credit risk is limited due to the large, diversed and unrelated customer base.

Trade receivables that are neither past due nor impaired are substantially students with good payment track record with the Group.

Included in the Group's trade receivables are receivables with a carrying amount of approximately $1.4 million (2013: $1.0 million) which are past due at reporting date. The Group has assessed that the credit qualities of these unsecured amounts have not changed and the amounts are still considered recoverable. Accordingly, the Group believes that there is no further impairment required in excess of the allowance for doubtful trade receivables.

The age analysis of trade receivables past due but not impaired was as follows:

	Group	
	2014	2013
	$'000	$'000
0 - 30 days	178	74
31 - 60 days	308	458
Over 61 days	872	459
	1,358	991

11. Trade and other receivables (Continued)

The carrying amount of trade receivable individually determined to be impaired and the movements in the allowance for impairment of receivables were as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	1,978	1,930
Allowance made for the financial year (Note 24)	18	378
Allowance utilised	(572)	(354)
Allowance reversed (Note 24)	(54)	(1)
Foreign currency realignment	(14)	25
Balance at end of financial year	1,356	1,978

Further notes on trade and other receivables:

(a) As at 30 June 2014, included in the third parties other receivables was a $11.4 million short term loan to a third party.

As at 30 June 2013, included in the third parties other receivable was $3.4 million due from a director of a subsidiary. In financial year 2010, one of the subsidiaries of the Group ("Subsidiary") entered into a sales and purchase agreement to acquire a PRC incorporated institute ("Institute"). This transaction was backed by a separate agreement ("transfer agreement") between this Subsidiary and one of this director to confirm that the acquisition of this Institute was made on behalf of this director and that all risk and rewards associated with this acquisition will be undertaken by the director in entirety, including all purchase consideration paid/payable and liabilities, and that this Subsidiary agreed to waive and transfer all benefits and responsibilities associated with the assets and liabilities acquired in the Institute to the director. Accordingly, this Institute is not considered as a subsidiary of the Group and thus is not included in the consolidated financial statements.

In financial year 2011, a lawsuit was filed by a PRC company against 3 defendants, of which the main defendant is the above-mentioned Institute, for breach of contract and claiming for settlement of outstanding service payment plus all litigation costs to be incurred. The other 2 defendants being brought into the suit are the former owner of the Institute and the Subsidiary, being the present legal owner of the Institute. During the financial year 2012, as a result of an adverse court's ruling, the Institute is liable to pay for cost and damages. Accordingly, the Group fully accrued for these cost and damages (Note 14).

The Group is of the view that despite the above-mentioned legal suit being brought against the Subsidiary, based on the transfer agreement signed with the director, the Subsidiary is entitled to seek indemnification and claim all losses, from the director. Accordingly, a corresponding receivable was recorded in financial year 2012. During the financial year 2014, as part of an arrangement with the director, both the above receivable of $3.4 million and corresponding payable were taken over by the director.

11. Trade and other receivables (Continued)

Further notes on trade and other receivables: (Continued)

(b) In July 2011, the Group completed the disposal of 50% equity interest in VVPL for a consideration of $46 million to an unrelated third party. The consideration is interest-free and receivable over 2 years. $10 million is receivable one year after the completion date and the remaining $36 million is receivable in two-year time after the completion date. The Group has since received $11.1 million.

At inception, the non-current principal sum receivable of the $36 million is recognised at fair value and is subsequently measured at amortised cost using the effective interest method (at 2.6% per annum), with the imputed interest income recognised in the consolidated statement of profit or loss over the expected repayment period.

During the financial year, the repayment term for the balance $34.9 million was extended to January 2015 to coincide with the expected receipt of the proceeds from the disposal of VVHZ (Note 8).

(c) Receivables from sale of investment properties relate to the outstanding balance of $3.2 million (2013: $31.9 million) due from the disposal of 670mu land and properties in OUC, $24.1 million (2013: $32.7 million) due from disposal of 118mu land and properties in OUC and $91.4 million (2013: $Nil) due from disposal of 490mu land and properties in OUC.

(d) The amounts due from subsidiaries, joint ventures and associates are non-trade in nature, unsecured, interest-free and repayable on demand except for the non-current amount of $4.9 million advanced to subsidiaries during the financial year which bears interest at 3% per annum.

12. Cash and cash equivalents

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits with banks	18,963	37,080	-	8,000
Cash and bank balances	39,577	33,815	1,099	277
	58,540	70,895	1,099	8,277

Group

Fixed deposit of $1.2 million (2013: $1.2 million) are held by a bank as security for the bank guarantee given in relation to a leased premise of a subsidiary.

12. Cash and cash equivalents (Continued)

Fixed deposits at the reporting date have an average maturity of 1 month (2013: 1 month) from the end of the financial year with the following effective interest rates per annum:

	Group	
	2014	**2013**
Singapore Dollar	-	0.11% - 0.18%
Chinese Renminbi	2.85% - 3.50%	2.85% - 3.12%
Australian Dollar	2.53%	3.49%
Sri Lanka Rupee	5.45%	-
Indian Rupee	6.10%	5.35% - 8.00%
	Company	
Singapore Dollar	-	0.11% - 0.18%

Disposal of interest in joint venture and subsidiary

During the financial year 2014, the Group's joint venture, VVPL disposed off 100% of the equity interest in its subsidiary, VVHZ for a consideration of $172,720,000.

During the financial year 2013, the Group disposed off 55% of the equity interest in Raffles-Ningbo International College at a consideration of $776,000.

The effects of the disposals on the cash flows of the Group were as follows:

Group	**2014**	**2013**
	$'000	**$'000**
Disposal of joint venture and subsidiary	**Joint venture**	**Subsidiary**
Cash and cash equivalents	10,621	-
Trade and other receivables	4,017	1,581
Assets classified as held for sale	40,904	-
Property, plant and equipment	-	59
Total assets	55,542	1,640
Trade and other payables	15,271	596
Income tax payables	2	-
Accumulated losses and other reserves	(169)	(17)
Non-controlling interest	-	304
Total liabilities and reserves	15,104	883
Net assets disposed	40,438	757

12. Cash and cash equivalents (Continued)

The aggregate cash flows arising from disposal of joint venture and subsidiary:

Group	**2014**	**2013**
	$'000	**$'000**
Disposal of joint venture and subsidiary	**Joint venture**	**Subsidiary**
Net assets disposed (as above)	40,438	757
Gain on disposals (Note 21)	40,842	19
Transaction cost on disposal	5,080	-
Receivable from acquirers of joint venture (Note 11)	(76,200)	-
Cash disposed	(10,621)	-
Net cash (outflows)/inflows on disposals	(461)	776

13. Assets classified as held for sale

On 23 June 2011, the Group entered into a Sales and Purchase Agreement to dispose 50% equity interest in one of its wholly-owned subsidiary – VVPL. The disposal of VVPL was completed on 28 July 2011.

As at 30 June 2012, the Group was in the process of disposing the remaining 50% of VVPL to an unrelated third party. As such, certain assets of VVPL been classified as "Assets held for sale" as at 30 June 2012. The disposal has not been completed during the financial year 2013 as the sale is still subject to approval of local authorities. During the financial year 2014, the Group disposed off these assets through disposal of VVHZ (Note 12) instead of disposing VVPL and accordingly, VVPL has been classified as joint venture of the Group.

The major classes of assets classified as held for sale as at 30 June are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Assets:		
Property, plant and equipment	-	26,857
Goodwill	-	14,244
Assets of disposal group classified as held for sale representing the net assets directly associated with assets classified as held for sale	-	41,101

14. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current				
Trade payables	2,830	8,223	-	-
Subsidiaries	-	-	96,102	32,044
Associates	31	88	-	-
Joint ventures	118	4,724	159	93
Course fees received in advance	16,519	15,657	-	-
Management fees received in advance	549	1,033	-	-
Accruals[(a)]	37,293	63,619	6,100	30,036
Accruals for indirect taxes and property-related expenses[(b)]	5,194	9,321	-	-
Purchase consideration payable	193	-	-	-
Amounts due to joint venturers	37,127	-	-	-
Amounts due to former related parties	-	98	-	-
Other payables[(c)]	14,473	17,632	-	-
	114,327	120,395	102,361	62,173
Non-current				
Other payables[(d)]	46,012	46,363	-	-
	160,339	166,758	102,361	62,173

Current trade payables are non-interest bearing and are normally settled on 30 to 60 days' term (2013: 30 to 60 days' term).

The amounts due to subsidiaries, associates, joint ventures and former related parties are unsecured, interest-free and repayable on demand. The amount of $36.2 million included in amount due to joint venturers is repayable within 12 months from the end of financial year.

Further notes on trade and other payables:

(a) Included in accruals is an amount of $Nil (2013: $26.2 million) which relates to contractual commitments to increase in investment in a subsidiary. The amount was derecognised after the Group acquired additional equity interest in the subsidiary from the non-controlling interest during the financial year (Note 6).

(b) Included in accruals for indirect taxes and property-related expenses is an amount of $1.0 million (2013: $2.0 million) which relates to revenue tax, stamp duty and deed tax arising from the land restructuring in OUC.

(c) Included in other payables is an amount of $10.0 million (2013: $10.2 million) relating to the current portion of the amount due to third party vendor arising from land purchase (see Note 14(d) "Non-current other payables" disclosed below) and an amount of $Nil (2013: $3.4 million) owing arising from a lawsuit claim against a Subsidiary (Note 11).

14. Trade and other payables (Continued)

Further notes on trade and other payables: (Continued)

(d) This mainly relates to amount due to third party vendor for the purchase of land in EduCity, Iskandar Johor, Malaysia.

In financial year 2011, one of the subsidiaries - Raffles Iskandar Sdn Bhd ("RISB") entered into Sales and Purchase Agreement ("SPA") with Education@Iskandar Sdn Bhd ("EISB") for the purchase of land in EduCity, Iskandar Johor, Malaysia to construct, build and develop the Raffles University Iskandar.

Pursuant to the terms of the SPA, RISB purchased the land from EISB for $37,050,000 (RM90,605,000). On 31 May 2011, RISB paid 10% of the purchase price $3,705,000 (RM9,060,000) to EISB. The outstanding amount is repayable equally over 48 month's period from November 2012 and is non-interest bearing. The repayment commencement date has been extended to September 2014.

At inception, the difference between fair value and the principal sum of the payable, $33,343,000 (RM81,545,000) is recognised as reduction in the cost of the freehold land acquired. The amount payable is subsequently measured at amortised cost using the effective interest method, with an imputed interest expense recognised in the consolidated statement of profit or loss over the expected repayment periods.

In financial year 2013, another subsidiary, Raffles K12 Sdn. Bhd. ("RAS") entered into SPA with EISB for the purchase of land in EduCity, Iskandar Johor, Malaysia to construct and develop the Raffles American School catering to students from kindergarten to year 12.

Pursuant to the terms of the SPA, RAS purchased the land from EISB for $29,661,000 (RM74,487,600) and at the date of signing of the SPA, RAS has paid 10% of the purchase of $2,966,100 (RM7,448,760) to EISB. The outstanding amount is repayable over a period of 5 years and is non-interest bearing.

At inception, the difference between fair value and the principal sum of the payable, $26,695,000 (RM67,040,000) is recognised as reduction in the cost of the freehold land acquired. The amount payable is subsequently measured at amortised cost using the effective interest method, with an imputed interest expense recognised in the consolidated statement of profit or loss over the expected repayment periods. The carrying amount of other payables approximate its fair value.

15. Borrowings

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Borrowings:				
- Secured bank borrowings[b]	62,383	55,355	-	-
- Unsecured bank borrowings[b]	64,800	42,936	64,800	19,000
- Unsecured third party interest-free borrowings[c]	10,000	-	10,000	-
- Unsecured Notes[a]	128,508	127,962	128,508	127,962
	265,691	226,253	203,308	146,962
Repayable:				
- within 1 financial year	81,280	47,736	74,800	19,000
- from 2 to 5 financial years	184,411	178,517	128,508	127,962
	265,691	226,253	203,308	146,962
Secured borrowings repayable:				
- within 1 financial year	6,480	4,800	-	-
- from 2 to 5 financial years	55,903	50,555	-	-
	62,383	55,355	-	-
Unsecured borrowings repayable:				
- within 1 financial year	74,800	42,936	74,800	19,000
- from 2 to 5 financial years	128,508	127,962	128,508	127,962
	203,308	170,898	203,308	146,962

(a) During financial year 2012, the Company established a $300 million Multicurrency Medium Term Notes Programme ("MTN Programme"). Under this MTN Programme, the Company may subject to compliance with all relevant laws, regulations and directives, from time to time, issue notes in Singapore Dollars or any other currency (the "Notes") and may bear fixed, floating or variable rates of interest. Hybrid Notes or zero coupon notes may also be issued under the MTN Programme.

As at 30 June 2014, the following Notes were outstanding:

Date of issue	Amount	Fixed interest rate (per annum)	Maturity date
22 February 2013	$80 million	5.8%	22 February 2016
3 May 2013	$50 million	5.9%	3 May 2018

The carrying amount of the Notes approximates its fair value.

15. Borrowings (Continued)

(b) Security for bank borrowings are as follow:

- bank borrowings of $62.4 million (2013: $55.4 million) are secured by letter of guarantee by the Company; and

- certain property, plant and equipment (Note 4) with carrying amount of $91.7 million (2013: $90.9 million) and investment properties (Note 5) with carrying amount of $26.7 million (2013: $19.2 million).

The current bank borrowings have an average maturity of 1 month (2013: 1 month) from the end of the financial year. The non-current bank borrowings have a maturity of 1.75 years (2013: 2.75 years) from the end of the financial year.

The effective interest rates of the bank borrowings in Chinese Renminbi is Nil% (2013: 5.23%) and Singapore Dollar range from 1.58% to 2.62% (2013: 1.58% to 2.46%) per annum. The carrying amount of the borrowings approximates its fair value due to frequent re-pricing.

(c) The third party borrowings has maturity of 9 months from the end of the financial year.

16. Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the financial year.

Deferred tax assets/(liabilities)

	Group	
	2014	**2013**
	$'000	**$'000**
Deferred tax assets	755	857
Deferred tax liabilities	(9,743)	(21,289)

16. Deferred tax assets and liabilities (Continued)

	Other payables $'000	Tax losses $'000	Accelerated tax capital allowance $'000	Others $'000	Total $'000
Group					
Balance at 1 July 2013	452	265	66	74	857
Credited/(charged) to consolidated statement of profit or loss	91	(109)	(22)	(53)	(93)
Foreign currency realignment	2	(3)	(7)	(1)	(9)
Balance at 30 June 2014	545	153	37	20	755
Balance at 1 July 2012	349	238	35	78	700
Credited to consolidated statement of profit or loss	143	32	32	3	210
Foreign currency realignment	(40)	(5)	(1)	(7)	(53)
Balance at 30 June 2013	452	265	66	74	857

	Accelerated tax depreciation on property, plant and equipment $'000	Fair value adjustment on investment properties $'000	Others $'000	Total $'000
Group				
Balance at 1 July 2013	(203)	(21,083)	(3)	(21,289)
Credited/(charged) to consolidated statement of profit or loss	(101)	11,585	(47)	11,437
Foreign currency realignment	-	107	2	109
Balance at 30 June 2014	(304)	(9,391)	(48)	(9,743)
Balance at 1 July 2012	(108)	(3,864)	(3)	(3,975)
Charged to consolidated statement of profit or loss	(95)	(16,555)	-	(16,650)
Foreign currency realignment	-	(664)	-	(664)
Balance at 30 June 2013	(203)	(21,083)	(3)	(21,289)

At the end of the financial year, no deferred tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as at 30 June 2014 and 2013, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled $173.7 million (2013: $154.8 million) at 30 June 2014.

Temporary differences arising in connection with interests in jointly-controlled entities are $Nil (2013: $1.6 million).

17. Share capital

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
Balance at beginning of financial year	1,045,295,233	874,401,361	481,785	458,079
Shares issued pursuant to rights issue	-	170,893,872	-	23,706
Balance at end of financial year	1,045,295,233	1,045,295,233	481,785	481,785

The Company has one class of ordinary shares which carry no right to fixed income.

All newly issued ordinary shares rank pari-passu with the existing ordinary shares.

Paid up ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

(a) On 23 October 2012, the Company issued and alloted 170,893,872 new ordinary shares at an issue price of $0.14 for each ordinary share pursuant to the renounceable non-underwritten rights issue on the basis of one rights share for every five ordinary shares in the capital of the Company.

- $4,114,000 has been applied towards the subscription by one of the Directors for his rights shares from an advance which he extended to the Company prior to the commencement of the rights issue.
- $11,982,000 has been used for investment in education institutions.
- $7,610,000 has been used for general working capital, including repayment of bank loans.

18. Treasury shares

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
At beginning of the financial year	19,932,000	19,932,000	21,383	21,383
Repurchase during the financial year	7,964,000	-	2,682	-
At end of the financial year	27,896,000	19,932,000	24,065	21,383

The total amount paid to repurchase the shares has been deducted from shareholders' equity. The shares are held as "treasury shares". The Company intends to reissue these shares as awards to executives under the Raffles Education Corporation Performance Shares Plan.

19. Accumulated profits/(losses) and other reserves

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Comprising:				
Revaluation reserve[1]	7,181	1,255	-	-
Foreign currency translation reserve[2]	(14,791)	(9,135)	-	-
Share-based payments reserve[3]	2,453	2,453	2,453	2,453
Accumulated profits/(losses)	111,132	99,443	(60,721)	(77,340)
	105,975	94,016	(58,268)	(74,887)

[1]*Revaluation reserve*

Revaluation reserve represents surplus of fair value over the properties' carrying value which are directly recognised in equity. This reserve is non-distributable.

[2]*Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign operations whose functional currencies are different from that of the Group's presentation currency. This reserve is non-distributable.

[3]*Share-based payments reserve*

Share-based payments reserve represent the cumulative value of services received from employees and directors recorded in respect of the grants of equity-settled share options over the vesting period commencing from grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. This reserve is non-distributable.

20. Revenue

	Group	
	2014	2013
	$'000	$'000
Continuing operations:		
Course fees	105,675	105,683
Rental income from investment properties	13,323	14,194
Utility income from investment properties	3,447	3,818
Registration fees	1,022	995
Other fees	3,923	3,687
	127,390	128,377

21. Other operating income

	Group 2014 $'000	Group 2013 $'000
Continuing operations:		
Interest income	1,527	1,660
Gain on disposal of investment properties	45,460	14,637
Gain on disposal of property, plant and equipment	28	158
Gain on disposal of interest in subsidiaries (Note 12)	-	19
Gain on disposal of interest in joint venture (Note 12)	40,842	-
Non-course related fees	663	597
Foreign exchange gain	2,109	2,896
Canteen operations	51	2
Government grant	5,954	7,326
Compensation income	4,065	-
Net reversal on provision for land restructuring cost	-	37,585
Others	1,795	2,273
	102,494	67,153
Discontinued operations (Note 26):		
Gain on disposal of property, plant and equipment	-	10
Foreign exchange gain	322	409
Others	5	144
	327	563
	102,821	67,716

Interest income includes accretion of finance income on receivable of $Nil (2013: $912,000).

Government grant for current financial year 2014 relates mainly to grant received by the subsidiaries of OUC from government authorities as fund for education development.

During the financial year 2013, net reversal of provision for land restructuring cost in OUC amounting to $37.6 million is no longer required after having obtained confirmation from relevant government authorities.

22. Personnel expenses

	Group	
	2014	2013
	$'000	$'000
Continuing operations:		
Salaries, bonuses and allowances	50,593	50,521
Contributions to defined contribution plans	6,613	4,966
Other social expenses	1,797	1,730
Share-based payments to Directors and employees	-	7
	59,003	57,224
Discontinued operations:		
Salaries, bonuses and allowances	-	59
Contributions to defined contribution plans	-	4
Other social expenses	-	3
	-	66
	59,003	57,290

Personnel expenses include Directors' remuneration as shown in Note 32 to the financial statements.

23. Finance costs

	Group	
	2014	2013
	$'000	$'000
Continuing operations:		
Interest expenses:		
- Bank borrowings	3,125	5,797
- Notes	8,136	2,272
- Unwinding of effect of discounting	572	435
	11,833	8,504

24. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the financial statements, the above includes the following charges/(credits):

	Group					
	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Allowance for doubtful trade receivables	18	378	-	-	18	378
Reversal of allowance for doubtful trade receivables	(54)	(1)	-	-	(54)	(1)
Bad trade receivables written off	287	605	-	-	287	605
Bad non-trade receivable written off	-	4,554	-	-	-	4,554
Audit fees paid to auditors:						
- Auditor of the Company	401	428	-	-	401	428
- Other auditors	486	675	-	7	486	682
Non-audit fee paid to:						
- Auditor of the Company	21	17	-	-	21	17
- Other auditors	658	358	-	-	658	358
Foreign exchange (gain)/loss, net	(1,543)	54	(242)	(30)	(1,785)	24
Loss/(gain) on disposal of property, plant and equipment, net	284	(38)	-	27	284	(11)
Depreciation and amortisation expenses	16,182	15,030	-	4	16,182	15,034
Royalty, registration and administration fees	2,996	6,669	-	-	2,996	6,669
Operating lease expenses						
- rental of premises	10,101	11,504	-	21	10,101	11,525
- rental of equipment	142	178	-	2	142	180
Marketing and advertisement expenses	6,047	6,033	-	4	6,047	6,037
Plant and equipment written off	2	208	-	3	2	211
Net reversal of government grant receivable for land restructuring	-	57,116	-	-	-	57,116
Compensation for early termination of tenancy agreement and demolition of car park	3,916	-	-	-	3,916	-
Share-based payments	-	7	-	-	-	7
Utilities	6,311	7,451	-	4	6,311	7,455

25. Income tax expense/(credit)

	Group	
	2014	2013
	$'000	$'000
Continuing operations:		
Income tax		
- Current financial year	39,844	28,100
- Overprovision in prior financial years	(80)	(51,086)
	39,764	(22,986)
Deferred tax		
- Current financial year	(11,337)	16,437
- (Over)/underprovision in prior financial years	(7)	3
	(11,344)	16,440
	28,420	(6,546)
Discontinued operations (Note 26):		
Income tax - current financial year	-	134
	28,420	(6,412)

Reconciliation of effective tax rate

Domestic income tax in Singapore is calculated at 17% of the estimated assessable profit for the financial year. The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit before income tax as a result of the following differences:

	Group	
	2014	2013
	$'000	$'000
Continuing operations:		
Profit before income tax	86,921	27,952
Income tax calculated at statutory rate of 17% (2013: 17%)	14,777	4,752
Tax effect of income not subject to taxation	(247)	(1,085)
Tax exemption	(4,244)	(4,449)
Tax effect of non-allowable expenses	7,495	5,053
Deferred tax assets not recognised for current financial year	2,410	1,467
Effect of different tax rates of overseas operations	8,316	38,799
Over provision in prior financial years	(87)	(51,083)
Total income tax expense/(credit)	28,420	(6,546)

Subject to the agreement by relevant tax authorities, at the reporting date, the Group has unutilised tax losses of $17.0 million (2013: $14.6 million) available for offset against future profits and deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

26. Discontinued operations

During the financial year 2012, the Group suspended its Vietnam's operations in Hanoi and Ho Chi Minh City ("Raffles Vietnam") as the Ministry of Education and Training in Vietnam instructed Raffles Vietnam to temporarily stop advertising, admission and training activities leading to the award of diplomas and degrees from overseas.

Statement of profit or loss disclosure

The results of discontinued operations for the financial year ended 30 June are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Result of discontinued operations:		
Other operating income (Note 21)	327	563
Expenses	(564)	(679)
Loss before income tax from discontinued operations	(237)	(116)
Income tax expense (Note 25)	-	(134)
Net loss from discontinued operations (Note 27)	(237)	(250)

Statement of cash flows disclosure

The cash flows attributable to discontinued operations are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Net cash used in operating activities	(222)	(412)
Net cash generated from investing activities	-	10
Net cash outflows	(222)	(402)

27. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share ("EPS") attributable to the ordinary shareholders of the Company is based on the following data:

Earnings

	Group	
	2014	**2013**
	$'000	**$'000**
Profit attributable to equity holders of the Company	55,374	26,672

27. Earnings/(loss) per share (Continued)

Number of shares

	Group			
	2014		**2013**	
	Basic	**Diluted**	**Basic**	**Diluted**
Weighted average number of ordinary shares used ('000)	1,024,974	1,024,974	1,004,414	1,004,414

3,147,000 (2013: 3,543,000) share options granted under the existing share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

From continuing operations:

The calculation of the basic and diluted earnings per share of the Company and continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2014 $'000	**2013 $'000**
Earnings figures are calculated as follows:		
Profit for the year attributable to equity holders of the Company	55,374	26,672
Add: loss for the year from discontinued operations (Note 26)	237	250
Earnings for the purposes of basic and diluted earnings per share from continuing operations	55,611	26,922

From discontinued operations:

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

28. Share-based payments

Raffles Education Corporation Scheme ("REC Scheme") and Raffles Education Corporation Employees' Share Options Scheme ("REC ESOS Scheme")

Statutory and other information regarding the REC Scheme and REC ESOS Scheme is set out below:

(i) The Remuneration Committee may at its discretion, fix the subscription price at a discount up to 20% off market price, or a price equal to the average of the last dealt market prices for the 5 consecutive market days on which the shares of the Company were traded on the SGX-ST immediately preceding the grant of the options.

(ii) Consideration for the grant of an option is $1.00.

(iii) Options can be exercised 1 year after grant for market price options and 2 years for discounted options.

(iv) Options granted expire after 5 years for participants not holding a salaried office or employment in the Group, and 10 years for employees of the Group.

(v) Options granted will lapse when participant ceases to be a full-time employee with the Group, subject to certain exceptions at the discretion of the Company.

(vi) The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the REC Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date of grant.

Information in respect of the share options granted under the REC Scheme and REC ESOS Scheme was as follows:

	2014		**2013**	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
	('000)	**$**	**('000)**	**$**
Outstanding at beginning of financial year	3,543	1.187	4,198	1.238
Expired/cancelled	(396)	(1.300)	(655)	(1.518)
Outstanding at end of financial year	3,147	1.173	3,543	1.187
Exercisable as at end of financial year	3,147	-	3,543	-

No share options were granted during the financial year.

28. Share-based payments (Continued)

The fair value of share options as at the date of grant is estimated by an external independent valuer using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The significant inputs into the model were share prices at date of grant, exercise price, yield, expected volatility, risk-free interest rate and option life expected. Volatility, measured as the standard deviation of expected share price returns, was based on the average 10-day volatility over one year observation period in accordance with convention laid down by Bank for International Settlements. The inputs to the model used are shown below.

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price* $	Share price at date of grant* $
21.9.2004	4.5	30	3.24	10	0.4200	0.4200
12.10.2005	5.6	21	2.90	10	0.6675	0.6675
23.11.2006	2.3	34	3.08	10	2.4450	2.4450
31.1.2008	2.1	30	2.41	10	3.7050	3.7050
8.1.2009	5.3	30	1.47	5	1.7700	1.7850
2.2.2009	5.3	30	2.07	10	1.5900	1.5450
10.11.2009	0.0	30	1.37	5	1.3500	1.3050
9.2.2010	0.0	30	2.55	10	1.1100	1.0350
24.3.2011	2.5	39	0.43	3	0.7800	0.8100
24.3.2011	2.5	38	1.32	5.5	0.7800	0.8100
2.9.2011	1.8	40	0.30	3	0.4600	0.4900

* Subscription prices are adjusted for the share splits in the financial years 2005, 2007, 2008 and share consolidation in financial year 2011.

29. Acquisition of subsidiary

Acquisition of Gelin Nursery School of Suzhou National New & Hi-tech Industrial Development Zone ("SZGL")

On 10 December 2013, the Group entered into an Operation Right Transfer Agreement ("ORTA") with Suzhou City Montessori Pre-School Education Management Co., Ltd ("SZMEM") to acquire the entire interest in SZGL for consideration of RMB 9.5 million. On the same date, the Group also entered into various Property Sales and Purchase Framework Agreement ("Property S&P") with the SZMEM's shareholders and their relatives who own the properties that currently being used by SZGL for a consideration of RMB 14.5 million. The total consideration for the ORTA and Property S&P amounted to approximately $5.0 million (RMB 24 million).

Under the ORTA, it is agreed that with effect from 1 February 2014, all revenue received or receivable shall belong to the Group while SZMEM shall assume all profits and losses of SZGL prior to 1 February 2014. In addition, all debt and working capital shall be assumed by SZMEM before completion. The acquisition of SZGL and the properties were completed in February 2014.

29. Acquisition of subsidiary (Continued)

SZGL will be the Group's second pre-school (after Raffles American School) and the acquisition allows the Group to start its expansion into the pre-school market in China.

The fair values of the identifiable assets and liabilities acquired and the cash flows effect of SZGL as at the date of acquisition were:

	Fair value recognised on date of acquisition $'000
Property, plant and equipment (Note 4)	4,954
Net identifiable assets at fair value	4,954
Goodwill arising from acquisition (Note 10)	16
Total purchase consideration	4,970
Amount outstanding to vendor	(196)
Net cash outflow on acquisition of subsidiary	4,774

The goodwill is not expected to be deductible for tax purposes.

There is no significant transaction costs related to the acquisition of SZGL.

From the date of acquisition, SZGL has contributed $415,000 and $133,000 to the revenue and profit net of tax of the Group respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit, net of tax would have been $996,000 and $319,000 respectively.

30. Contingent liabilities

Group

(a) The Company and one of its subsidiaries are involved in arbitration proceedings relating to commercial transactions. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty and the amounts involved cannot be reasonably estimated, it is the opinion of the management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on the consolidated statement of financial position.

30. Contingent liabilities (Continued)

Group (Continued)

(b) In financial year 2012, Raffles LaSalle Education Consultancy (Shanghai) Pte. Ltd., a subsidiary of the Company, Value Vantage Investment and Management (Hangzhou) Co., Ltd, a joint venture of the Company and an unrelated third party (collectively "Plaintiff") were sued by ex-shareholders of Shanghai Zhongfa Education Investment Co., Ltd ("Defendant") to withhold the decision made by the arbitration court in favour of the Plaintiff. The Court has found Defendant guilty in last financial year and the Court has ordered Defendant to pay a compensation of approximately RMB 7.5 million ($1.5 million) to Plaintiff. Defendant have appealed to the Court on this matter and the Court has since also ordered the Plaintiff to pay a "compensation" of approximately RMB 698,000. As at the date of this report, there is no further development on the case.

(c) The People's Republic of China's ("PRC") tax system can be characterised by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances, conflicting. Instances of inconsistent opinion between local, regional and national tax authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose significant penalties and interest charges. These factors create substantially more significant tax risks in PRC than that typically found in countries with more developed tax systems. Management believes that it has complied with all existing tax legislation.

As at 30 June 2014 and 2013, no provision for potential tax assessments for some of the Group's PRC subsidiaries has been made in the consolidated financial statements as management is of the opinion that according to the tax practices in PRC, such education related income is exempted from tax in PRC.

Company

(d) As at 30 June 2014, the Company had given guarantees amounting to $62.4 million (2013: $55.4 million) to a bank in respect of banking facilities granted to the subsidiary (Note 15).

(e) As at 30 June 2014, the Company has given guarantee amounting to $25.2 million (2013: $26.7 million) to EISB in respect of the outstanding payable to the purchase of land (Note 14(d)).

(f) As at the reporting date, the Company has undertaken to provide continued financial support to certain subsidiaries which are showing shareholder's deficit of $31.3 million (2013: $58.5 million).

In the opinion of the Directors, no significant actual losses are expected to arise from these contingent liabilities.

31. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Capital commitments in respect of property, plant and equipment	34,955	58,356
Share of joint venture's capital commitment in relation to its joint education venture in India with Educomp Solution Limited*	63,680	63,600
	98,635	121,956

* As at the financial year end, the cost of investment in the joint education venture amounted to $52.7 million (2013: $51.0 million).

(b) Operating lease commitments (when the Group is a lessee)

At the reporting date, the commitments in respect of non-cancellable operating leases for rental of premises and equipment were as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Future minimum lease payments payable:		
Within one financial year	6,217	7,222
After one year but within five financial years	5,718	8,215
After five financial years	19,870	20,425
	31,805	35,862

These leases have no escalation clauses, restriction and do not provide contingent rents. Renewals are at the option of the specific entity that holds the lease.

31. Commitments (Continued)

(c) Operating lease commitments (when the Group is a lessor)

The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Future minimum lease payments receivables:		
Within one financial year	639	786
After one year but within five financial years	1,196	1,641
After five financial years	-	3
	1,835	2,430

The Group leased out commercial space to non-related parties under non-cancellable operating leases. The leases are renewable on annual basis.

32. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

32. Significant related party transactions (Continued)

Associates are related parties and include those that are associates of the holding and/or related companies.

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
With associates				
Settlement of liabilities on behalf for associates	5	2	5	2
Dividend income	-	210	-	210
With joint venture				
Waiver of debt	-	-	(53)	-
With subsidiaries				
Settlement of liabilities on behalf for/(by) subsidiaries	-	-	3,485	(646)
Dividend income	-	-	38,430	10,010
Interest income	-	-	43	-
Management service fee income	-	-	2,618	1,775
Registration fee income	-	-	-	47
Recharge of rental and utilities	-	-	-	747
Waiver of intercompany debt	-	-	-	(8)
Consultancy fees income	-	-	851	3,979
With a Director of the Company				
Advance from Director	-	719	-	719

32. Significant related party transactions (Continued)

Key management personnel remuneration

	Group	
	2014	**2013**
	$'000	**$'000**
Directors' fees	265	261
Salaries and other short-term employee benefits	6,764	3,253
Share-based payments	-	7
	7,029	3,521

Key management personnel are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management personnel compensation are for the Directors of the Company (including directors' fees of Non-Executive Directors).

33. Report by segments

The Group has five reportable segment 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:

- Private Education System ("PES")

  The Group offers students a range of degree, diploma and full-time certification programmes in design and business-oriented disciplines at post-secondary level. Students pay fees on a quarterly basis to attend courses at the Group's campuses, where they are taught in English by an overseas faculty. The Group confers graduating students under PES with its own accredited proprietary qualifications.

- National Education System ("NES")

  The Group runs programmes within the Chinese national public school system. Colleges under this scheme collect fees once a year in advance directly from students under the Chinese government's national fees guidelines. Students are taught by a local faculty and the language of instruction is Chinese. The qualifications awarded by these colleges are recognised by the Chinese government.

33. Report by segments (Continued)

- OUC Assets & Education Management

  Located in the Langfang Economic and Development Zone in Langfang City, Hebei province, China, between the cities of Beijing and Tianjin, Oriental University City ("OUC") currently owns and leases out certain investment properties to colleges. Besides earning rental income in the capacity of a landlord, OUC also operates its own college.

- Raffles K12

  The Group participates in pre-tertiary education. This segment includes RAS, offering an American K12 curriculum, with Advanced Placement offerings in the high school, which will provide a schooling alternative to the local and expatriate communities in the region and SZGL which offers only pre-school classes in China.

- Corporate & Others

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

The accounting policies of the reportable segments are the same as described in the summary of significant accounting policies in Note 2.

Information regarding the results of each reportable segment is included below.

Operating results of the reportable segments are independently evaluated for performance measurement and resource allocation decisions. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss as included in the internal management reports reviewed by the Group's Chief Executive Officer.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated on consolidation.

Segment revenue and expenses are the operating revenue and expenses reported in the Group's consolidated statement of profit or loss that are directly attributable to a reportable segment and the relevant portion of such revenue and expenses that can be allocated on a reasonable basis to the reportable segment.

Segment assets and liabilities: Segment assets include all operating assets used by a reportable segment and consist principally of operating receivables, inventories and property, plant and equipment, assets held for sale, investment properties, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables and borrowings.

Capital expenditure includes the total cost incurred to acquire property, plant and equipment, investment properties, and intangible assets directly attributable to the segment.

33. Report by segments (Continued)

	Private Education System $'000	National Education System $'000	OUC Assets & Education Management $'000	Raffles K12 $'000	Corporate & Others $'000	Total $'000
2014						
Continuing operations:						
Revenue from external customers	74,403	27,691	23,876	1,333	87	127,390
Inter-segment revenue	16,169	-	291	-	91,782	108,242
Interest income	391	298	836	-	2	1,527
Fair value gain on investment properties	1,509	-	5,559	-	263	7,331
Gain on disposal of investment properties	-	-	45,460	-	-	45,460
Gain on disposal of interest in joint venture	-	-	-	-	40,842	40,842
Finance costs	(1)	-	(204)	(574)	(11,054)	(11,833)
Depreciation and amortisation	(5,113)	(2,957)	(3,250)	(292)	(4,570)	(16,182)
Reportable segment profit/(loss) before income tax	23,041	7,385	52,368	(1,885)	6,012	86,921
Share of results from associates	(22)	-	-	-	150	128
Net profit/(loss) for the financial year	22,492	7,382	32,158	(1,885)	(1,646)	58,501
Discontinued operations:						
Net loss for the financial year	(237)	-	-	-	-	(237)
Other information:						
Additions to property, plant and equipment	3,149	5,677	11,528	2,197	269	22,820
Additions to investment properties	-	-	-	-	1,960	1,960
Additions to intangible assets	83	-	-	-	419	502
Additions to goodwill arising from acquisition of subsidiary	-	-	-	16	-	16
Investment in associates	958	-	-	-	474	1,432
Segment assets	66,237	107,779	470,232	36,577	253,497	934,322
Segment liabilities	(53,995)	(8,633)	(26,219)	(26,332)	(310,851)	(426,030)

33. Report by segments (Continued)

	Private Education System $'000	National Education System $'000	OUC Assets & Education Management $'000	Raffles K12 $'000	Corporate & Others $'000	Total $'000
2013						
Continuing operations:						
Revenue from external customers	78,265	26,124	23,469	330	189	128,377
Inter-segment revenue	4,483	-	-	-	57,852	62,335
Interest income	392	336	20	-	912	1,660
Fair value gain on investment properties	1,754	-	38,558	-	1,364	41,676
Finance costs	(7)	-	(2,156)	(437)	(5,904)	(8,504)
Depreciation and amortisation	(4,777)	(2,546)	(5,049)	(187)	(2,471)	(15,030)
Impairment of goodwill	(129)	-	(6)	-	(105)	(240)
Reportable segment profit/(loss) before income tax	14,348	8,551	25,608	(2,036)	(18,519)	27,952
Share of results from associates	(22)	-	-	-	274	252
Net profit/(loss) for the financial year	13,412	8,535	34,193	(2,036)	(19,606)	34,498
Discontinued operations:						
Net loss for the financial year	(250)	-	-	-	-	(250)
Other information:						
Additions to property, plant and equipment	3,840	13,944	1,014	29,537	6,031	54,366
Additions to investment properties	-	-	3,752	-	17,662	21,414
Additions to intangible assets	276	-	-	20	1	297
Investment in associates	981	-	-	-	323	1,304
Assets classified as held for sale	91	41,010	-	-	-	41,101
Segment assets	69,648	135,865	491,257	30,407	138,813	865,990
Segment liabilities	(65,692)	(9,141)	(59,425)	(25,359)	(233,394)	(393,011)

33. Report by segments (Continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	2014 $'000	2013 $'000
Revenue		
Total revenues for reportable segments	235,632	190,712
Elimination of inter-segment revenues	(108,242)	(62,335)
Consolidated revenue	127,390	128,377
Assets		
Total assets for reportable segments	934,322	865,990
Investments in associates	1,432	1,304
Unallocated assets	187,124	200,789
Consolidated total assets	1,122,878	1,068,083
Liabilities		
Total liabilities for reportable segments	(426,030)	(393,011)
Unallocated liabilities	(93,563)	(71,775)
Consolidated total liabilities	(519,593)	(464,786)

Geographical segments

The Group operates in four main geographical regions, namely Asean, North Asia, South Asia and Australasia.

Segment revenue is based on the region where the services are rendered and the region where the customers are located. Non-current assets are shown by geographical region in which the assets are located.

Non-current assets consist of property, plant and equipment, investment properties, investment in associates, other receivables and intangible assets.

	Asean $'000	North Asia $'000	South Asia $'000	Australasia $'000	Total $'000
2014					
Continuing operations:					
Revenue from external customers	35,052	72,867	7,053	12,418	127,390
Non-current assets	189,053	513,829	29,052	10,850	742,784
2013					
Continuing operations:					
Revenue from external customers	31,817	72,636	7,930	15,994	128,377
Non-current assets	182,230	581,285	28,141	11,108	802,764

The discontinued operations are solely from Asean geographical segment.

Singapore and People's Republic of China contributed revenue of $25,276,000 and $71,718,000 (2013: $23,394,000 and $71,078,000) respectively. Non-current assets in Singapore and People's Republic of China amounted to $93,248,000 and $512,749,000 (2013: $97,532,000 and $580,136,000) respectively.

34. Financial risk management

The Group and the Company are exposed to financial risks arising in the normal course of business. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuation.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and cost is achieved.

(a) Credit risk

Credit risk is the potential financial loss resulting from students defaulting on their obligations to pay course fees when due, resulting in a loss to the Group. The Group also has credit exposure arising from receivables from sale of interest in joint venture and investment properties.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is managed through regular collection and monitoring procedures. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statements of financial position.

Cash and fixed deposits are placed with banks and approved financial institutions which are regulated. Management does not expect counterparty to fail to meet its obligations.

(b) Interest rate risk

Interest rate risk is the risk that the fair value future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposures to interest rate risk arise primarily from their borrowings with financial institutions.

The table below shows the sensitivity analysis of interest rate risk showing the effect on profit or loss if interest rates had increased by 100 basis point (2013: 100 basis point), with all other variables held constant.

	2014		**2013**	
	Increase interest rate (basis point)	**Increase/ (Decrease) in profit $'000**	**Increase interest rate (basis point)**	**Increase/ (Decrease) in profit $'000**
Group				
Borrowings	100	(1,272)	100	(744)
Company				
Borrowings	100	(648)	100	(190)

A 100 basis point decrease in interest rates would have an equal but opposite effect.

34. Financial risk management (Continued)

(c) Foreign currency risk

The Group operates in several countries with dominant operations in Singapore, People's Republic of China, Southeast Asia and Australia. Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level, as the Group manages its transactional exposure by matching, as far as possible, receipts and payments in each individual currency. As the entities in the Group transact substantially in their respective functional currencies, the Group's exposure to currency risk is not significant.

In relation to the Group's overseas investments in foreign operations where net assets are exposed to currency translation risks, they are not hedged as currency positions in these foreign currencies are considered to be long-term in nature. Differences arising from such translation are recorded under the foreign currency translation reserves.

The Group's and Company's exposures to foreign currencies such as Chinese Renminbi ("RMB"), United States Dollar ("USD") and Australian Dollar ("AUD") at 30 June 2014 and 30 June 2013 were as follows:

Group	Note	SGD $'000	RMB $'000	USD $'000	AUD $'000	Others $'000	Total in SGD equivalents $'000
2014							
Available-for-sale financial assets	9	-	610	-	-	-	610
Trade and other receivables		50,134	254,045	63	622	3,248	308,112
Cash and cash equivalents	12	5,437	42,764	111	4,796	5,432	58,540
Trade and other payables		(24,455)	(51,909)	(136)	(2,385)	(59,192)	(138,077)
Borrowings	15	(265,691)	-	-	-	-	(265,691)
		(234,575)	245,510	38	3,033	(50,512)	(36,506)
Less: net (assets)/liabilities denominated in respective entities' functional currencies		234,703	(180,790)	(130)	(3,033)	48,978	99,728
Currency exposure		128	64,720	(92)	-	(1,534)	63,222
2013							
Available-for-sale financial assets	9	-	616	-	-	-	616
Trade and other receivables		25,607	106,840	61	302	6,155	138,965
Cash and cash equivalents	12	11,256	52,366	101	4,320	2,852	70,895
Trade and other payables		(35,809)	(44,011)	(27)	(2,489)	(58,411)	(140,747)
Borrowings	15	(202,317)	(23,936)	-	-	-	(226,253)
		(201,263)	91,875	135	2,133	(49,404)	(156,524)
Less: net (assets)liabilities denominated in respective entities' functional currencies		201,175	(93,036)	(140)	(2,133)	47,660	153,526
Currency exposure		(88)	(1,161)	(5)	-	(1,744)	(2,998)

34. Financial risk management (Continued)

(c) Foreign currency risk (Continued)

It is estimated that a five percentage point strengthening in foreign currencies against the Singapore Dollar would increase the Group's profit before income tax by approximately $3,161,000 (2013: approximately $150,000 decrease). A five percentage point weakening in the foreign currencies against the Singapore Dollar would have an equal but opposite effect. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account associated tax effects and share of non-controlling interests.

Company	**Note**	**SGD $'000**	**RMB $'000**	**USD $'000**	**AUD $'000**	**Others $'000**	**Total in SGD equivalents $'000**
2014							
Trade and other receivables		235,744	22,315	7,502	-	10,983	276,544
Cash and cash equivalents	12	816	-	1	-	282	1,099
Trade and other payables		(44,923)	(14,571)	(37,241)	(5,139)	(487)	(102,361)
Borrowings	15	(203,308)	-	-	-	-	(203,308)
		(11,671)	7,744	(29,738)	(5,139)	10,778	(28,026)
Less: net liabilities denominated in functional currency		11,671	-	-	-	-	11,671
Currency exposure		-	7,744	(29,738)	(5,139)	10,778	(16,355)
2013							
Trade and other receivables		239,583	25,100	9,376	-	11,370	285,429
Cash and cash equivalents	12	8,276	-	1	-	-	8,277
Trade and other payables		(49,298)	(6,282)	-	(5,008)	(1,585)	(62,173)
Borrowings	15	(146,962)	-	-	-	-	(146,962)
		51,599	18,818	9,377	(5,008)	9,785	84,571
Less: net assets denominated in functional currency		(51,599)	-	-	-	-	(51,599)
Currency exposure		-	18,818	9,377	(5,008)	9,785	32,972

It is estimated that a five percentage point strengthening in foreign currencies against the Singapore Dollar would decrease the Company's profit before income tax by approximately $818,000 (2013: $1,649,000 increase). A five percentage point weakening in the foreign currencies against the Singapore Dollar would have an equal but opposite effect. The analysis assumes that all other variables, in particular interest rates, remain constant.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group and the Company monitor its liquidity risk and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

34. Financial risk management (Continued)

(d) Liquidity risk (Continued)

Short-term funding is obtained from bank overdraft and borrowing facilities from banks and financial institutions.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted cash flows.

	Contractual undiscounted cash flows (including interest payments)			
	Within 1 financial year	**Within 2 to 5 financial years**	**Total**	**Carrying amount**
Group	**$'000**	**$'000**	**$'000**	**$'000**
2014				
Trade and other payables	92,066	48,083	140,149	138,077
Borrowings	81,554	206,608	288,162	265,691
	173,620	254,691	428,311	403,768
2013				
Trade and other payables	94,383	49,098	143,481	140,747
Borrowings	48,375	209,463	257,838	226,253
	142,758	258,561	401,319	367,000
Company				
2014				
Trade and other payables	102,361	-	102,361	102,361
Borrowings	74,865	148,966	223,831	203,308
	177,226	148,966	326,192	305,669
2013				
Trade and other payables	62,173	-	62,173	62,173
Borrowings	19,006	156,556	175,562	146,962
	81,179	156,556	237,735	209,135

(e) Fair values

The carrying amounts of the financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

35. Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The Group and the Company maintain an optimum capital structure by various means such as adjusting the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts, as it deems beneficial to the interests of its shareholders.

As part of the Group's and Company's capital management, the Company may purchase its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to stabilise the market price of the Company's shares and the purchased shares will be used for issuing shares under the Company's performance share plan. Buy and sell decisions by management are made on a specific transaction basis. The Group and the Company do not have a defined share buy-back plan.

In addition, the Company may adopt the scrip dividend scheme, issue rights issue shares, issue new ordinary shares via share placements to conserve cash resources and to pay down bank borrowings. The scrip dividend scheme also allows shareholders to reinvest in the growth of the Company.

The Group and the Company manage overall capital structure by leveraging the advantages and security afforded by a sound capital position while preserving a sustainable level of returns which also seek to meet certain capital requirements imposed by the banks. These requirements include maintaining minimum level of net tangible assets.

The Group also monitors capital based on a gearing ratio which is net debt divided by total capital. Net debt includes borrowings less cash and cash equivalents. Total capital refers to equity attributable to the equity holders of the Company.

	Group	
	2014	**2013**
	$'000	**$'000**
Net debt	207,151	155,358
Total capital	563,695	554,418
Net gearing ratio	37%	28%

The Group and the Company are in compliance with all externally imposed capital requirements for both the financial year ended 30 June 2014 and 30 June 2013.

Apart from the above, the Group's current overall strategy remains unchanged for financial year ended 30 June 2014 and 2013.

36. Events after the balance sheet date

Subsequent to 30 June 2014, the following events have taken place:

(a) The Directors of the Company proposed a final tax exempt dividend of 1.0 cent (2013: Nil) per ordinary share under one-tier system. The proposed dividends are subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting.

(b) The Company announced on 23 July 2014 that a subsidiary purchased a property in Australia for a consideration of AUD 29 million (equivalent to $34 million).

(c) The Company announced on 18 September 2014 that a subsidiary is acquiring a hotel and facilities, seven commercial units and a plot of land with teaching building and dormitories in Nendaz, Switzerland for CHF 29.2 million (equivalent to $39.8 million).

37. Properties of the Group

	Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(a)	No. 1 Chuangye Road, Hefei City, Anhui Province, the PRC	Education college	Education facilities and hostels	Leasehold	29 - 53	111	94
(b)	No. 28, Jinjing Road, Xiqing District, Tianjin City, the PRC	Education college	Education facilities and hostels	Leasehold	30	112	31
(c)	Room 101, 202, 301, 302 Block 5, No 203 Tower Road, Suzhou National New and Hi-Tech Industrial Development Zone	Kindergarten	Kindergarten facilities	Leasehold	52	0.5	1
(d)	Oriental University City, Langfang Economic and Development Zone, Hebei Province, the PRC#	Education campus city	Facilities for educational, recreational, hostels, commercial, retail and utility activities	Leasehold	35 - 40	932	570

37. Properties of the Group (Continued)

	Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(e)	Raffles Education Square 51 Merchant Road Singapore	Commercial development of multi storey office block and conservative shophouses	Education facilities	Leasehold	78	3	6
(f)	Mukim of Pulai, District of Johor Bahru, State of Johor, Malaysia# Land held under: H.S.(D) 458289, PTD 154973, H.S.(D) 458290, PTD 154974 and H.S.(D) 458292, PTD 154979	University campus development	Construction and development phase	Freehold	-	263	-
(g)	Soi Bangna – Trat 37 Bangkaew Sub-district Bang Phli District Samut Prakarn Province, Thailand#	Education college	Construction and development phase	Freehold	-	23	-
(h)	Mukim of Pulai, Lot 143116 District of Johor Bahru State of Johor, Malaysia	Education college	Construction and development phase	Freehold	-	182	-
(i)	Kadirana North Village Dunagaha Pattu of Aluthkorale @ Katana in Gampaha District Western Province of Sri Lanka	University campus development	Vacant	Freehold	-	97	-
(j)	94 Mandurah Terrace, Mandurah, Western Australia	Commercial/ residential/ education development	Vacant	Freehold	-	2	-

Valuation performed in financial years 2013 and 2014 by independent professional valuer, as referred to in Note 5 of the financial statements.

Statistics of Shareholdings

Size of Shareholdings as at 15 September 2014

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held (excluding treasury shares)	Percentage
1 - 999	1,207	10.74%	417,150	0.04%
1,000 - 10,000	6,071	54.02%	28,691,729	2.82%
10,001 - 1,000,000	3,903	34.73%	184,686,216	18.18%
1,000,001 and above	58	0.51%	802,410,138	78.96%
	11,239	100.00%	1,016,205,233	100.00%

Issued and fully paid-up capital	: S$486,372,541.86
Number of issued shares and paid-up shares (excluding treasury shares)	: 1,016,205,233
Number of treasury shares held	: 29,090,000
Class of shares	: Ordinary
Voting rights	: one vote per share

The percentage of treasury shares held against the total issued shares (excluding treasury shares) is 2.86%

Based on information available to the Company as at 15 September 2014, approximately 56.50% of the issued ordinary shares (excluding treasury shares) of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders As At 15 September 2014

S/No.	Name	No. of Shares	Percentage
1	CHEW HUA SENG OR DORIS CHUNG GIM LIAN	95,745,972	9.42%
2	CITIBANK NOMS S'PORE PTE LTD	79,922,984	7.87%
3	OEI HONG LEONG	61,510,000	6.05%
4	MAYBANK NOMINEES (S) PTE LTD	42,490,000	4.18%
5	SING INVEST & FIN NOMINEES PL	42,000,000	4.13%
6	HSBC (SINGAPORE) NOMS PTE LTD	40,782,098	4.01%
7	BANK OF EAST ASIA NOMS PTE LTD	39,559,999	3.89%
8	OCBC SECURITIES PRIVATE LTD	39,255,745	3.86%
9	DORIS CHUNG GIM LIAN	26,187,046	2.58%
10	UNITED OVERSEAS BANK NOMINEES	25,961,657	2.56%
11	HL BANK NOMINEES (S) PTE LTD	24,209,000	2.38%
12	TOMMIE GOH THIAM POH	21,853,729	2.15%
13	DBS NOMINEES PTE LTD	21,628,475	2.13%
14	OEI HONG LEONG ART MUSEUM LIMITED	21,627,000	2.13%
15	CIMB SEC (S'PORE) PTE LTD	21,435,919	2.11%
16	WATERWORTH PTE LTD	18,000,000	1.77%
17	LIM & TAN SECURITIES PTE LTD	15,508,701	1.53%
18	DBSN SERVICES PTE LTD	12,307,859	1.21%
19	CHEW HUA SENG	12,187,032	1.20%
20	DBS VICKERS SECS (S) PTE LTD	11,331,571	1.12%
		673,504,787	66.28%

Statistics of Shareholdings

Size of Shareholdings as at 27 September 2013

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	No of Shares	
Name of Shareholders	**Direct Interest**	**Deemed Interest**
Chew Hua Seng(1)(2)	330,435,853	26,187,046
Doris Chung Gim Lian(1)(2)	171,533,018	185,089,881
Oei Hong Leong(3)	61,510,000	21,627,000

Notes: -

(1) Ms Doris Chung Gim Lian is the spouse of Mr Chew Hua Seng. In this regards, Ms Doris Chung Gim Lian is deemed to have an interest in the shareholdings of Mr Chew Hua Seng and vice versa.

(2) Includes 145,345,972 shares which are held jointly by Mr Chew Hua Seng and Ms Doris Chung Gim Lian.

(3) Mr Oei Hong Leong is deemed to have an interest in the shares held by Oei Hong Leong Art Musuem Limited ("OHLAM") due to his direct interests of 90% in the ultimate holding company of OHLAM.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles Education Corporation Limited will be held on 27 October 2014 at 3.30 p.m. at Phoenix 1, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Audited Financial Statements of the Company for the financial year ended 30 June 2014 together with the Auditor's Report thereon. **[Resolution 1]**

2. To declare a final tax-exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 30 June 2014. **[Resolution 2]**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   (a) Mr Henry Tan Song Kok {retiring pursuant to Article 91} **[Resolution 3]**
   (b) Mr Chew Kok Chor {retiring pursuant to Article 91} **[Resolution 4]**

4. To approve the proposed Directors' fees of S$265,000/- for the financial year ended 30 June 2014. [2013: S$260,560/-] **[Resolution 5]**

5. To re-appoint Messrs BDO LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

7. Authority for Directors to issue shares and to make or grant instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore

   "THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), authority be and is hereby given to the Directors of the Company to:

   (a) issue and allot new shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);

(ii) subject to such other manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(A) any new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(B) any subsequent bonus issue, consolidation or sub-division of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

(iv) such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)] **[Resolution 7]**

8. Authority for Directors to grant options and awards, and to allot and issue shares pursuant to the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) and the Raffles Education Corporation Performance Share Plan

"THAT the Directors of the Company be and are hereby authorised to:

(a) offer and grant options and awards to non-executive directors and employees who are eligible to participate in the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) (the "**Scheme**") and Raffles Education Corporation Performance Share Plan (the "**Share Plan**") in accordance with the Scheme and the Share Plan (as the case may be); and

(b) allot and issue from time to time such number of fully paid shares in the capital of the Company as may be required to be issued pursuant to exercise of such options or vesting of such awards in accordance with the terms and conditions of the Scheme and the Share Plan,

provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme and the Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme and the Share Plan may impose.
[See Explanatory Note (ii)] **[Resolution 8]**

9. Renewal of the Share Purchase Mandate

"THAT

(a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier.

In this Resolution:

"**Maximum Limit**" means that number of shares representing ten per cent (10%) of the total number of issued shares (excluding treasury shares) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of shares shall be taken to be the number of the shares as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier; and

"**Maximum Price**", in relation to a share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(A) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price; and

(B) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price,

where:

(1) "**Average Closing Price**" means the average of the closing market price of a share over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the shares were recorded, before the day on which the purchase or acquisition of shares was made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

(2) "**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **[Resolution 9]**

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 4 November 2014 for the purpose of determining shareholders' entitlements to the final dividend to be paid on 12 November 2014, subject to and contingent upon shareholders' approval for the proposed dividend being obtained at the forthcoming Annual General Meeting of the Company.

Duly completed transfers received by the Company's Registrar, Intertrust Singapore Corporate Services Pte. Ltd. at 3 Anson Road #27-01, Springleaf Tower, Singapore 079909 up to 5.00 p.m. on 3 November 2014 will be registered before entitlements to the dividends are determined.

BY ORDER OF THE BOARD
Keloth Raj Kumar (Mr)
Company Secretary

Singapore,
9 October 2014

Notice of Annual General Meeting

Note:

A Shareholder is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a Shareholder of the Company. Shareholders wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the **Registered Office** of the Company at **51 Merchant Road, Raffles Education Square, Singapore 058283** not less than 48 hours before the time appointed for the Meeting.

Note to item no. 3

(a) Mr Henry Tan is the Lead Independent Director, who will continue in the capacity as the Chairman of the Audit Committee upon re-election as a Director of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

(i) The proposed **Resolution 7**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution to the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to allot and issue shares and to grant instruments (such as warrants, debentures or other securities) convertible into shares, and to issue shares in pursuance of such instruments, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The aggregate number of shares which the Directors may issue (including shares to be issued pursuant to convertibles) under this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares). For issue of shares other than on a *pro rata* basis, the aggregate number of shares to be issued (including shares to be issued pursuant to convertibles) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares).

(ii) The proposed **Resolution 8**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to grant options and awards to eligible non-executive directors and employees of the Company under the Scheme and the Share Plan and to allot and issue shares from time to time pursuant to the exercise of the options under the Scheme or the vesting of the awards under the Share Plan, provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme and the Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme and the Share Plan may impose, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

(iii) The proposed **Resolution 9**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to ten per cent (10%) of the total number of issued shares (excluding treasury shares) as at the date of passing of the Resolution on the terms of the Share Purchase Mandate as set out in the letter to shareholders dated 9 October 2014 accompanying this Notice of Annual General Meeting (the "**Letter**"), unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on, inter alia, the aggregate number of shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the shares purchased or acquired are cancelled or held as treasury shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of 75,439,523 shares, at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2014 and certain assumptions, are set out in paragraph 2.8 of the Letter.

PROXY FORM

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

IMPORTANT

1. For investors who have used their CPF monies to buy Raffles Education Corporation Limited's shares, this Report and Letter to Shareholders is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We ______________________ (Name) ______________________ (NRIC/Passport No.)

of ____ (Address)

being *a shareholder/shareholders of Raffles Education Corporation Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of Shareholdings (%)	
			No. of Shares	%

*and/or failing him/her/them

or failing *him/her/them, the chairman of the Annual General meeting (the "**AGM**"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at Phoenix 1, Level 6, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on 27 October 2014 at 3.30 p.m.

*I/We direct *my/our *proxy/proxies to vote for or against the ordinary resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolution	For	Against
1.	To receive and adopt the Report of the Directors and Audited Financial Statements of the Company for the financial year ended 30 June 2014 together with the Auditor's Report thereon.		
2.	To declare a final tax-exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 30 June 2014.		
3.	To re-elect Mr Henry Tan Song Kok as a Director {retiring pursuant to Article 91}.		
4.	To re-elect Mr Chew Kok Chor as a Director {retiring pursuant to Article 91}.		
5.	To approve the proposed Directors' fees of S$265,000/- for the financial year ended 30 June 2014. [2013: S$260,560/-]		
6.	To re-appoint Messrs BDO LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.		
7.	Authority to allot and issue shares up to fifty per cent (50%) of total issued shares (excluding treasury shares).		
8.	Authority to issue shares under the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) and the Raffles Education Corporation Performance Share Plan.		
9.	Authority to purchase up to ten per cent (10%) of issued ordinary shares (excluding treasury shares) under the Share Purchase Mandate.		

**Delete accordingly*
*** If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided*

Signed this ________ day of ______________ 2014

Total number of Shares in:	No. of Shares held
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of shareholder(s) or
Common Seal of corporate shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. A shareholder of the Company ("**Shareholder**") entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Such proxy need not be a Shareholder.

2. Where a Shareholder appoints two (2) proxies, the proportion of the shareholding concerned (expressed as a percentage of the whole) to be represented by each such proxy shall be specified in the instrument appointing the proxy or proxies. The proposed appointments will be invalid where the proportions of shareholding concerned are not specified.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**").

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at 51 Merchant Road, Raffles Education Square, Singapore 058283, not less than 48 hours before the time appointed for holding of the AGM. Completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes. In such event, the relevant proxy form will be deemed to be revoked.

6. A Shareholder should insert the total number of shares held. If the Shareholder has Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act), he should insert that number of Shares. If the Shareholder has Shares registered in his name in the Register of Members of the Company, he should insert the number of Shares. If the Shareholder has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by Shareholder.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shareholders whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Shareholders are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time of the AGM as certified by The Central Depository (Pte) Limited to the Company and accept as the maximum number of votes which in aggregate the proxy or proxies is or are able to cast on a poll a number which is the number of Shares entered against the name of that Shareholder in the Depository Register as at 48 hours before the time of the AGM as certified by The Central Depository (Pte) Limited to the Company, whether that number is greater or smaller than the number specified in such instrument appointing a proxy or proxies.

8. A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time appointed for holding of the AGM.

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Corporate Information

Board of Directors
Mr Chew Hua Seng
(Chairman & CEO)

Mr Henry Tan Song Kok
(Lead Independent Director)

Mr Lim Tien Lock, Christopher
(Independent Director)

Dr Tan Chin Nam
(Independent Director)

Mr Teo Cheng Lok John
(Independent Director)

Mr Chew Kok Chor
(Executive Director & Deputy CEO)

Audit Committee
Mr Henry Tan Song Kok
(Chairman)
Mr Teo Cheng Lok John
Mr Lim Tien Lock, Christopher

Risk Management Committee
Mr Lim Tien Lock, Christopher
(Chairman)
Dr Tan Chin Nam
Mr Teo Cheng Lok John

Nomination Committee
Dr Tan Chin Nam
(Chairman)
Mr Chew Hua Seng
Mr Lim Tien Lock, Christopher

Remuneration Committee
Mr Teo Cheng Lok John
(Chairman)
Mr Lim Tien Lock, Christopher
Dr Tan Chin Nam

Company Secretary
Mr Keloth Raj Kumar

Registered Office
51 Merchant Road
Raffles Education Square, Singapore 058283
Telephone: (65) 6338 5288
Facsimile: (65) 6338 5167
Website: www.raffles-education-corporation.com

Auditors
BDO LLP
21 Merchant Road
#05-01 Royal Merukh S.E.A Building
Singapore 058267

Audit Partner: Mr Ng Kian Hui
Appointed with effect from financial year 2013

Banker
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Share Registrar
Intertrust Singapore Corporate Services Pte. Ltd.
3 Anson Road #27-01
Springleaf Tower
Singapore 079909

Success by *Design*

RafflesEducationCorp

51 Merchant Road, Raffles Education Square, Singapore 058283
Tel: (65) 6338 5288 Fax: (65) 6338 5167 Company Reg. No. 199400712N
Website: www.raffles-education-corporation.com