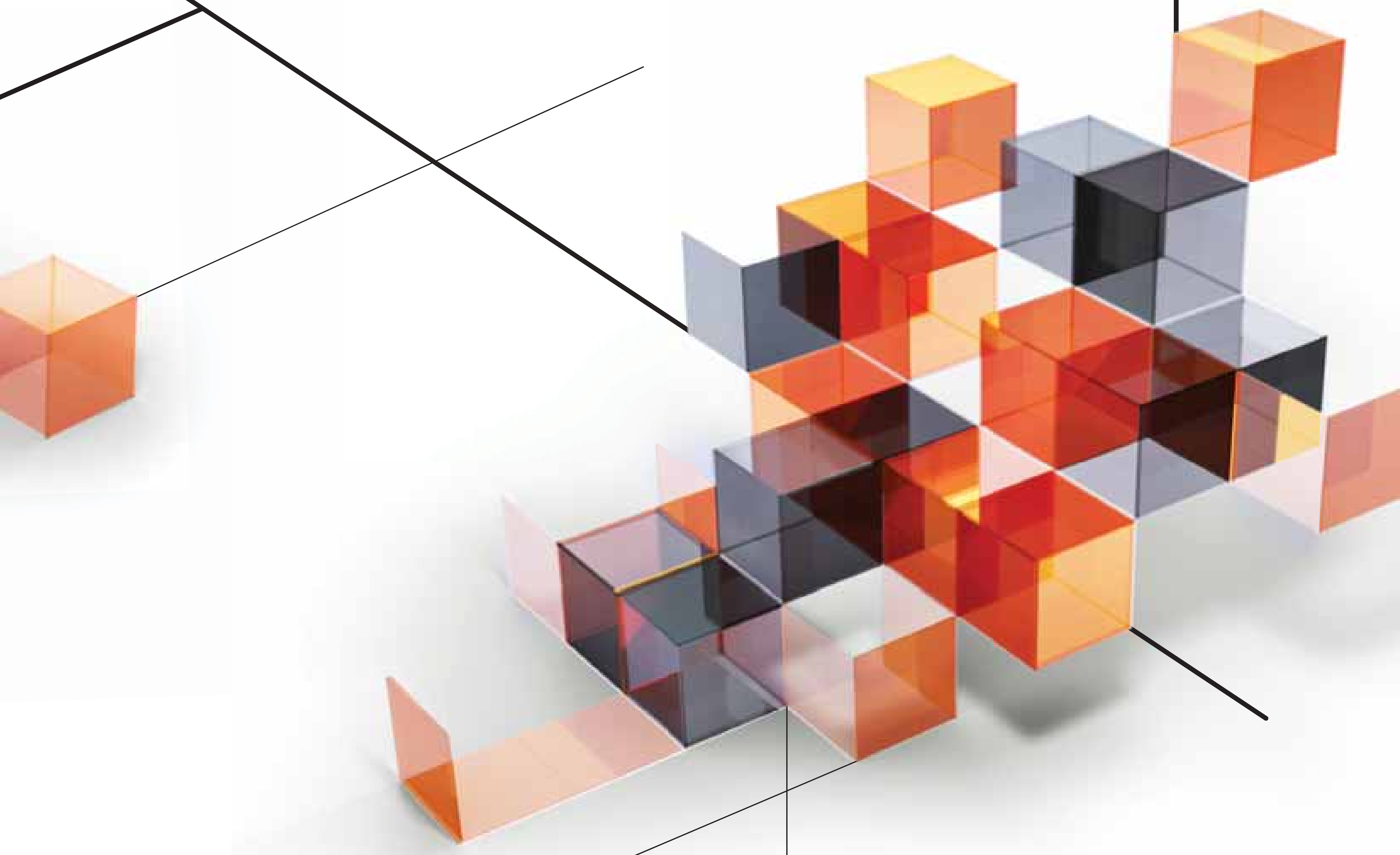
# FROM STRENGTH **TO STRENGTH**

ANNUAL REPORT 2016



RafflesEducation


FROM BLUEPRINT TO
ARCHITECTURAL
STATEMENT
Raffles

# CONTENTS

FROM CURIOSITY
# TO PASSION

FROM TEACHER
# TO LIFELONG MENTOR

# FROM THE CLASSROOM
# TO THE OUTDOOR ROOM


HERMÈS

# FROM CLASSMATES TO BEST MATES

## OUR **VISION**

Our vision is to be the premier education Group.

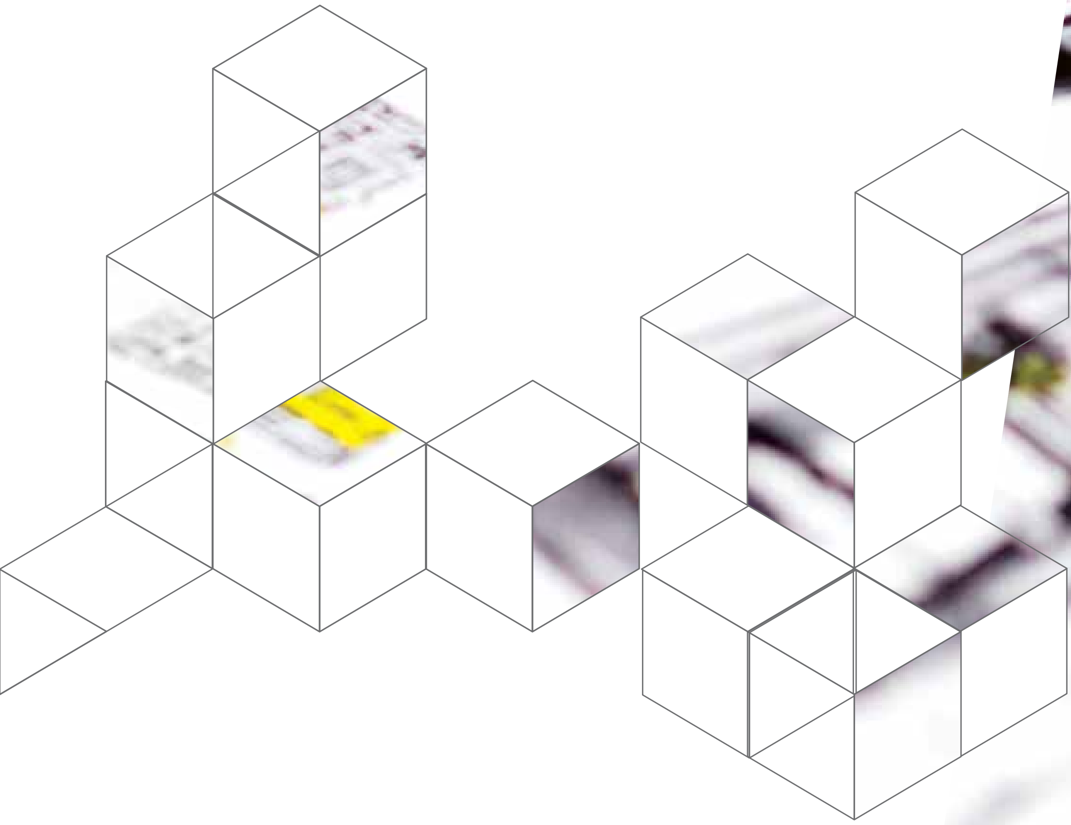
## OUR **MISSION**

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



## CORPORATE PROFILE

Raffles Education Corporation Limited (“RafflesEducation” or “the Group”) is the premier education Group. Since establishing its first college in Singapore in 1990, the Group has grown to operate 30 colleges in 28 cities across 14 countries in Asia-Pacific, Europe and the US: Australia, Cambodia, China, India, Indonesia, Italy, Malaysia, Mongolia, Saudi Arabia, Singapore, Sri Lanka, Switzerland and Thailand.

More than 20,000 students enrolled in RafflesEducation’s tertiary programmes benefit from a quality education that provides graduates with a well-rounded hands-on experience that is relevant to the industry.

The Group owns Raffles University Iskandar in Johor, Malaysia and Tianjin University of Commerce Boustead College in the People’s Republic of China. The Group also set up the first school in Johor, Malaysia that offers American K-12 education, named “Raffles American School”. The Group is in the process of setting up a design school in Milan, Italy and the acquisition of Santa Fe University of Art and Design, LLC (“Santa Fe”). Santa Fe offers complementary programmes in Film, Performing Arts, Studio Arts and Theatre, Contemporary Music, Creative Writing and Literature, Graphic Design, Digital Arts and Photography.

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 ten colleges with an additional student population of over 19,000.

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

# LETTER TO **SHAREHOLDERS**

Dear Shareholders,

FY2016 has been a challenging year for the Group as it operated in a global macroeconomic environment that is less than favourable. However, with a keen eye for unlocking potential, the Group took the opportunity to enter the US education market and further invest and grow its presence in Europe.

## Premier Education Provider

In July 2016, Raffles American School moved into its new premises in Iskandar, Johor, after construction of its Phase 1 has been completed. The design of the campus embraces and accentuates the varying heights and gradients of the sprawling land within the 46-acre site, providing the students, ranging from kindergarten to year 12, with an aesthetically pleasing, secure and functional environment that is conducive to learning and growth. Phase 1 consists of a 3-storey academic block that additionally houses the administrative offices, reading and play-acting rooms and a library. This Phase also consists of age appropriate playgrounds, an Olympic-size swimming pool, gymnasiums and other sports facilities. When fully completed, the campus will have its own unique dormitory set up and boast a planetarium equipped with state of the art technology. It is expected to be the most modern facility of its kind in Malaysia.

During the year, the Group's wholly-owned indirect subsidiary, Raffles Asset Italy S.R.L., purchased a 4-storey building at Via Felice Casati, 16, in Milan, Italy. The premises of 4,800 sq. metres, after renovation, will eventually house our design school in Milan with the balance leased out as commercial space. This is in line with the Group's aim to ultimately invest in the education assets and facilities of every school and college that it operates in order to create good facilities for the students as well as for cost efficiency.


RAS

At the extraordinary general meeting held on 25 July 2016, the shareholders have approved the proposed acquisition of Santa Fe University of Art and Design LLC, located in New Mexico, a state in the US. Completion of the acquisition will mark the Group's maiden entry into America. The acquisition will complement the Group's existing colleges and schools in Asia-Pacific and is congruous with the Group's strategy of extending its global reach to higher yield education markets.

## Management of Education Assets and Facilities

In October 2015, Oriental University City Holdings (H.K.) Limited ("OUCHK"), the Group's 75% owned subsidiary that is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, increased its stake from 14.9% to 19.9% in Axiom Properties Limited, a property development and investment company listed on the Australian Stock Exchange that is also in the business of student accommodation and provision of ancillary education facilities.

In May 2016, OUCHK announced that it had entered into agreements to acquire the land and buildings that are currently leased to our Raffles College in Kuala Lumpur, Malaysia.

OUCHK is actively seeking opportunities to grow its portfolio of education assets and facilities.

## Education-Linked Real Estate Investment and Development

In March 2016, OUCHK took a 12.77% stake in 4 Vallees Pte. Ltd. (previously a wholly-owned subsidiary of Raffles Education Corporation Limited), that is involved in the ownership and leasing of hospitality assets and commercial real estate in Switzerland. The Group will continue to seek opportunities in this business segment.

## In Closing

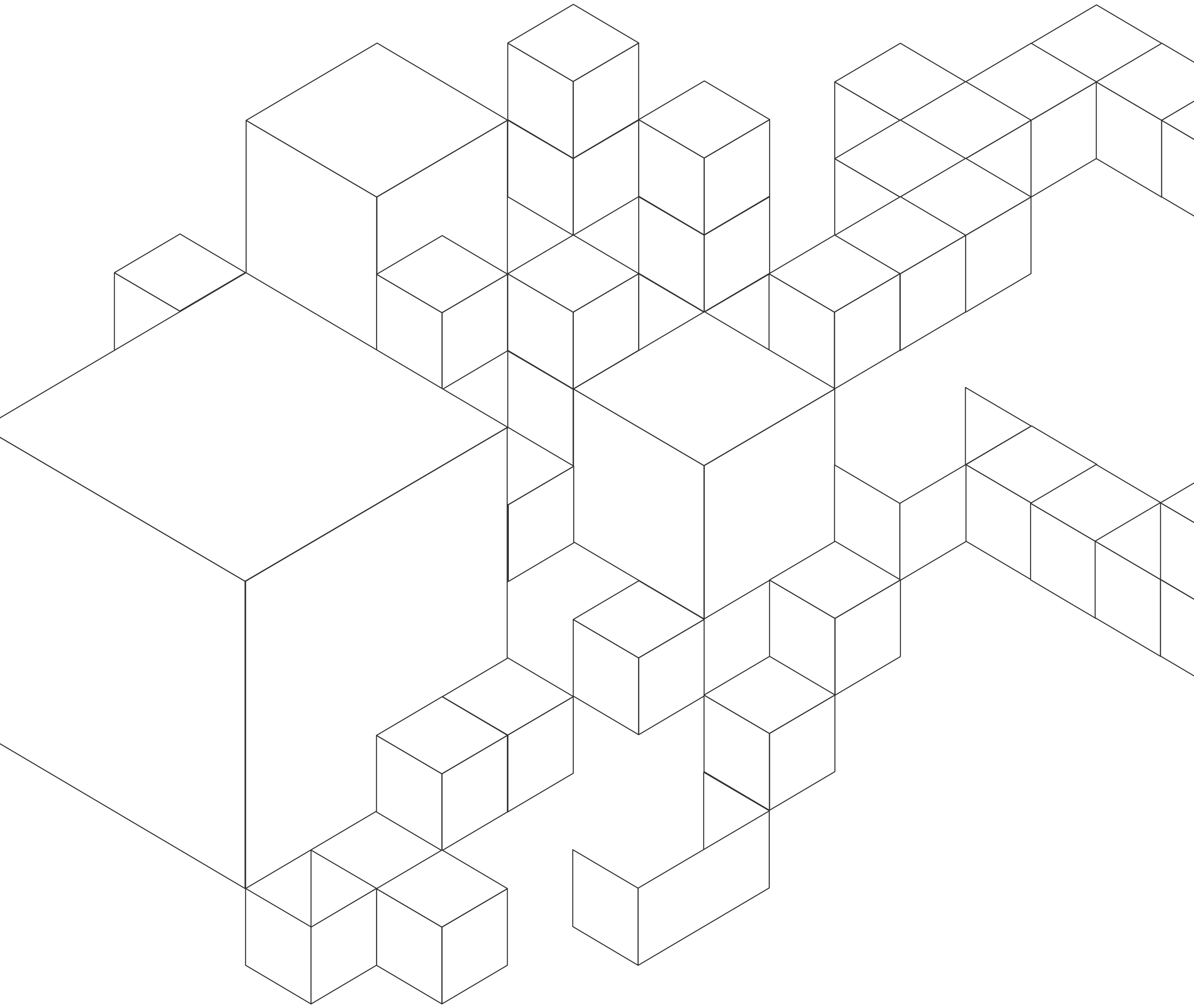
The Group will continue to focus on achieving sustainable growth through improvement in operations, entry into markets with higher returns and embarking on suitable education-related businesses. While the focus is on sustainable growth that will in turn increase the wealth of our shareholders, the Group is ever mindful of the principles of good corporate governance and robust risk management.

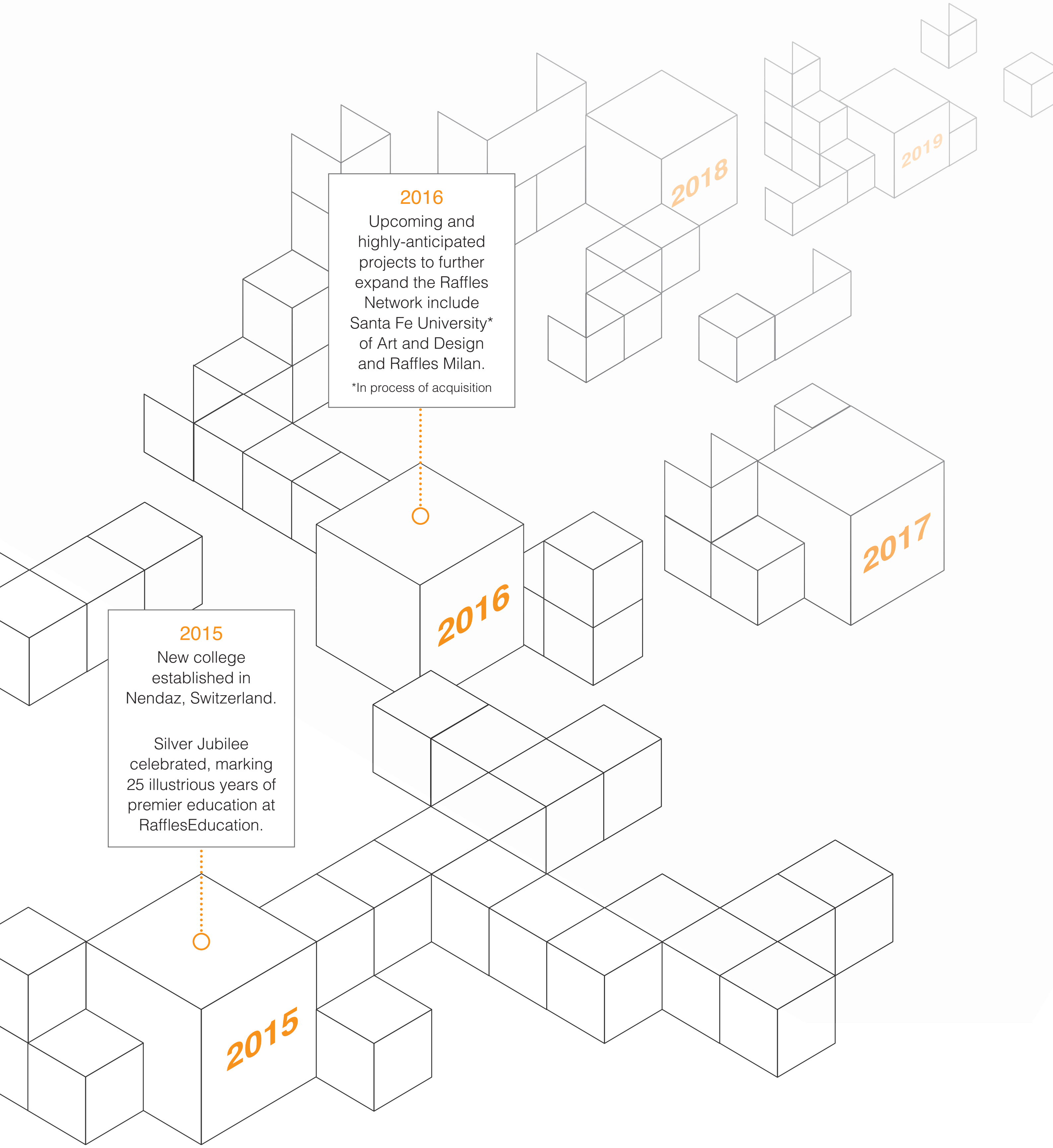
The Board and Management will diligently follow through the business plans and strategy to realize in as short a time frame as possible the anticipated additional income streams and growth for the Group. We thank our shareholders, investors, students, business partners, staff and all stakeholders for their continuing support. We also acknowledge the guidance and wise counsel of our Board members.

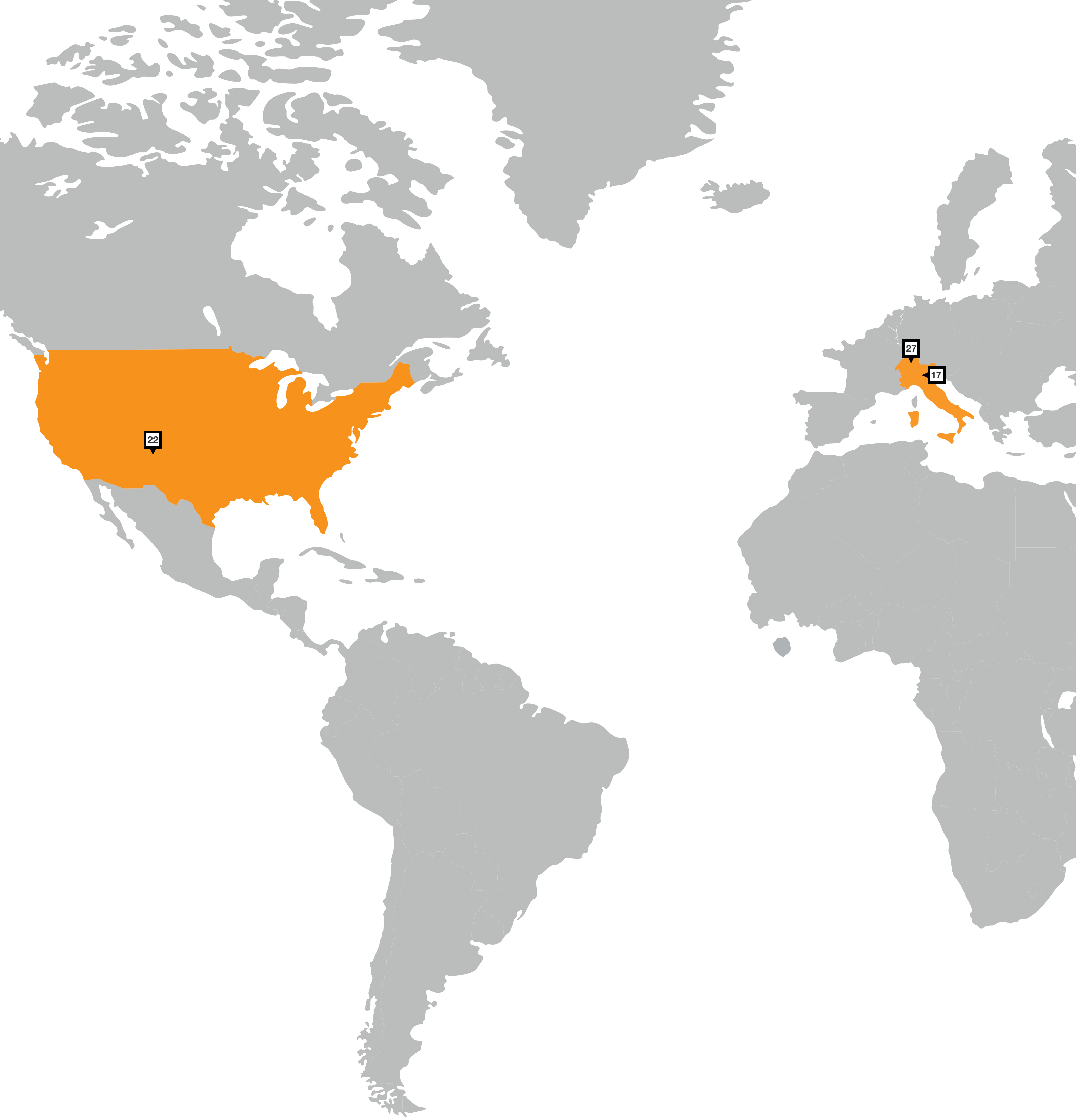
Mr Chew Hua Seng
*Chairman and CEO*

# CORPORATE **MILESTONES**

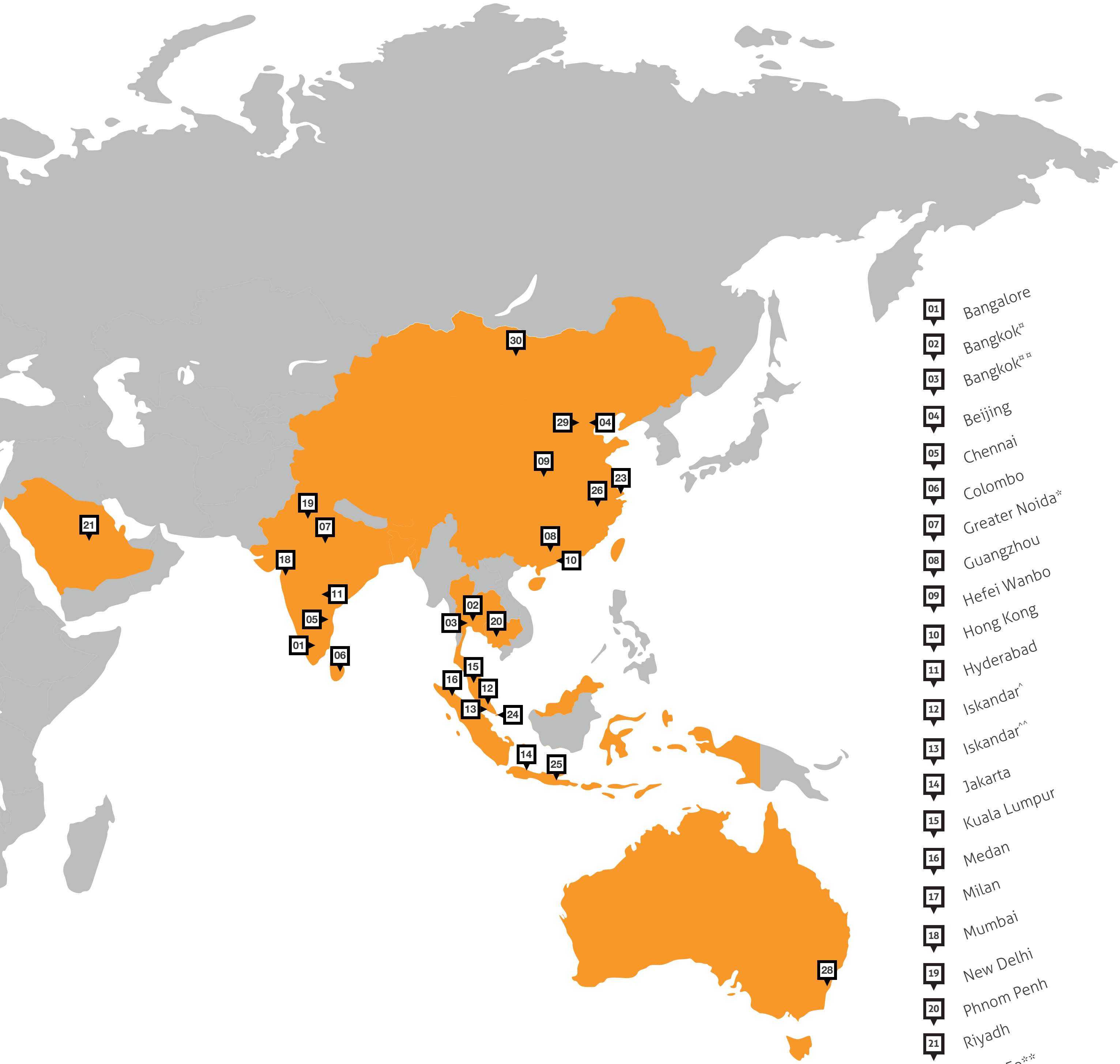
A new chapter unfolds as RafflesEducation celebrated its Silver Jubilee last year. To come thus far and to cement our position as a premier educational institution is solid evidence of the support given to us by all stakeholders. At this juncture, looking beyond 26, our milestones will continue to define the formula of our success and to further concretise our foundation with the encouragement from everyone. One and all, together.




2016
Upcoming and highly-anticipated projects to further expand the Raffles Network include Santa Fe University* of Art and Design and Raffles Milan.
*In process of acquisition
2015
New college established in Nendaz, Switzerland.
Silver Jubilee celebrated, marking 25 illustrious years of premier education at RafflesEducation.
2015
2016
2017
2018
2019




# A NETWORK OF SOLID FOUNDATION



01 Bangalore
02 Bangkok°
03 Bangkok°°
04 Beijing
05 Chennai
06 Colombo
07 Greater Noida*
08 Guangzhou
09 Hefei Wanbo
10 Hong Kong
11 Hyderabad
12 Iskandar^
13 Iskandar^^
14 Jakarta
15 Kuala Lumpur
16 Medan
17 Milan
18 Mumbai
19 New Delhi
20 Phnom Penh
21 Riyadh
22 Sante Fe**
23 Shanghai
24 Singapore
25 Surabaya
26 Suzhou
27 Nendaz
28 Sydney
29 Tianjin
30 Ulaanbaatar

# 30 Colleges
# 28 Cities
# 14 Countries

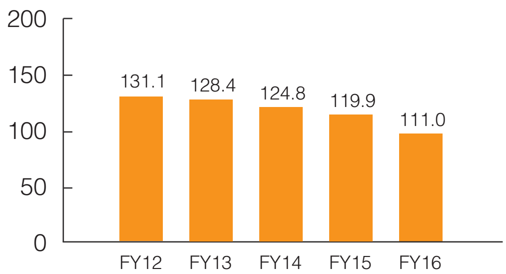
* Pending approval
** In acquisition
° K-12
°° College
^ K-12
^^ University

# FINANCIAL **HIGHLIGHTS**

| For the year ended 30 June (S$'000) | 2012 Restated# | 2013 | 2014 Restated^ | 2015 | 2016 |
|---|---|---|---|---|---|
| **Operating Results** | | | | | |
| Revenue | 131,135 | 128,377 | 124,839 | 119,895 | 111,030 |
| Profit/(loss) | | | | | |
| Adjusted EBITDA~ | 23,635 | 71,059 | 71,591 | 46,095 | 57,266 |
| Operating | 63,253 | (5,232) | 54,367 | 11,811 | 9,808 |
| Before Tax from continuing operations | (10,355) | 27,952 | 80,109 | 22,339 | 27,670 |
| After Tax from continuing operations | (58,907) | 34,498 | 58,501 | 19,371 | 19,689 |
| After Tax from continuing & discontinuing operations | (71,862) | 34,248 | 58,264 | 19,371 | 19,689 |
| Attributable to shareholders | (66,261) | 26,672 | 55,374 | 16,983 | 15,818 |
| Operating Cashflow | 13,768 | 9,009 | 12,876 | 4,167 | 815 |
| Earnings per Share (cents)- Basic* | (6.91) | 2.66 | 5.40 | 1.68 | 1.63 |
| - Diluted* | (6.91) | 2.66 | 5.40 | 1.68 | 1.63 |
| Shares used in calculating EPS (millions) -Basic* | 958 | 1,004 | 1,025 | 1,010 | 973 |
| -Diluted* | 958 | 1,004 | 1,025 | 1,010 | 973 |
| **Financial Position** | | | | | |
| Issued Share Capital** | 436,696 | 460,402 | 457,720 | 449,055 | 442,102 |
| Shareholders Funds | 500,409 | 554,418 | 563,695 | 565,996 | 528,203 |
| Non-current Assets | 737,268 | 814,859^ | 787,640 | 944,462 | 971,281 |
| Current Assets | 432,657 | 256,023^ | 305,932 | 322,620 | 218,050 |
| Current Liabilities | 552,560 | 221,416^ | 250,130 | 422,956 | 181,903 |
| Non-current Liabilities | 76,038 | 246,169 | 240,157 | 184,751 | 388,469 |
| Net Asset Value per Share (cents)* | 58.56 | 54.07 | 55.41 | 57.10 | 54.71 |
| **Return On Shareholders Funds** | | | | | |
| Return on Equity (%) | -13.2% | 4.8% | 9.8% | 3.0% | 3.0% |
| Net Profit Margin (%) | -50.5% | 20.8% | 44.4% | 14.2% | 14.2% |

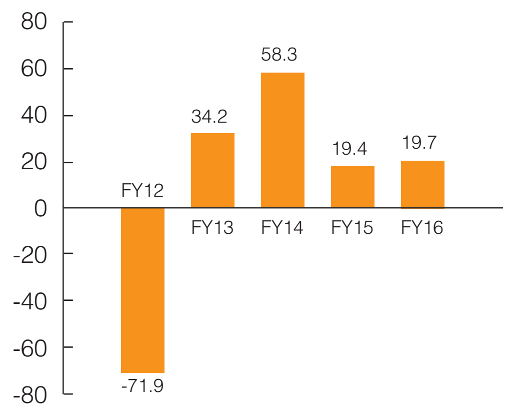
Revenue

S$ millions




Net Profit/(Loss) After Tax

S$ millions




Note:
- * Financial year 2012 are restated to take into consideration for the rights issue on 23 October 2012.
- ** Net of treasury shares
- \# Certain accounting policies or accounting standards had changed in the financial years 2013.
- ^ Certain accounting policies or accounting standards had changed in the financial years 2015. Only the financial information presented above for each of the years immediately preceding 2015 and the financial position of 2013 had been restated to reflect the relevant changes in accounting policies or accounting standards.
- ~ Net fair value gain on investment properties was included in the adjusted EBITDA as the real estate investment and development segment is part of our core business.

| For the year ended 30 June (S$'000) | 2015 | 2016 | Change |
|---|---|---|---|
| **Operating Results** | | | |
| Revenue | 119,895 | 111,030 | -7.4% |
| Profit | | | |
| Adjusted EBITDA~ | 46,095 | 57,266 | 24.2% |
| Operating | 11,811 | 9,808 | -17.0% |
| Before Tax | 22,339 | 27,670 | 23.9% |
| After Tax | 19,371 | 19,689 | 1.6% |
| Attributable to shareholders | 16,983 | 15,818 | -6.9% |
| Operating Cashflow | 4,167 | 815 | -80.4% |
| Earnings per Share (cents)- Basic | 1.68 | 1.63 | -3.0% |
| - Diluted | 1.68 | 1.63 | -3.0% |
| Shares used in calculating EPS (millions) -Basic | 1,010 | 973 | -3.7% |
| -Diluted | 1,010 | 973 | -3.7% |
| **Financial Position** | | | |
| Issued Share Capital** | 449,055 | 442,102 | -1.5% |
| Shareholders Funds | 565,996 | 528,203 | -6.7% |
| Non-current Assets | 944,462 | 971,281 | 2.84% |
| Current Assets | 322,620 | 218,050 | -32.4% |
| Current Liabilities | 422,956 | 181,903 | -57.0% |
| Non-current Liabilities | 184,751 | 388,469 | 110.3% |
| Net Asset Value per Share (cents) | 57.10 | 54.71 | -4.2% |

| As at 30 June | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Revenue Contribution by Region** | | | | | |
| Asean | 22.5% | 24.8% | 28.5% | 29.6% | 28.5% |
| North Asia | 60.8% | 56.6% | 58.6% | 57.3% | 63.0% |
| Australasia | 11.8% | 12.4% | 10.2% | 10.1% | 5.1% |
| South Asia | 4.9% | 6.2% | 2.7% | 2.8% | 2.5% |
| Europe | - | - | - | 0.2% | 0.9% |
| Total | 100% | 100% | 100% | 100% | 100% |

## Revenue Contribution by Segments

| (S$'000) | 2015 | 2016 |
|---|---|---|
| Private Education System | 72,015 | 55,050 |
| National Education System | 30,017 | 33,537 |
| Education Facilities | | |
| Rental Service | 13,149 | 14,774 |
| Corporate & Others | 98 | 73 |
| Real Estate Investment | | |
| & Development | 4,616 | 7,596 |
| Total | 119,895 | 111,030 |

## Earnings Contribution by Segments

| (S$'000) | 2015 | 2016 |
|---|---|---|
| Private Education System | 20,109 | 13,808 |
| National Education System | 7,145 | 7,907 |
| Education Facilities | | |
| Rental Service | 9,601 | 11,513 |
| Corporate & Others | (26,545) | (25,224) |
| Real Estate Investment | | |
| & Development | 9,061 | 11,685 |
| Total | 19,371 | 19,689 |

Note:
** Net of treasury shares


莱佛士教育
RafflesAcademy
SUCCESS BY DESIGN


# FY2016 Financial Review

Group revenue decreased from $119.9 million for FY2015 to $111.0 million for FY2016 mainly due to discontinuation and teach-out of Raffles Shanghai joint venture college and reduction in foreign student intake in Raffles Sydney.

Group net profit of $19.7 million in FY2016 was comparable to $19.4 million in FY2015.

Earnings Per Share decreased to 1.63 cents from 1.68 cents. The Group's Net Asset Value decreased to 54.71 cents in FY2016 from 57.10 cents in FY2015. The Group's FY2016 net gearing ratio was 0.57 times.

The unfavorable macroeconomic conditions in the world, especially in the region and PRC, currency volatility and uncertain global interest rate movements are creating new challenges for the Group.

The Group is facing increasing competition, higher manpower costs, a more stringent regulatory environment which are expected to have an adverse effect on the Group's operations.

The Group will also seek opportunities in new territories.

# BOARD OF **DIRECTORS**

1

Mr. Chew Hua Seng
*Chairman and CEO*
(Seated Left)

2

Mr. Henry Tan Song Kok
*Lead Independent Director*
(Seated Right)

3

Mr. Chew Kok Chor
*Executive Director and Deputy CEO*
(Standing First from Left)

4

Dr. Tan Chin Nam
*Independent Director*
(Standing Second from Left)

5

Mr. Lim Tien Lock, Christopher
*Independent Director*
(Standing Third from Left)

6

Mr. Teo Cheng Lok John
*Independent Director*
(Standing Fourth from Left)

## Mr Chew Hua Seng

*Chairman and CEO*

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

Mr Chew has led RafflesEducationCorp to achieve an excellent track record of growth since founding the Group in 1990. The Group listed on the Singapore Exchange in 2002 and was ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion" list for four consecutive years, from 2006 to 2009. 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 Award in November 2010 for his outstanding achievements. Mr Chew was also conferred the Public Service Medal in 2010 by the President of Singapore for his contribution to community service.

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 RafflesEducationCorp'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.

Mr Tan is a Fellow of the Institute of Singapore Chartered Accountants, Insolvency Practitioners Association of Singapore Ltd, Chartered Accountants Australia and New Zealand, and Singapore Institute of Directors. He is a member of Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Accredited Tax Professional Limited. He also sits on the NTU Nanyang Business School Alumni Advisory Board. Mr Tan is a director of SGX-listed companies: YHI International Limited and China New Town Development Co Ltd.

## 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 is presently the Chairman of Temasek Management Services Pte Ltd and Global Fusion Capital Pte Ltd. He is concurrently Senior Adviser to Salim Group and ZANA Capital Pte. Ltd. Dr Tan is also a director of Yeo Hiap Seng Limited and Gallant Venture Ltd, both listed on the SGX. He is also a Member of the Board of Trustees of Bankinter's Foundation for Innovation (Spain) and a member of the Advisory Board of The Centre for Liveable Cities.

Dr Tan Chin Nam had 33 years of distinguished service in the Singapore Civil Service, having held key appointments such as Managing Director of Economic Development Board, Chief Executive of Singapore Tourism Board, General Manager and Chairman of National Computer Board, Chairman of National Library Board, Chairman of Media Development Authority and Permanent Secretary of Ministry of Manpower and Ministry of Information, Communications and the Arts.

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.

Dr Tan 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 RafflesEducationCorp 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 an undergraduate 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.

# Business Overview

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

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 has grown its portfolio from one college in Singapore to 30 institutions in 28 cities across 14 countries in Asia-Pacific, Europe and the US.

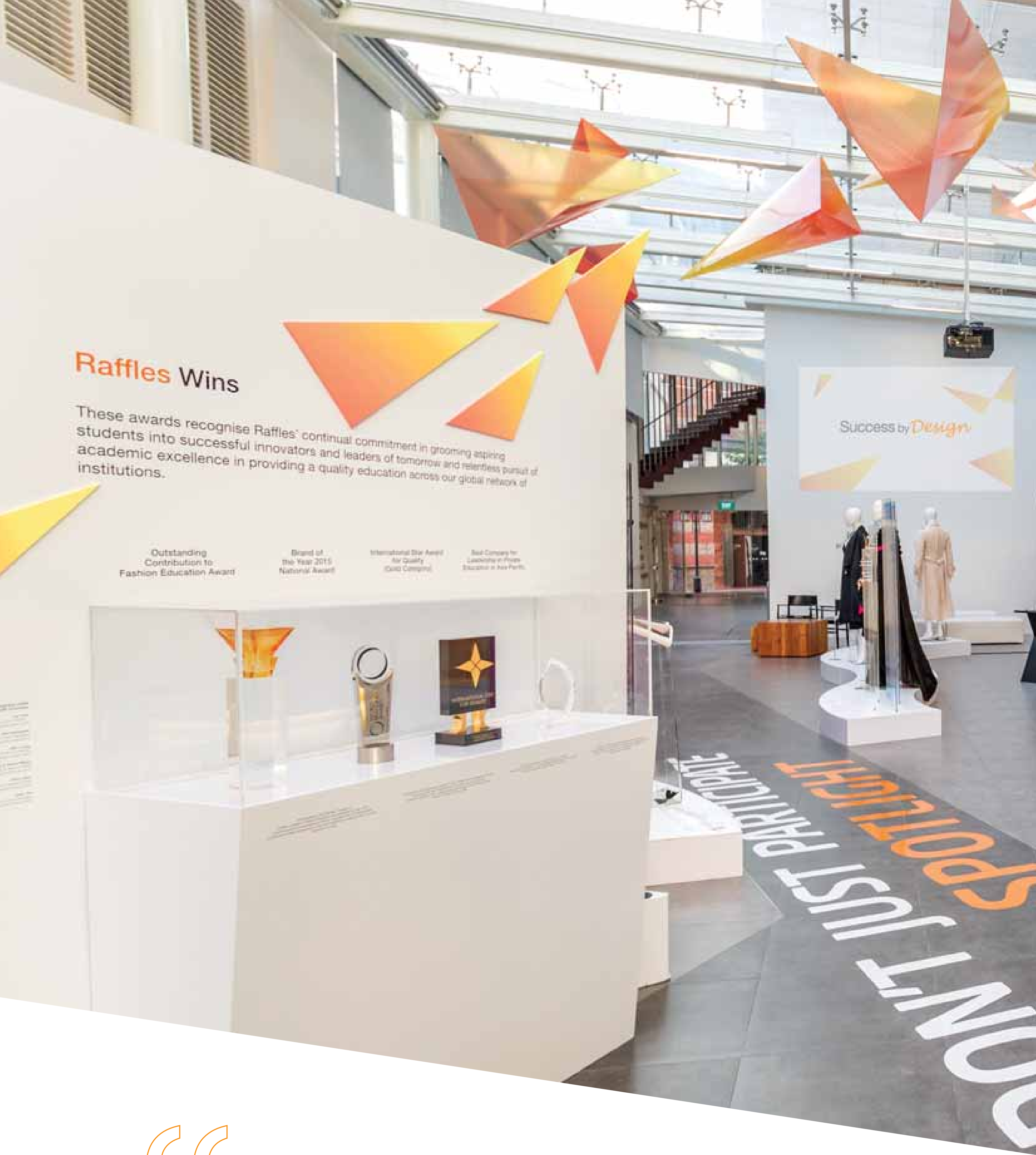
Our colleges offer a comprehensive range of internationally recognised programmes leading to Diploma, Advanced Diploma, Degree and Masters qualifications. The diagram below illustrates the structure of RafflesEducation:


## RafflesEducation

| Asia | Indonesia | India | Middle East | China | Europe | K-12 | US | Oriental University City |
|---|---|---|---|---|---|---|---|---|
| • Bangkok, Thailand<br>• Kuala Lumpur, Malaysia<br>• Phnom Penh, Cambodia<br>• Singapore<br>• Sydney, Australia<br>• Ulaanbaatar, Mongolia | • Jakarta<br>• Medan<br>• Surabaya | • Bangalore<br>• Mumbai<br>• New Delhi<br>• Chennai<br>• Hyderabad | • Riyadh, Saudi Arabia | • Beijing<br>• Guangzhou<br>• Hong Kong<br>• Shanghai<br>• Hefei Wanbo College | • Nendaz, Switzerland<br>• Milan, Italy | • Suzhou Kindergarten, Suzhou, China<br>• Raffles American School Iskandar, Malaysia<br>• Raffles American School Bangkok, Thailand | • Santa Fe University of Art and Design*<br>* In acquisition | • 10 collaborative schools |
| **Universities**<br>• Colombo, Sri Lanka<br>• Iskandar, Malaysia | | **University**<br>• Greater Noida | | **University**<br>• Tianjin University of Commerce Boustead College | | | | |
| 8 Cities | 3 Cities | 6 Cities | 1 City | 6 Cities | 2 Cities | 3 Cities | 1 City | |


INFINITY B3GINS
WHEN ENDS MEET


brother




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


Gear VR
GLITZ
by TOO FACED
TOO FACED COSMETICS
MAJOR MINOR

## Raffles University System

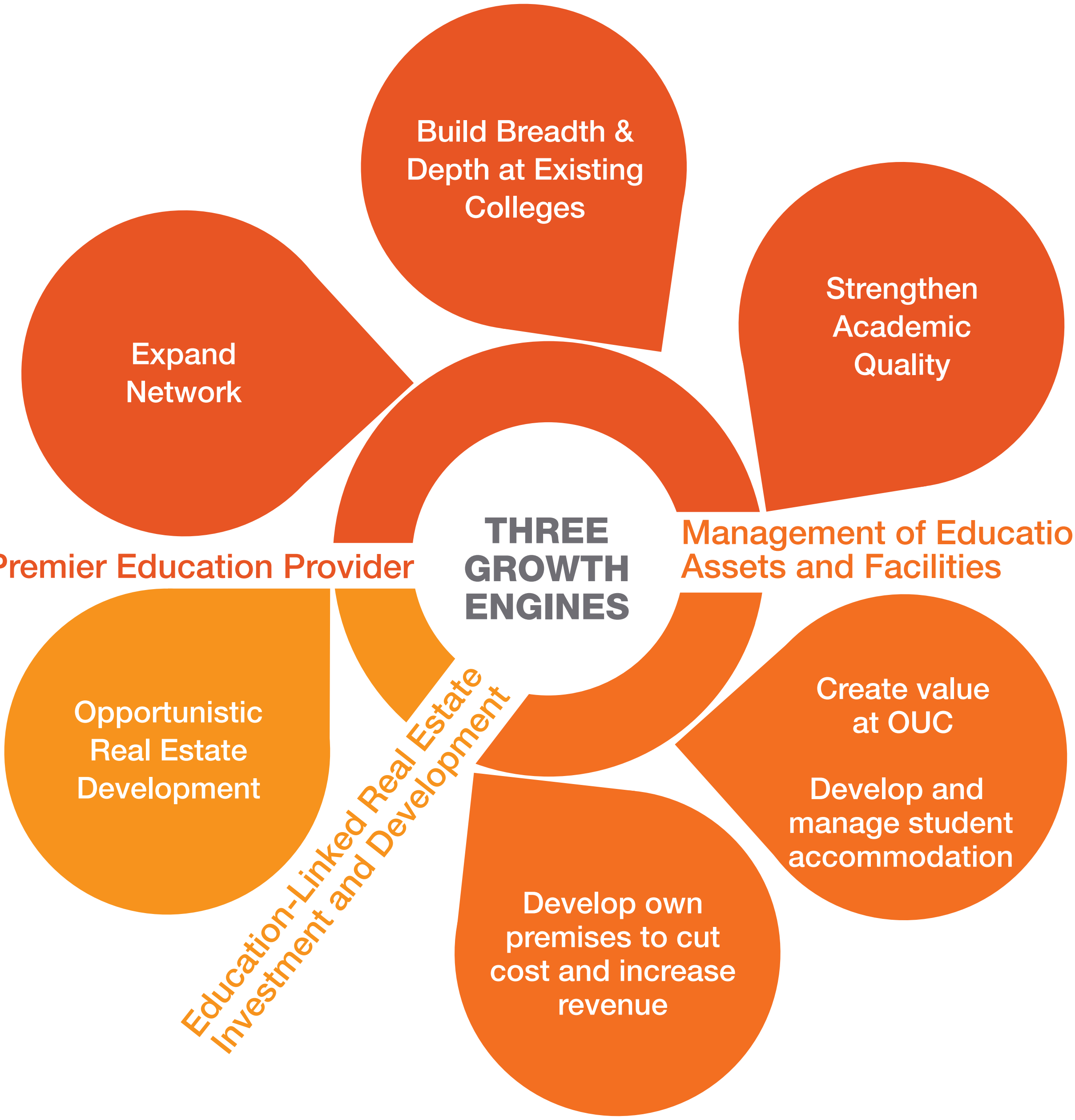
RafflesEducation is committed to providing quality education through its network of institutions. Raffles University System (”RUS”) is the principal body that has the overall responsibility for coordinating and harmonising the curriculum, quality assurance of content and delivery, as well as improvement 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.

## Higher Education Institutions

Currently, RafflesEducation has higher education institutions in Australia, China and Malaysia.

# Strategy




*Our strategies are meant to* ***ensure sustainability*** *in our education business.*

Our journey to success was a corporate journey crafted with great foresight and a well-designed roadmap.

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

RafflesEducation 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 Asia-Pacific and Europe 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 enjoys a reputation as a provider of quality education that focuses on practical training and academic excellence. Therefore, 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 in any institutions within the Raffles network. Given the Group's extensive 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 is strategically positioned to provide quality education to Asia's large and growing youth population for future growth.

## Expand Raffles Higher Education Group

RafflesEducation currently has higher education level institutions in Australia, China and Malaysia. We are also in the process of developing a university in Sri Lanka.

The expansion of Raffles Higher Education Group is significant, as it will eventually translate into a larger market share for RafflesEducation. Hence, the Group's decision to acquire Santa Fe University of Art and Design.

# Create Value at Oriental University City

The Group through its subsidiary that is listed on the Growth Enterprise Market of the Stock exchange of Hong Kong Limited (GEM) owns Oriental University City ("OUC") 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 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 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.

Through RUS, the Group grows its intellectual property portfolio and strengthens its accreditations and academic credibility.


## Asian Couture Federation Award

Outstanding Contribution to Fashion Education in Singapore 2014

## International Star Award

For Quality (Gold Category) 2014

## International Diamond Prize Award

Excellence in Quality 2015


World Branding Award

Brand of the Year
National Award 2015

IAIR Corporate Award

Best Company for Leadership in Private Education in Asia Pacific 2015

IAIR Corporate Award

Excellence of the Year for Leadership in Education in Asia 2016

# CORPORATE **AWARDS**

These awards recognise RafflesEducation's continual commitment in grooming aspiring students into successful innovators and leaders of tomorrow and relentless pursuit of academic excellence in providing a quality education across our global network of institutions.


Raffles Privato

# FROM CONCEPT TO REALITY

True to our vision as a premier education Group, Raffles Privato was launched in 2010 at Paragon, one of Singapore's most upscale shopping mall, as a fashion incubator concept to discover and nurture promising Raffles Fashion Designers. Into its sixth year, this unique concept-to-reality initiative has allowed numerous talents and their private labels to blossom in the real market, marking their successful venture outside the classroom.

Numerous names have graced the Privato platform with their unique Raffles character. These names, among many others, continue to inspire Raffles Fashion Designers in their pursuit of creative excellence.

After celebrating our silver jubilee in 2015, we have more good news in the pipeline as Raffles Privato makes a refreshing comeback by reinventing itself and featuring a travelling pop-up concept that is adaptive to different locations within Paragon. Furthermore, flexibility, mobility and technology have become the name of the game as customers can now enjoy cashless payment managed by roaming sales personnel.

This is Raffles Privato. Always refreshing. Always new.

## Stepping Into the limelight

***Joe Chia*** by Joe Chia

***Paul*** by Paul Nathaphol

***Mr Howard*** by Tsai Ming Hung

***Amos Ananda*** by Amos Ananda

***Valencia Mita Andriani*** by Mita Andriani

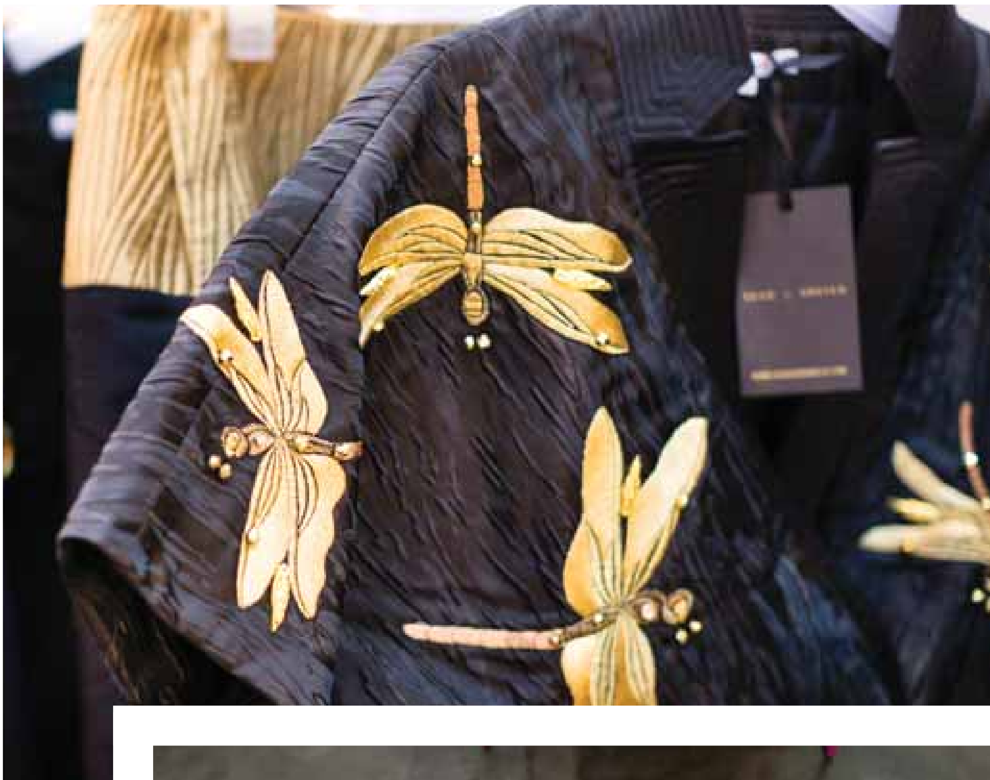
***Sean&Sheila*** by Sean Loh and Sheila Agatha

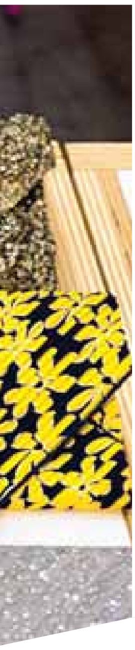
***Cynthia Francesca*** by Cynthia Francesca

***Pleatation*** by Chiang Xiaojun

***Prodigal Son*** by Erin Loh

***Isolation*** by Iven Teh





# Raffles Wins

## IRENE HO THE ATELIER'S DESIGN

Irene HO

**Icon Ball 2016 Top Design**

## SAFETY NO. 1 FIRST AID

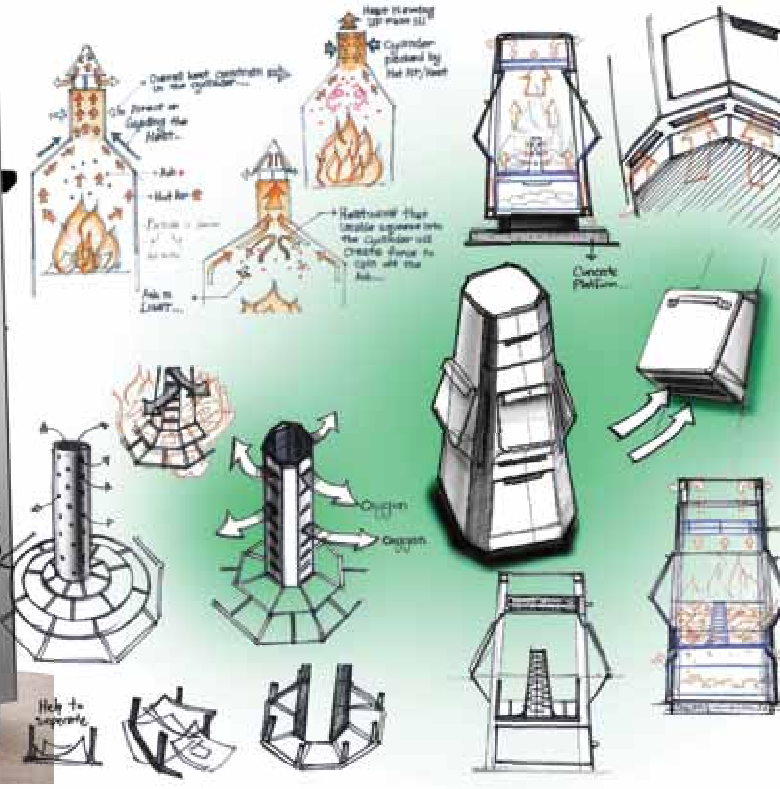
TENG Xiang Yi Alexzandra

**Singapore Design Award 2016**

# SUPERMARKET DESIGN

WU Xuyang

**Singapore Good Design Award 2016**



# OTOGON FURNACE

Wayne GOH Keh Yeng

**Singapore Design Award 2016**


# CUSTOMISED SANDALS

Elmi, Jesslyn HADI, Kezia Melissa PUSPADEWI, Della YULIA and Grisselda PHERRY (From Left to Right)

**Singapore Design Award 2016**

# REINCARNATION REMEDY

Harvee KOK

**Singapore Design Award 2016**
**Singapore Good Design Mark 2016**

**Inagural Harper's Bazaar Asia New Generation Fashion Designer Award 2013**

# STAGING FOR INTERNATIONAL RECOGNITION

reckless ericka


**M1- The Straits Times Life Theatre Awards 2016**

Best Costume for The Incredible Adventure of Border Crossers; Singapore International Festival of Arts; Singapore en France -Le Festival

AMOS ANANDA


**Zalora Style Awards 2016**

Young Designer of the Year Award

S E A N & S H E I L A

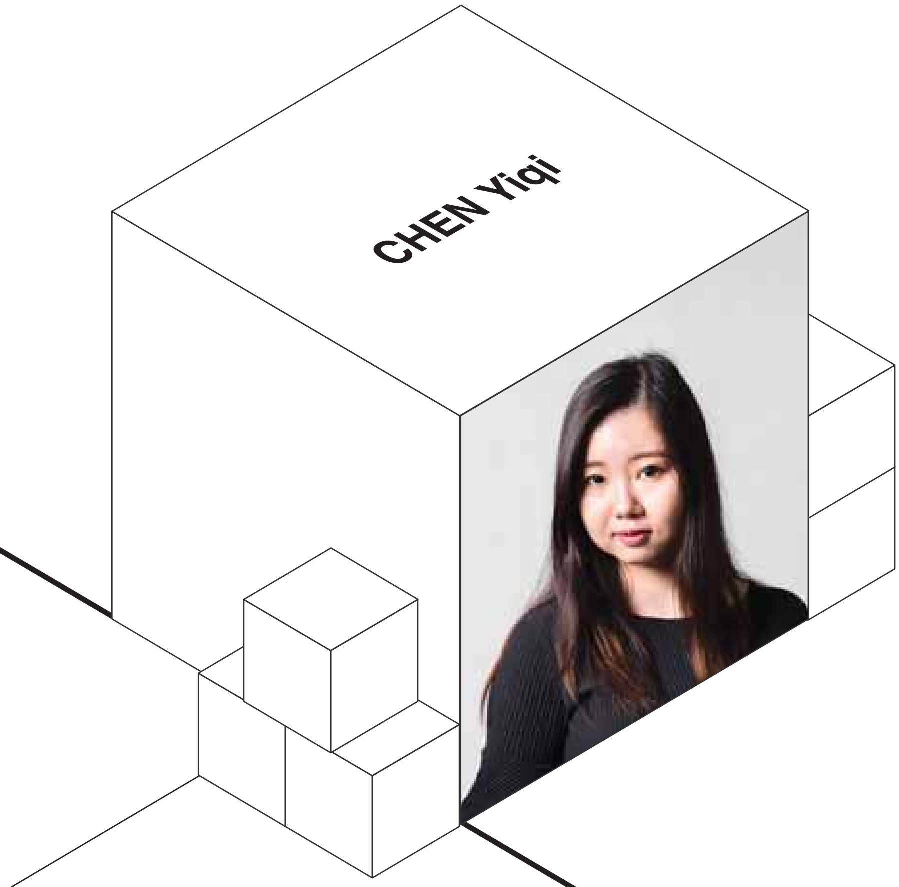

**Martel Rise Above Awards 2016**

Craftsmanship


**Elle Fashion Award 2016**

Elle Emerging Designer of the Year Award

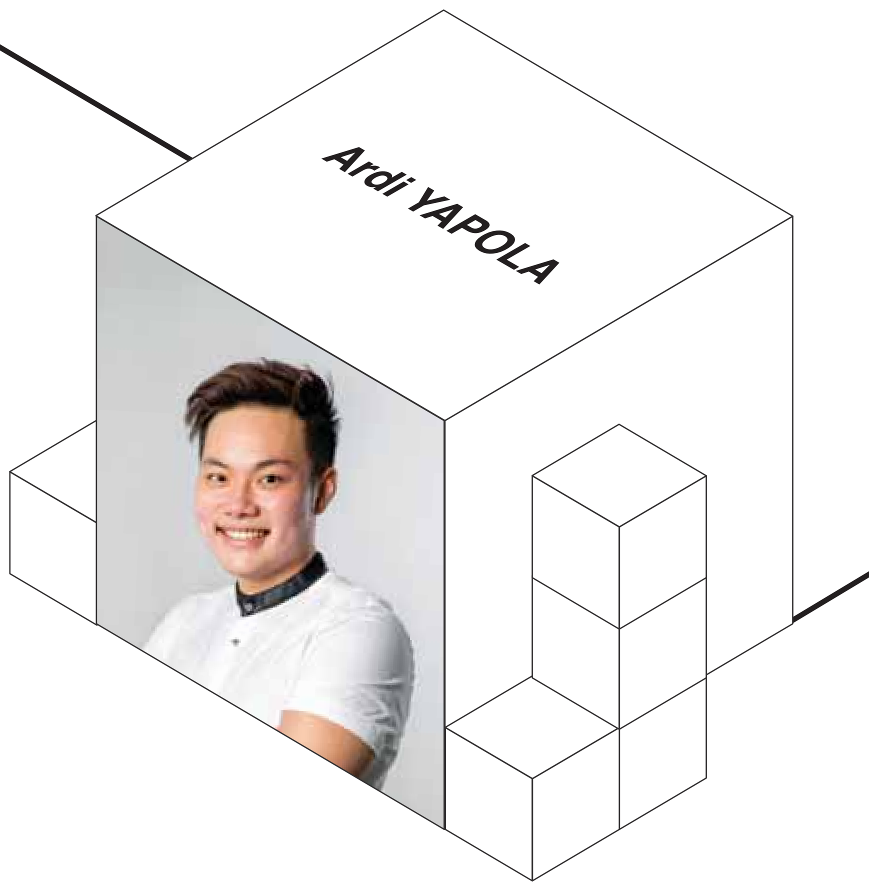
# Raffles
# Students Speak




"As a multimedia student at Raffles, I learned a lot of skills and picked up knowledge which includes film making, website design and game design. The Raffles lecturers are very kind and helpful as they are always willing to guide me whenever I face any difficulty.

Raffles students come from different countries and we can easily learn from people of different cultural backgrounds. Our school is compact but full of design elements which help us in our creativity. After I graduate, I want to become a good website designer and gain some working experience in Singapore."

**CHEN Yiqi**
Raffles Singapore
Bachelor of Science with Honours
Interactive Digital Media,
Class of 2016




"Studying at Raffles Design Institute has allowed me to gain many skills especially in presentation drawings. I can render better illustrations for interior perspectives by using mixed media.

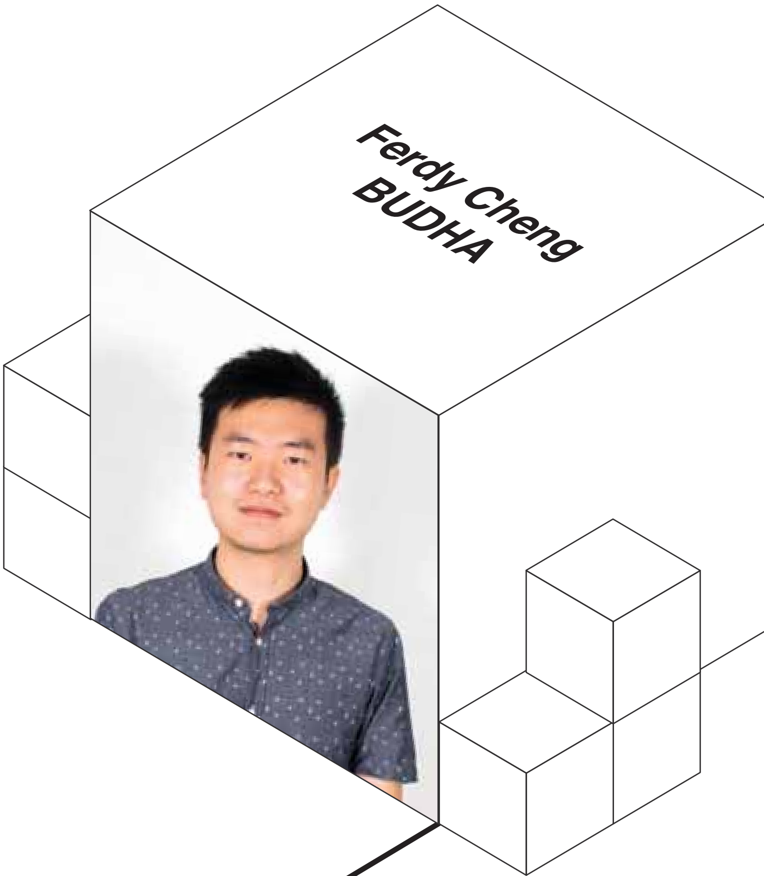
The creative practitioners here motivate us by always giving something new and unique, which inspires us to satisfy our future clients with our designs.

After I graduate from Raffles, I hope I can secure a job in Singapore and gain more experience."

**Ardi YAPOLA**
Raffles Singapore
Advanced Diploma in Interior Design,
Class of 2016

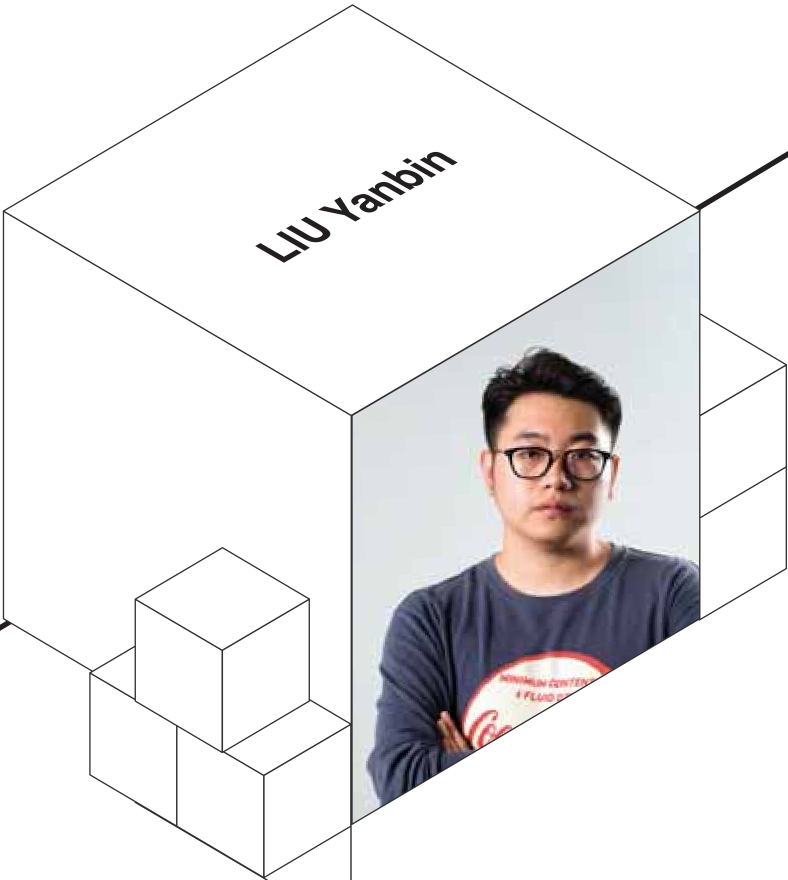
I learned many valuable lessons from the Raffles lecturers such as essential and practical knowledge drawn from their respective experience. It all culminates in a very pleasant journey for me. What I like being in the creative industry is that it is dynamic and ever evolving. There are no boring moments in this industry and it is very rewarding as we can materalise our own creations. Being a former student in Natural Science and Computer Science (Algorithm), I feel this is what makes creative practitioners different from other professionals.

During my studies at Raffles, I got to know a lot of friends from different parts of the world such as South East Asia, Korea, China, the US and Italy. Being exposed to a multicultural campus is an invaluable experience for me. Moreover, from the industrial attachment programme, I got to know many impressive personalities such as Prof. Jason POMEROY.




**Ferdy Cheng BUDHA**

Raffles Singapore
Bachelor of Design with Major in Interior Design,
Class of 2016



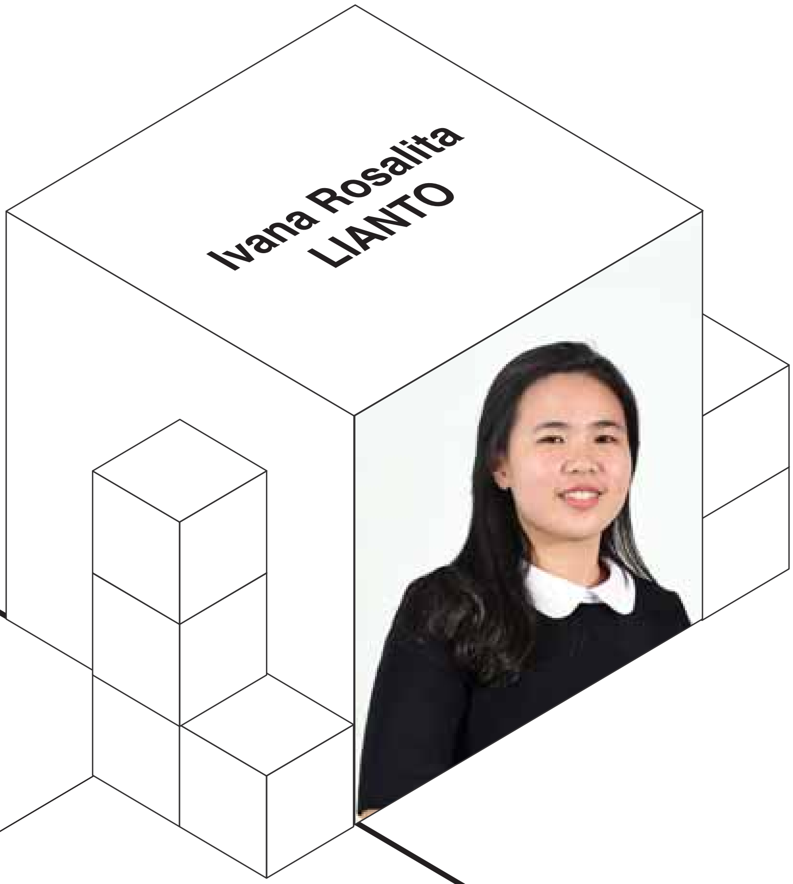

At Raffles, the most important thing I have learned is to think like a designer. I appreciate what the creative practitioners have taught me here because they are the future of our society! Most of my classmates became good friends while working on the same projects.

I like Raffles because we can enjoy the facilities in school. After graduating, I would like to be a jewellery designer and maybe set up my own brand or company. I also dream of becoming a teacher because I love to talk to students and I will be most appreciative if I can work at Raffles!

**LIU Yanbin**

Raffles Singapore
Advanced Diploma in Jewellery Design,
Class of 2016

# Raffles
# Students Speak




“I learned a lot of different design skills, from concept making to 3D visualisation that could help in my presentations to future clients. I also learned a lot of social skills, working in real-world environments and connecting with other professionals.

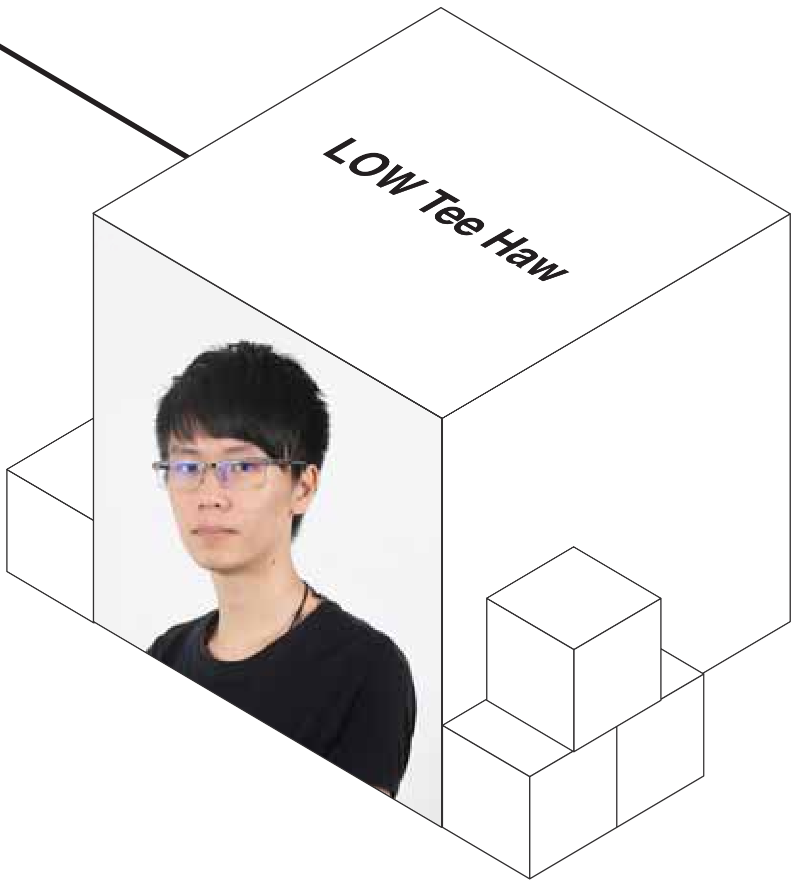
The school facilities are adequate for picking up interior design skills. The campus is a blend of old and new, which is a pleasure to the eyes. It is quite a nice place to study. I am looking forward to working in the Singapore interior design field and hopefully, I can start my own company.”

**Ivana Rosalita LIANTO**

Raffles Singapore
Bachelor of Arts with Honours
Interior Design,
Class of 2016

“Raffles is the place where I built my design foundation, thanks to inspiring lecturers such as Rosa and Louis who taught us how to observe the surroundings. They also taught us the difference between residential and hospitality design, and how to use computer software.

Raffles provides enough facilities for students to use. The campus is very interesting as it is renovated from an old building. Technology is also well utilised in the campus such as facial recognition for entry to certain premises. Currently, I am taking BID at Raffles Iskandar to complete my degree programme. I might venture overseas to pursue a Master’s Degree before I start working.”




**LOW Tee Haw**

Raffles Singapore
Advanced Diploma in Interior Design,
Class of 2015

# Corporate Governance Statement

The Board of Directors of Raffles Education Corporation Limited (the "Company", and together with its subsidiaries, the "Group") is committed to excellence in corporate governance, transparency and accountability, seen as essential for the long term performance and sustainability of the Group, and to protect and enhance the interests of shareholders and other stakeholders.

The Group's corporate governance practices and processes are guided by the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and are continually reviewed for relevance and effectiveness by reference to the legal and regulatory environment in which the Group operates. We confirm that the Group has complied with the provisions of the Code during the financial year ended 30 June 2016 and where there are deviations from the Code, appropriate explanation are 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 collectively responsible for the activities of the Group, its strategy and governance, risk management and financial performance.

The following matters are specifically reserved for the Board:

- Setting the strategic direction and long-term goals for 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.
- Ensuring the adequacy and integrity of the internal controls and setting risk appetites, establishing a risk strategy and a framework for risks to be assessed and managed.
- Approving appointments of suitable candidates 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. However, the ultimate responsibility and decision on all matters still lies with the Board. The Board is assisted by four committees, namely, the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, each constituted with clear written terms of reference. Each Board committee has direct access to management and the discretion to hire independent advisers as it deems necessary.

**Board Meetings and Board Committees**

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, telephonic attendance and conference via audio-visual communication are allowed under the Constitution of the Company. Board and Board committees' decisions are also obtained through circulation of written resolutions. The Constitution 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 meetings of the Board and Board Committees held in the financial year ended 30 June 2016 are as follows:

| | Board | Audit Committee | Nomination Committee | Remuneration Committee | Risk Management Committee |
|---|---|---|---|---|---|
| No. of meetings held | 5 | 4 | 1 | 1 | 1 |
| No. of meetings attended by respective Directors | | | | | |
| Mr Chew Hua Seng | 3# | 3* | 1 | 1* | 1* |
| Mr Henry Tan Song Kok | 5 | 4 | 1* | 1* | N.A. |
| Dr Tan Chin Nam | 5 | 4* | 1 | 1 | 1 |
| Mr Teo Cheng Lok John | 5 | 4 | 1* | 1 | 1 |
| Mr Lim Tien Lock, Christopher | 5 | 4 | 1 | 1 | 1 |
| Mr Chew Kok Chor | 5 | 4* | 1* | 1* | N.A. |

* Attendance at invitation of the Committees.
# Had to absent from the meeting held to deliberate on Interested Person Transaction.

**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 businesses and governance practices.

All newly appointed directors are issued with a formal letter of appointment or service agreement setting out the scope of their duties and their obligations as a director under the relevant Singapore laws, and how to discharge those duties. Members of the Board are also updated regularly on key accounting and regulatory changes that have a significant impact on the Group.

**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 judgement 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 assesses on a continual basis and annually conducts a formal 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<br>Member of Nomination Committee | 25 November 1999 | N.A. |
| Mr Henry Tan Song Kok | Lead Independent Director<br>Chairman of Audit Committee | 1 September 2000 | 27 October 2014 |
| Dr Tan Chin Nam | Independent Director<br>Chairman of Nomination Committee<br>Member of Remuneration and Risk Management Committees | 24 October 2008 | 29 October 2013 |
| Mr Teo Cheng Lok John | Independent Director<br>Chairman of Remuneration Committee<br>Member of Audit and Risk Management Committees | 24 October 2008 | 19 October 2015 |
| Mr Lim Tien Lock, Christopher | Independent Director<br>Chairman of Risk Management Committee<br>Member of Audit, Nomination and Remuneration Committees | 19 November 2008 | 19 October 2015 |
| Mr Chew Kok Chor | Executive Director and<br>Deputy Chief Executive Officer | 24 January 2011 | 27 October 2014 |

Mr Henry Tan Song Kok has served as a director of the Company for over 15 years but is regarded as independent as he is capable of exercising objective judgement on corporate affairs of the Group, independent of management.

The rigorous review and the factors taken into consideration by the Nomination Committee to assess and determine the independence of Mr Henry Tan Song Kok include but are not limited to the following:

a) He has no relationship with the Company's related corporations, substantial shareholders or its officers and Management that could impair his fair judgement.

b) He has continued to demonstrate independence in character and judgement when discharging his duties as the Lead Independent Director and in his conduct of the Board's affairs.

c) He has gained valuable insight and understanding of the Company through his years of involvement with the Company and these together with his accounting expertise will continue to greatly benefit the Company through his impartial and autonomous views.

The Board considers continuity and stability of the Board as important and that it is not in the interest of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

**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 Board committees 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 directors 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. Assisted by the Deputy CEO, he bears executive responsibility for the overall management and strategic development of the Group in addition to overseeing the activities 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 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 the 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 businesses and operations.
- reviewing board papers before they are presented to the Board to ensure that information provided is adequate.
- ensuring sufficient allocation of time for members of the Board 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 his/her performance, commitment and ability to contribute to the Board as well as his/her skillset.
- maintaining a process for evaluating the performance of the Board, Board committees and the directors.

- conducting an annual evaluation on the performance of the Board, 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 recognises the importance of an appropriate balance and diversity of industry knowledge, skills, background, 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 Constitution of the Company requires 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 section on "Board of Directors" of this Annual Report.

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

## PRINCIPLE 5: BOARD PERFORMANCE

The NC makes an assessment at least once a year to determine whether the Board, 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, experience 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 Board committees' meetings and ensures that applicable rules, regulations and Board procedures are complied with. Under the Constitution of the Company, 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 recruit, motivate and retain talent. The Share Plan allows for participation by non-executive directors and employees of the Group. Mr Chew Hua Seng, 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 "Directors' Statement" 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 incentivise 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 1 July 2008. The service agreement is renewable every three years and was last renewed on 1 July 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.

In FY2015, the Remuneration Committee undertook a review of the CEO's remuneration with the assistance of independent consultants, Hay Group. Following the review, the Remuneration Committee proposed a revision of the CEO's remuneration package which was approved by the Board on 27 August 2015. The new remuneration package took effect from 1 July 2015.

**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 Constitution of the Company.

## 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 2016 in bands of S$250,000 is set out below:

| **Name of Director** | **Fees %** | **Salary %** | **Others %** | **Total %** |
|---|---|---|---|---|
| **Between S$1.50 million to S$1.75 million** | | | | |
| Mr Chew Hua Seng | - | 63 | 37 | 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 |

The remuneration of Directors is disclosed within bands instead of rounded to the nearest thousand dollars as the Board is of the view that the disclosure in bands provides a balance between detailed disclosure and confidentiality.

Although the Code and the guidelines also recommend that the remuneration of at least the top five key management personnel (who are not directors or the CEO) be disclosed in aggregate, the Board is of the opinion that the disclosure of such confidential information would not be in the best interests of the Company, and could also be exploited by competitors. The non-disclosure does not compromise the ability of the Company to meet the Code on good corporate governance as the Remuneration Committee, comprising entirely of independent directors, reviews the remuneration package of such key management personnel who are remunerated based on the performance of the Group to ensure that they are fairly remunerated.

Save as disclosed below, none of the directors had family members who were employees of the Group and whose personal remuneration exceeded S$50,000 for the year ended 30 June 2016:

| Name | Relationship | Aggregate Remuneration |
|---|---|---|
| Ms Doris Chung Gim Lian | Spouse of CEO | Between S$250,001 to S$300,000 |
| Mr Chew Han Wei | Eldest son of CEO | Between S$50,001 to S$100,000 |

**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 members of the Board for endorsement. 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 has established the Risk Management Committee (the “RMC”) to assist the Board in overseeing the risk management practices 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, amongst others, 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 control 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 reinforced throughout the organisation.

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 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 2016:

(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 control and risk management systems were adequate as at 30 June 2016 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 control 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 judgement 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.

Pursuant to Rule 907 of the Listing Manual of the SGX-ST, the aggregate value of interested person transactions entered into by the Group during FY2016 is as follows:

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less that S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920[Note2]) |
|---|---|
| Ms Doris Chung Gim Lian[Note 1] | S$28,193,000 |

Note 1: Ms Doris Chung Gim Lian is the spouse of Mr Chew Hua Seng, CEO and controlling shareholder of the Company.

Note 2: The Company does not have a shareholders' mandate for interested person transactions.

**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 reminded on a quarterly basis to refrain from dealing in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two weeks before the announcement of results for the first three quarters and one month before the announcement of the full year results, and ending on the date of the announcement of the relevant results. Directors and employees of the Group are simultaneously reminded that they are also not permitted to deal in the Company's securities at any time when in possession of any unpublished price sensitive information relating to 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 controls system of the Group.

The responsibilities of AC include:

- Review the 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 have 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's 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 of the 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 reviews 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 Board and the AC agree that it is important to have a strong professional internal audit function that will enhance the management of risk and safeguard shareholders' interests. However, the size of the operations of the Group does not warrant 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 controls 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 categorised according to level of concern and high risk outstanding issues are escalated to senior management for timely resolution.

## III. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### PRINCIPLE 14: SHAREHOLDER RIGHTS

The Group accords all shareholders fair and equitable treatment. 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 results and information on new initiatives are published through the SGXNET. Financial 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 Constitution 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 at website of SGX.

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 on matters of the Group and to meet the Board of Directors, including chairpersons of the Board committees and certain members of senior management. The Group encourages and values shareholders' participation at its general meetings. Representatives from the external auditors of the Company are also present at AGM of the Company to address shareholders' queries.

In accordance with the recommendations contained in the Code and its Guidelines, comprehensive explanatory notes are provided in the notice of meeting on any special business to be transacted and resolutions requiring the approval of shareholders are tabled separately at the Company's general meetings unless they are closely related and are more appropriately dealt with together.

# Financials

# Directors' Statement

The Directors of the Company present their statement 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 2016 and the statement of financial position of the Company as at 30 June 2016.

**1. Opinion of the 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 are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, 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.

**2. Directors**

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

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

**3. Arrangements to enable Directors to acquire shares or debentures**

Except as disclosed in this statement, 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.

**4. 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 | 330,845,853 | 329,895,853 | 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 | - | - |
| | **Number of options to subscribe for ordinary shares** | | | |
| Henry Tan Song Kok | 142,000 | 75,000 | - | - |
| Teo Cheng Lok John | 142,000 | 75,000 | - | - |
| Lim Tien Lock, Christopher | 142,000 | 75,000 | - | - |
| Tan Chin Nam | 142,000 | 75,000 | - | - |
| 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 | 336,000 |

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 2016 in the shares of the Company have not changed from those disclosed as at 30 June 2016.

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.

### 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 2016 were as follows:

| Date of grant | At 1 July 2015 ('000) | Exercised ('000) | Expired/ cancelled ('000) | Balance as at 30 June 2016 ('000) | Exercise price $ | Exercise period |
|---|---|---|---|---|---|---|
| **REC Scheme** | | | | | | |
| 12 October 2005 | 163 | - | (163) | - | 0.6675 | 12 October 2006 to 11 October 2015 |
| 23 November 2006 | 46 | - | - | 46 | 2.4450 | 23 November 2007 to 22 November 2016 |
| 31 January 2008 | 204 | - | - | 204 | 3.7050 | 31 January 2009 to 30 January 2018 |
| 2 February 2009 | 451 | - | - | 451 | 1.5900 | 2 February 2010 to 1 February 2019 |
| 9 February 2010 | 501 | - | - | 501 | 1.1100 | 9 February 2011 to 8 February 2020 |
| **REC ESOS Scheme** | | | | | | |
| 24 March 2011 | 268 | - | (268) | - | 0.7800 | 24 March 2012 to 23 March 2016 |
| 24 March 2011 | 927 | - | - | 927 | 0.7800 | 24 March 2012 to 23 March 2021 |
| 2 September 2011 | 300 | - | - | 300 | 0.4620 | 2 September 2012 to 1 September 2016 |
| | 2,860 | - | (431) | 2,429 | | |

## 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 2016 ('000)** | **Aggregate options granted since the commencement of the Schemes to 30 June 2016 ('000)** | **Aggregate options exercised/ cancelled since the commencement of the Schemes to 30 June 2016 ('000)** | **Aggregate options outstanding as at 30 June 2016 ('000)** |
|---|---|---|---|---|
| Chew Hua Seng | - | 1,500 | (1,500) | - |
| Henry Tan Song Kok | - | 632 | (557) | 75 |
| Lim Tien Lock, Christopher | - | 209 | (134) | 75 |
| Tan Chin Nam | - | 209 | (134) | 75 |
| Teo Cheng Lok John | - | 209 | (134) | 75 |
| Chew Kok Chor | - | 1,117 | (247) | 870 |
| Doris Chung Gim Lian* | - | 300 | (300) | - |
| | - | 4,176 | (3,006) | 1,170 |

*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 subsidiary corporations 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 statement 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 2016, 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.

## 7. Independent auditor

The independent 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
28 September 2016

# 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 2016, and the consolidated statement of 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 pages 74 to 164.

*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 financial statements 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 financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, 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 subsidiary corporations 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
28 September 2016

# Statements of Financial Position

As at 30 June 2016

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 362,649 | 324,884 | - | - |
| Investment properties | 5 | 437,028 | 416,387 | - | - |
| Investments in subsidiaries | 6 | - | - | 463,858 | 426,581 |
| Investments in joint ventures | 7 | 41,665 | 67,863 | - | - |
| Investments in associates | 8 | 5,991 | 1,396 | - | - |
| Available-for-sale financial assets | 9 | 612 | 4,523 | - | - |
| Intangible assets | 10 | 118,751 | 114,450 | 94 | 112 |
| Deferred tax assets | 15 | 1,074 | 1,099 | - | - |
| Other receivables | 11 | - | 10,970 | 9,615 | 22,974 |
| Restricted bank balances | 12 | 3,511 | 2,890 | - | - |
| | | 971,281 | 944,462 | 473,567 | 449,667 |
| **Current assets** | | | | | |
| Inventories | | 89 | 118 | - | - |
| Trade and other receivables | 11 | 156,695 | 241,598 | 270,991 | 308,311 |
| Cash and bank balances | 12 | 61,266 | 80,904 | 1,810 | 14,121 |
| | | 218,050 | 322,620 | 272,801 | 322,432 |
| Less: | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | 56,710 | 84,360 | 159,947 | 105,463 |
| Income tax payable | | 37,775 | 72,501 | 83 | 265 |
| Borrowings | 14 | 87,418 | 266,095 | 80,568 | 190,632 |
| | | 181,903 | 422,956 | 240,598 | 296,360 |
| **Net current assets/(liabilities)** | | 36,147 | (100,336) | 32,203 | 26,072 |
| Less: | | | | | |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 13 | 56,566 | 42,105 | 59,638 | - |
| Borrowings | 14 | 278,901 | 124,472 | 79,305 | 78,960 |
| Deferred tax liabilities | 15 | 53,002 | 18,174 | - | - |
| | | 388,469 | 184,751 | 138,943 | 78,960 |
| **Net assets** | | 618,959 | 659,375 | 366,827 | 396,779 |
| **Equity** | | | | | |
| Share capital | 16 | 481,785 | 481,785 | 481,785 | 481,785 |
| Treasury shares | 17 | (39,683) | (32,730) | (39,683) | (32,730) |
| Accumulated profits/(losses) and other reserves | 18 | 86,101 | 116,941 | (75,275) | (52,276) |
| Equity attributable to equity holders of the Company | | 528,203 | 565,996 | 366,827 | 396,779 |
| Non-controlling interests | | 90,756 | 93,379 | - | - |
| **Total equity** | | 618,959 | 659,375 | 366,827 | 396,779 |

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

# Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2016

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| Revenue | 19 | 111,030 | 119,895 |
| Other operating income | 20 | 9,745 | 7,914 |
| Personnel expenses | 21 | (43,487) | (45,605) |
| Depreciation and amortisation expenses | | (11,151) | (11,040) |
| Other operating expenses | | (56,329) | (59,353) |
| Loss on de-recognition of an available-for-sale financial asset | | (407) | - |
| Fair value gain on investment properties, net | 5 | 37,136 | 23,031 |
| Finance costs | 22 | (15,091) | (13,456) |
| Share of results of joint ventures | | (4,000) | 901 |
| Share of results of associates | | 224 | 52 |
| Profit before income tax | 23 | 27,670 | 22,339 |
| Income tax expense | 24 | (7,981) | (2,968) |
| Profit after income tax | | 19,689 | 19,371 |
| | | | |
| **Other comprehensive income, net of tax** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Revaluation gain on transfer of owner-occupied property to investment property | 5 | 34 | - |
| | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Net loss on fair value changes of an available-for-sale financial asset | | (407) | - |
| Reclassification adjustments on de-recognition of an available-for-sale financial asset | | 407 | - |
| Currency exchange differences arising on translating foreign operations | | (43,520) | 38,423 |
| Total comprehensive (loss)/income for the financial year | | (23,797) | 57,794 |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | 15,818 | 16,983 |
| Non-controlling interests | | 3,871 | 2,388 |
| Net profit for the financial year | | 19,689 | 19,371 |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | (21,103) | 51,411 |
| Non-controlling interests | | (2,694) | 6,383 |
| Total comprehensive (loss)/income for the financial year | | (23,797) | 57,794 |
| | | | |
| Earnings per share (cents) | | | |
| - Basic | 25 | 1.63 | 1.68 |
| - Diluted | 25 | 1.63 | 1.68 |

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

# Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2016

| | Note | ← Attributable to equity holders of the Company | | | | | | → | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital $'000 | Treasury shares $'000 | Revaluation reserve (Note 18) $'000 | Foreign currency translation reserve (Note 18) $'000 | Share-based payments reserve (Note 18) $'000 | Accumulated profits $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Group** | | | | | | | | | | |
| Balance at 1 July 2015 | | 481,785 | (32,730) | 6,986 | 17,859 | 2,453 | 89,643 | 565,996 | 93,379 | 659,375 |
| Total comprehensive income/(loss) | | - | - | 34 | (36,955) | - | 15,818 | (21,103) | (2,694) | (23,797) |
| Repurchase of shares | 17 | - | (6,953) | - | - | - | - | (6,953) | - | (6,953) |
| Dividends | 26 | - | - | - | - | - | (9,736) | (9,736) | (910) | (10,646) |
| Acquisition of subsidiary with non-controlling interests | | - | - | - | - | - | - | - | 980 | 980 |
| Change of ownership interest without loss of control | 6 | - | - | - | 11 | - | (12) | (1) | 1 | - |
| Balance at 30 June 2016 | | 481,785 | (39,683) | 7,020 | (19,085) | 2,453 | 95,713 | 528,203 | 90,756 | 618,959 |

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

# Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2016

| | Note | ← Attributable to equity holders of the Company | | | | | | | → | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital $'000 | Treasury shares $'000 | Revaluation reserve (Note 18) $'000 | Foreign currency translation reserve (Note 18) $'000 | Share-based payments reserve (Note 18) $'000 | Accumulated profits $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Group** | | | | | | | | | | |
| Balance at 1 July 2014 | | 481,785 | (24,065) | 7,181 | (14,791) | 2,453 | 111,132 | 563,695 | 39,590 | 603,285 |
| Total comprehensive income | | - | - | - | 34,428 | - | 16,983 | 51,411 | 6,383 | 57,794 |
| Repurchase of shares | 17 | - | (8,665) | - | - | - | - | (8,665) | - | (8,665) |
| Dividends | 26 | - | - | - | - | - | (10,162) | (10,162) | (37) | (10,199) |
| Change of ownership interest without loss of control | 6 | - | - | (195) | (1,778) | - | (28,310) | (30,283) | 47,443 | 17,160 |
| Balance at 30 June 2015 | | 481,785 | (32,730) | 6,986 | 17,859 | 2,453 | 89,643 | 565,996 | 93,379 | 659,375 |

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

# Statement of Changes in Equity

For the financial year ended 30 June 2016

| | Note | Share capital $'000 | Treasury shares $'000 | Share-based payments reserve (Note 18) $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| Balance at 1 July 2015 | | 481,785 | (32,730) | 2,453 | (54,729) | 396,779 |
| Total comprehensive loss | | - | - | - | (13,263) | (13,263) |
| Repurchase of shares | 17 | - | (6,953) | - | - | (6,953) |
| Dividends | 26 | - | - | - | (9,736) | (9,736) |
| Balance at 30 June 2016 | | 481,785 | (39,683) | 2,453 | (77,728) | 366,827 |
| | | | | | | |
| Balance at 1 July 2014 | | 481,785 | (24,065) | 2,453 | (60,721) | 399,452 |
| Total comprehensive income | | - | - | - | 16,154 | 16,154 |
| Repurchase of shares | 17 | - | (8,665) | - | - | (8,665) |
| Dividends | 26 | - | - | - | (10,162) | (10,162) |
| Balance at 30 June 2015 | | 481,785 | (32,730) | 2,453 | (54,729) | 396,779 |

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

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2016

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 27,670 | 22,339 |
| | | | |
| Adjustments for: | | | |
| Depreciation for property, plant and equipment | 4 | 10,132 | 9,766 |
| Fair value gain on investment properties, net | 5 | (37,136) | (23,031) |
| Loss on de-recognition of an available-for-sale financial asset | | 407 | - |
| Fair value gain on re-measurement of pre-existing equity interest in an associate | | (1,397) | - |
| Allowance for doubtful trade receivables | 11 | 80 | 180 |
| Reversal of allowance for doubtful trade receivables | 11 | (152) | - |
| Amortisation of intangible assets | 10 | 1,019 | 1,274 |
| Bad trade receivables written off | 23 | 536 | 203 |
| Interest expense | 22 | 15,091 | 13,456 |
| Interest income | 20 | (1,114) | (1,241) |
| Gain on disposal of property, plant and equipment, net | 23 | (2) | (19) |
| Property, plant and equipment written off | 23 | 36 | 4 |
| Share of results of joint ventures | | 4,000 | (901) |
| Share of results of associates | | (224) | (52) |
| Operating profit before working capital changes | | 18,946 | 21,978 |
| | | | |
| Working capital changes: | | | |
| Inventories | | 29 | 1 |
| Trade and other receivables | | (1,766) | (2,802) |
| Course fees and education service deferred income | | (3,299) | (1,505) |
| Trade and other payables | | 3,465 | 3,639 |
| Cash generated from operations | | 17,375 | 21,311 |
| Interest paid | | (16,144) | (12,572) |
| Interest received | | 1,114 | 1,241 |
| Income and withholding tax paid, net | | (1,530) | (5,813) |
| Net cash generated from operating activities | | 815 | 4,167 |

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

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2016

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Additions of development costs and computer software | 10 | (1,627) | (1) |
| Additions of trademarks | 10 | (1) | (1) |
| Acquisition of a subsidiary, net of cash acquired | 28 | (2,730) | - |
| Payment for property, plant and equipment | A | (55,143) | (55,738) |
| Acquisitions of investment properties | B | (15,567) | (71,269) |
| Cash proceeds from disposal of interest in former subsidiary | | 2,084 | 16,616 |
| Deposit for acquisition of additional shares in joint venture | | - | (2,401) |
| Proceeds from disposal of property, plant and equipment | | 86 | 118 |
| Proceeds from disposal of investment properties | | 29,989 | 22,418 |
| Purchase of available-for-sale financial assets | | - | (3,761) |
| Purchase of additional equity interest in an associate | | (1,243) | - |
| Payment of remaining purchase consideration for acquisition of subsidiary | | - | (203) |
| Dividends received from joint venture | | 51,685 | - |
| Dividends received from associate | | 32 | 88 |
| Net cash generated from/(used in) investing activities | | 7,565 | (94,134) |
| | | | |
| **Financing activities** | | | |
| Increase in restricted bank balances pledged | | (757) | (2,890) |
| Increase in short-term deposits pledged | | (22,427) | - |
| Investment in subsidiary by non-controlling interest | | - | 17,160 |
| Net payment for repurchase of shares | 17 | (6,953) | (8,665) |
| Net proceeds from issue of medium term notes | | - | 29,595 |
| Drawdown of bank borrowings | | 109,164 | 99,752 |
| Repayment of bank borrowings | | (109,163) | (15,837) |
| Dividends payments to equity holders of the Company | | (9,736) | (10,162) |
| Dividends payments to non-controlling interests | | (910) | (37) |
| Net cash (used in)/generated from financing activities | | (40,782) | 108,916 |
| | | | |
| Net change in cash and cash equivalents | | (32,402) | 18,949 |
| Cash and cash equivalents at beginning of financial year | | 80,904 | 58,061 |
| Effect of exchange rate changes on cash and cash equivalents | | (9,663) | 3,894 |
| **Cash and cash equivalents at end of financial year** | 12 | 38,839 | 80,904 |

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

# Consolidated Statement of Cash Flows

For the financial year ended 30 June 2016

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Note A** | | | |
| Additions of property, plant and equipment | 4 | 51,356 | 47,645 |
| (Increase)/decrease in other payables in relation to property, plant and equipment | | (1,857) | 5,480 |
| Increase in prepayments in relation to property, plant and equipment | | 5,644 | 2,613 |
| Payment for property, plant and equipment per consolidated statement of cash flows | | 55,143 | 55,738 |
| **Note B** | | | |
| Additions of investment properties | 5 | 15,826 | 69,322 |
| Increase in prepayments in relation to investment properties | | 11,779 | 1,947 |
| Increase in other payables in relation to investment properties | | (12,038) | - |
| Additions of investment properties per consolidated statement of cash flows | | 15,567 | 71,269 |

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

## 1. General corporate information

Raffles Education Corporation Limited (the "Company") is incorporated and domiciled in the Republic of Singapore (Registration Number: 199400712N), and its registered office and principal place of business at 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 2016 were authorised for issue by the Board of Directors of the Company on 28 September 2016.

## 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.

# Notes to the Financial Statements

For the financial year ended 30 June 2016

**2. Summary of significant accounting policies** (Continued)

**2.1 Basis of preparation of financial statements** (Continued)

During the current financial year beginning 1 July 2015, the Group and the Company have adopted all applicable new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised 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.

*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) which are potentially relevant to the Group and the Company that have been issued but not yet effective for the current financial year.

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| FRS 1 (Amendments) | *: Disclosure Initiative* | 1 January 2016 |
| FRS 7 (Amendments) | *: Disclosure Initiative* | 1 January 2017 |
| FRS 12 (Amendments) | *: Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| FRS 16 and FRS 38 (Amendments) | *: Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| FRS 27 (Amendments) | *: Equity Method in Separate Financial Statements* | 1 January 2016 |
| FRS 109 | *: Financial Instruments* | 1 January 2018 |
| FRS 110 and FRS 28 (Amendments) | *: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |
| FRS 111 (Amendments) | *: Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| FRS 115 | *: Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 116 | *: Leases* | 1 January 2019 |
| Improvements to FRSs (November 2014) | | |
| FRS 107 (Amendments) | *: Financial Instruments: Disclosures* | 1 January 2016 |

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

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

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

*FRS issued but not yet effective* (Continued)

**FRS 109 Financial Instruments**

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 July 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available-for-sale, and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

**2. Summary of significant accounting policies** (Continued)

**2.1 Basis of preparation of financial statements** (Continued)

*FRS issued but not yet effective* (Continued)

**FRS 115 Revenue from Contracts with Customers**

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 July 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

**FRS 116 Leases**

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a “right-of-use” asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group’s leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 July 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for the financial year.

**2. Summary of significant accounting policies** (Continued)

### 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 control. Control exists when the Group is exposed or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is demonstrated through existing rights that give the Group the ability to direct activities that significantly affect the entity's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

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.

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.

**2. Summary of significant accounting policies** (Continued)

**2.2 Basis of consolidation** (Continued)

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.

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 2.7(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 the 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.

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combination (Continued)

*Business combination on or after 1 July 2009* (Continued)

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 the 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 the consolidated statement of profit or loss as a bargain purchase gain.

### 2.4 Associates and Joint Ventures

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.

Joint ventures are entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The results, assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting (collectively referred to as equity-accounted investees), 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 equity-accounted investees 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 equity-accounted investees, less any impairment loss of individual investments. Losses of equity-accounted investees in excess of the Group's interest in those equity-accounted investees (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates and joint ventures) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the investees.

**2. Summary of significant accounting policies** (Continued)

**2.4 Associates and Joint Ventures** (Continued)

Where the Group transacts with equity-accounted investees of the Group, profits and losses are eliminated to the extent of the Group's interest in the respective equity-accounted investees. 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 equity-accounted investees 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.

Upon loss of significant influence or joint control over the equity-accounted investee, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the equity-accounted investee upon loss of significant influence or joint control and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in the profit and loss account.

When an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to the profit and loss account the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the profit and loss account on the disposal of the retained assets or liabilities.

In the Company's separate financial statements, investments in equity-accounted investees are accounted for at cost less impairment losses. On disposal of an equity-accounted investee, the difference between the net disposal proceeds and the carrying amount of the investment is taken to the profit and loss account.

**2.5 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.

**2. Summary of significant accounting policies** (Continued)

**2.5 Property, plant and equipment** (Continued)

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.

| | **Useful lives** |
|---|---|
| Leasehold land, buildings and improvements[#] | 3 - 50 years |
| Plant and equipment | 10 years |
| Furniture, fittings and equipment | 7 - 10 years |
| Computer equipment | 4 - 5 years |
| Motor vehicle | 10 years |

[#]Majority of the leasehold land and buildings are depreciated over 20 - 50 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.

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.

**2. Summary of significant accounting policies** (Continued)

### 2.6 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 becomes 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.

### 2.7 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 is presented separately as intangible assets. Goodwill on acquisition of associates and jointly controlled entities 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.

**2. Summary of significant accounting policies** (Continued)

**2.7 Intangible assets** (Continued)

*(i) Goodwill on acquisitions* (Continued)

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, 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) 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 using the straight-line method to allocate cost over the expected period of benefits, varying between useful lives of 3 to 7 years.

*(iv) 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. Summary of significant accounting policies** (Continued)

### 2.8 Impairment of non-financial assets

*Non-financial assets other than goodwill*

The carrying amounts of non-financial assets are reviewed at the 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.

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. Summary of significant accounting policies** (Continued)

**2.9 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.

**2.10 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>

Financial assets 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 bank balances" on the statements of financial position.

**2. Summary of significant accounting policies** (Continued)

**2.10 Financial instruments** (Continued)

Financial assets (Continued)

*Cash and bank balances*

Cash and bank balances 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. For the purposes of the statement of cash flows, cash and cash equivalents exclude any pledged deposits and restricted bank balances.

*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.

**2. Summary of significant accounting policies** (Continued)

**2.10 Financial instruments** (Continued)

Financial assets (Continued)

*Impairment of financial assets* (Continued)

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.

With the exception of available-for-sale equity instruments (as described in the 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 there is 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 the consolidated statement of profit or loss.

**2. Summary of significant accounting policies** (Continued)

**2.10 Financial instruments** (Continued)

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.

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:

- the 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.

**2. Summary of significant accounting policies** (Continued)

**2.10 Financial instruments** (Continued)

<u>Other financial liabilities</u> (Continued)

(ii) Borrowings (Continued)

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*.

*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.

<u>Equity instruments and treasury shares</u>

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.

**2. Summary of significant accounting policies** (Continued)

**2.10 Financial instruments** (Continued)

Equity instruments and treasury shares (Continued)

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.

**2.11 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.

**2.12 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.

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.

*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. Summary of significant accounting policies** (Continued)

### 2.13 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' rights 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.

### 2.14 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)

### 2.15 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)

**2.16 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 are 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 reissued to employees.

## 2. Summary of significant accounting policies (Continued)

### 2.16 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.

### 2.17 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)

**2.18 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 retranslated 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 retranslated 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 retranslated.

Exchange differences arising on the settlement and on retranslation 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 retranslation of non-monetary assets and liabilities are recognised in the consolidated statement of profit or loss except for differences arising on the retranslation 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)

**2.18 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 of accumulated exchange differences is reclassified to profit or loss.

**2.19 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.

**2.20 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 segments' 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.

**2.21 Earnings per share**

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

Basic EPS is calculated by dividing the Group's net profit 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)

### 2.21 Earnings 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 flows.

(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 the 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 and 2.4 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 3 to 50 years. The carrying amounts of the Group's property, plant and equipment and computer software as at 30 June 2016 were approximately $362,649,000 and $591,000 (2015: $324,884,000 and $633,000) 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 2016 was approximately $116,232,000 (2015: $112,452,000).

(iii) Valuation of investment properties

The accounting policy relating to investment properties are described in Note 2.6 to the financial statements. In applying this policy, judgement made in the context of valuation of investment properties can materially impact the Group's financial position and performance. Accordingly, 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 2016 was approximately $437,028,000 (2015: $416,387,000).

**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 2016 was approximately $122,859,000 (2015: $225,663,000) and $280,387,000 (2015: $330,156,000) 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 recoverable amount 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 flows.

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 Group's carrying amount of investments in joint ventures and associates as at 30 June 2016 was approximately $41,665,000 and $5,991,000 (2015: $67,863,000 and $1,396,000) respectively. As at 30 June 2016, the Company's investment in subsidiaries is $463,858,000 (2015: $426,581,000).

(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 2016 are $37,775,000 (2015: $72,501,000), $1,074,000 (2015: $1,099,000) and $53,002,000 (2015: $18,174,000) respectively. As at 30 June 2016, the Company's income tax payable is $83,000 (2015: $265,000).

(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 2016, the carrying amounts of grant receivable, income tax payable and other payables are $30,629,000 (2015: $32,959,000), $30,009,000 (2015: $32,292,000) and $620,000 (2015: $668,000) respectively.

## 4. Property, plant and equipment

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2016** | | | | | | | | |
| **Cost** | | | | | | | | |
| Balance at 1 July 2015 | 53,588 | 285,609 | 1,995 | 18,741 | 12,832 | 2,284 | 17,418 | 392,467 |
| Additions | - | 7,340 | - | 1,333 | 1,214 | 85 | 41,384 | 51,356 |
| Disposals | - | - | - | (498) | (739) | (90) | - | (1,327) |
| Written off | - | (298) | - | (12) | (6) | - | - | (316) |
| Arising from acquisition of subsidiary (Note 28) | - | 1,927 | - | 174 | 68 | - | - | 2,169 |
| Reclassified from prepayments | 1,148 | 2,974 | - | 2 | - | - | - | 4,124 |
| Transfer from investment properties (Note 5) | 8,936 | 12,880 | - | - | - | - | - | 21,816 |
| Transfer to investment properties (Note 5) | (16,692) | - | - | - | - | - | - | (16,692) |
| Foreign currency realignment | (3,158) | (12,312) | (140) | (955) | (647) | (159) | (1,293) | (18,664) |
| Balance at 30 June 2016 | 43,822 | 298,120 | 1,855 | 18,785 | 12,722 | 2,120 | 57,509 | 434,933 |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| Balance at 1 July 2015 | - | 42,465 | 1,920 | 11,612 | 10,027 | 1,559 | - | 67,583 |
| Depreciation charged | - | 7,282 | 14 | 1,470 | 1,216 | 150 | - | 10,132 |
| Disposals | - | - | - | (446) | (707) | (90) | - | (1,243) |
| Written off | - | (269) | - | (5) | (4) | - | - | (278) |
| Foreign currency realignment | - | (2,473) | (136) | (664) | (524) | (113) | - | (3,910) |
| Balance at 30 June 2016 | - | 47,005 | 1,798 | 11,967 | 10,008 | 1,506 | - | 72,284 |
| **Carrying amounts** | | | | | | | | |
| Balance at 30 June 2016 | 43,822 | 251,115 | 57 | 6,818 | 2,714 | 614 | 57,509 | 362,649 |

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

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2015** | | | | | | | | |
| **Cost** | | | | | | | | |
| Balance at 1 July 2014 | 48,820 | 261,792 | 1,861 | 16,833 | 12,125 | 1,798 | 5,621 | 348,850 |
| Additions | 8,301 | 19,986 | 48 | 1,918 | 1,204 | 404 | 15,784 | 47,645 |
| Disposals | - | (447) | (62) | (532) | (435) | (51) | - | (1,527) |
| Written off | - | (679) | - | (354) | (253) | (5) | - | (1,291) |
| Transfer from investment properties (Note 5) | - | 955 | - | - | - | - | - | 955 |
| Transfer to investment properties (Note 5) | - | (6,706) | - | - | - | - | (2,761) | (9,467) |
| Reclassifications | - | - | - | 226 | (226) | - | - | - |
| Foreign currency realignment | (3,533) | 10,708 | 148 | 650 | 417 | 138 | (1,226) | 7,302 |
| Balance at 30 June 2015 | 53,588 | 285,609 | 1,995 | 18,741 | 12,832 | 2,284 | 17,418 | 392,467 |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| Balance at 1 July 2014 | - | 35,842 | 1,800 | 10,314 | 9,378 | 1,359 | - | 58,693 |
| Depreciation charged | - | 6,965 | 39 | 1,641 | 971 | 150 | - | 9,766 |
| Disposals | - | (376) | (62) | (507) | (432) | (51) | - | (1,428) |
| Written off | - | (679) | - | (352) | (251) | (5) | - | (1,287) |
| Transfer to investment properties (Note 5) | - | (1,452) | - | - | - | - | - | (1,452) |
| Foreign currency realignment | - | 2,165 | 143 | 516 | 361 | 106 | - | 3,291 |
| Balance at 30 June 2015 | - | 42,465 | 1,920 | 11,612 | 10,027 | 1,559 | - | 67,583 |
| **Carrying amounts** | | | | | | | | |
| Balance at 30 June 2015 | 53,588 | 243,144 | 75 | 7,129 | 2,805 | 725 | 17,418 | 324,884 |

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

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

As of 30 June 2016, legal ownership and title deeds of certain properties of carrying amount $31.4 million (2015: $39.9 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 $141.1 million (2015: $125.3 million) were mortgaged to secure borrowings as referred to in Note 14 to the financial statements.

Borrowing costs of $1.1 million (2015: $Nil) which arose on the financing specifically for the construction in-progress were capitalised during the financial year.

**5. Investment properties**

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Balance at beginning of financial year | 416,387 | 301,943 |
| Additions | 15,826 | 69,322 |
| Fair value gain recognised in profit or loss, net | 37,136 | 23,031 |
| Settlement of certain compensation liabilities | - | (4,461) |
| Transfer from property, plant and equipment (Note 4) | 16,692 | 8,015 |
| Transfer to property, plant and equipment (Note 4) | (21,816) | (955) |
| Reclassified from prepayments | 9 | - |
| Revaluation gain on transfer from owner-occupied property recognised in other comprehensive income | 34 | - |
| Foreign currency realignment | (27,240) | 19,492 |
| Balance at end of financial year | 437,028 | 416,387 |

(a) The investment properties in the 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 ("OUCHK") (collectively "OUC"), Raffles Assets (Thailand) Limited ("RATH"), Trophy Land Global Limited ("TLG"), Raffles Iskandar Sdn. Bhd. ("RISB"), Raffles K12 Sdn. Bhd. ("RAS"), Raffles Assets Australia Pty Limited ("RAA"), Mandurah Resort Pty Ltd ("Mandurah"), Raffles Asset (Private) Limited ("RASL"), Raffles Asset Italy S.R.L., ("RA Italy") and 4 Vallees Pte. Ltd. ("4Vallees"). OUC owns and leases out investment properties to colleges within its self-contained campus. The land under RISB, RAS, TLG, Mandurah and RASL are vacant as at 30 June 2016. Building construction on the land of RATH is ongoing. RAA owns a commercial building and part of the building has been leased out. RA Italy owns a commercial building and renovation is ongoing. 4Vallees owns a hotel and facilities ("Hotel") and 7 commercial units ("commercial units"). The Hotel has been leased to a hotel operator for 10 years. The hotel operator has an option, expiring on 31 December 2016 to purchase the Hotel for CHF27 million. Currently, five of the commercial units are rented out.

**5. Investment properties** (Continued)

(a) (Continued)

Rental income from the Group's investment properties which are leased out under operating leases, amounted to $16.3 million (2015: $14.3 million). Direct operating expenses arising from rental and non-rental generating investment properties amounted to $5.3 million and $4.5 million (2015: $5.3 million and $6.9 million) respectively.

(b) Investment properties are stated at fair value, determined based on professional valuation carried out by firms of independent valuation specialists holding recognised and relevant professional qualifications and recent experience in the locations and categories of the properties being valued. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with actual use.

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

Direct Comparison Approach makes reference to the comparable sales evidence 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 categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – unobservable inputs for the asset or liability.

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 | 3.0% - 8.5% per annum (2015: 8.5% - 8.7% per annum) | Increase in capitalisation rate would result in lower fair value. |
| | Monthly rental rate | $3.3 - $32.7 per sqm (2015: $2.6 to $32.3 per sqm) | Increase in monthly rental rate would result in higher fair value. |
| Direct comparison approach | Price per square metre[1] | $100 - $3,740 per sqm (2015: $135 - $1,495 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) $289.9 million (2015: $300.9 million) of the Group's investment properties are held under remaining leasehold interests between 33 to 38 years (2015: 34 to 39 years). The remaining investment properties are freehold.

(d) Certain investment properties with carrying values totalling $140.7 million (2015: $107.2 million) were mortgaged to secure borrowings as referred to in Note 14 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 land and buildings with carrying amount approximately $31.0 million (2015: $21.0 million) had not been transferred to the Group due to delay in the completion of certain formal procedures.

## 6. Investments in subsidiaries

| | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|
| Quoted equity shares, at cost | 68,736 | 68,736 |
| Unquoted equity shares, at cost | 465,363 | 428,086 |
| Less: Allowance for impairment loss | (70,241) | (70,241) |
| | 463,858 | 426,581 |

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

| | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|
| Balance at beginning of financial year | 70,241 | 72,609 |
| Allowance made during the financial year | - | 5 |
| Allowance written off during the financial year | - | (2,373) |
| Balance at end of financial year | 70,241 | 70,241 |

Particulars of the significant subsidiaries are as follows:

| Subsidiaries | Effective equity interest held by the Group 2016 % | Effective equity interest held by the Group 2015 % | Country of incorporation/ principal place of business | 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 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 |
| Raffles Assets Australia Pty Limited[(c)] | 100 | 100 | Australia | Property investment |

## 6. Investments in subsidiaries (Continued)

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

| Subsidiaries | Effective equity interest held by the Group 2016 % | 2015 % | Country of incorporation/ principal place of business | Principal activities |
|---|---|---|---|---|
| Wanbo Institute of Science & Technology[(a)] | 100 | 100 | People's Republic of China | Provision of vocational and technical training |
| Tianjin University of Commerce Boustead College[(a)] | 100 | 100 | People's Republic of China | Provider of education services |
| Raffles Iskandar Sdn. Bhd.[(a)] | 80 | 80 | Malaysia | Provision of courses in various areas of design and management at University level |
| Raffles College of Higher Education Sdn. Bhd.[(a)(e)] | 49 | - | Malaysia | Provision of training programmes and courses in various areas of design and management |
| Raffles Design Institute Pte Ltd | 100 | 100 | Singapore | Provider of education services |
| Langfang Development Zone Shenglong Property Management Service Co., Ltd[(a)] | 99 | 99 | People's Republic of China | Provider of utilities management services |
| Langfang Tonghui Education Consulting Co., Ltd[(a)] | 99 | 99 | People's Republic of China | Provider of education consulting and development services |
| Langfang Development Zone Oriental University City Education Consultancy Co., Ltd ("EC")[(a)] | 75* | 75* | People's Republic of China | Provider of education supporting services |
| Raffles Asset Italy S.R.L. | 100 | - | Italy | Property investment |

**6. Investments in subsidiaries** (Continued)

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

| Subsidiaries | Effective equity interest held by the Group 2016 % | 2015 % | Country of incorporation/ principal place of business | Principal activities |
|---|---|---|---|---|
| 4 Vallees Pte. Ltd. | 97 | 100 | Singapore | Property investment |
| Raffles Assets (Private) Limited[(a)] | 100 | 100 | Sri Lanka | Provider of education services – has not commenced operations |
| Trophy Land Global Limited[(d)(e)] | 49 | 49 | Thailand | Property investment |

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 Australia Partners, Australia

(d) Audited by other firm of auditors, Sunantanawat Audit Company Limited, Thailand

(e) Deemed to be a subsidiary of the Company by virtue of management control

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.

* Indirectly held through Oriental University City Holdings (H.K.) Limited (“OUCHK”), which together with its subsidiary, EC, is referred to as OUCHK Group. Following the initial public offering of shares, OUCHK has been listed on the Growth Enterprise Market (“GEM”) of the Hong Kong Stock Exchange on 16 January 2015. Subsequent to the listing, the Company owns 75% of OUCHK.

**6. Investments in subsidiaries** (Continued)

*Change of ownership interest without loss of control*

During the current financial year, OUCHK has subscribed 12.77% equity interest in 4 Vallees Pte. Ltd. ("4Vallees"), a wholly-owned subsidiary of the Company. As a result there was a change in effective ownership interest of 4Vallees held by the Group to 96.81%.

The effect of the change in the ownership interest of 4Vallees and OUCHK on the equity attributable to the owners of the Company during the current and previous year respectively are summarised as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| | **4Vallees** | **OUCHK** |
| Carrying amount of net assets disposed to non-controlling interests | (1) | (47,443) |
| Consideration received from non-controlling interest | - | 17,160 |
| Deemed loss on change of ownership of interest | (1) | (30,283) |

The following subsidiaries of the Group have material non-controlling interests (NCI):

| **Subsidiaries** | **Effective equity interest held by the NCI** | | **Country of incorporation/ principal place of business** |
|---|---|---|---|
| | **2016 %** | **2015 %** | |
| Langfang Oriental Institute of Technology ("LOIT") | 49 | 49 | People's Republic of China |
| Oriental University City Holdings (H.K.) Limited and its subsidiary ("OUCHK Group") | 25 | 25 | People's Republic of China |

**6. Investments in subsidiaries** (Continued)

**Non-controlling interests**

Summarised financial information in relation to the subsidiaries that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

| | LOIT | | OUCHK Group | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | - | - | 14,774 | 13,149 |
| Profit before income tax | 1,087 | 2,108 | 15,475 | 12,427 |
| Income tax expense | (570) | (1,274) | (3,945) | (2,831) |
| Profit after income tax | 517 | 834 | 11,530 | 9,596 |
| Profit allocated to NCI | 253 | 408 | 2,883 | 2,225 |
| Other comprehensive income allocated to NCI | - | - | (3,546) | 1,150 |
| Total comprehensive income allocated to NCI | 253 | 408 | (663) | 3,375 |
| Dividends paid to NCI | - | - | (910) | - |
| Cash flows from operating activities | - | - | 5,550 | (987) |
| Cash flows from investing activities | - | - | (22,563) | (3,710) |
| Cash flows from financing activities | - | - | (3,853) | 15,606 |
| Net cash (outflows)/inflows | - | - | (20,866) | 10,909 |
| Assets: | | | | |
| Current assets | - | - | 24,012 | 27,075 |
| Non-current assets | 83,099 | 88,312 | 188,192 | 193,959 |
| Liabilities: | | | | |
| Current liabilities | - | - | (8,515) | (9,912) |
| Non-current liabilities | (4,635) | (4,408) | (10,370) | (7,848) |
| Net assets | 78,464 | 83,904 | 193,319 | 203,274 |
| Accumulated non-controlling interests | 38,447 | 41,113 | 48,330 | 50,818 |

## 7. Investments in joint ventures

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Equity shares, at cost | 85,312 | 85,312 |
| Share of post-acquisition reserves of joint ventures | (43,647) | (17,449) |
| | 41,665 | 67,863 |

Particulars of the joint ventures as at 30 June 2016 are as follows:

| Joint ventures | Effective equity interest held by the Group 2016 % | Effective equity interest held by the Group 2015 % | Country of incorporation/ principal place of business | Principal activities |
|---|---|---|---|---|
| Educomp-Raffles Higher Education Limited ("ERHEL")[a] | 58 | 58 | India | Provision of training programmes and courses in various areas of design and management |
| Value Vantage Pte Ltd ("VVPL")[b] | 50 | 50 | Singapore | Investment holding |
| Raffles Education Middle East Training Co. Ltd[c] | 50 | 50 | Saudi Arabia | Provision of education services and training programmes |

Notes on joint ventures:

(a) Audited by overseas member firm of BDO

(b) Audited by BDO LLP, Singapore

(c) Based on management's assessment and judgement, the financial information of the insignificant joint venture is immaterial for disclosures.

**7. Investments in joint ventures** (Continued)

Summarised financial information of each of the Group's significant joint ventures are presented below:

| | ERHEL | | VVPL | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Current assets[(1)] | 26,941 | 28,666 | 57,506 | 165,808 |
| Non-current assets | 17,078 | 20,183 | - | - |
| Current liabilities | (30,229) | (31,103) | (10,406) | (71,182) |
| Net assets | 13,790 | 17,746 | 47,100 | 94,626 |
| [(1)]*Included in the above amounts are:* | | | | |
| Cash and bank balances | 1,517 | 1,661 | 16 | 14 |

| | ERHEL | | VVPL | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | 5,367 | 7,158 | - | - |
| (Loss)/profit after tax[(2)], representing total comprehensive income | (3,063) | (3,530) | (4,155) | 6,187 |
| [(2)]*Included in the above amounts are:* | | | | |
| Depreciation and amortisation | (2,027) | (2,213) | - | - |
| Interest income | 160 | 28 | 2 | - |
| Interest expense | (93) | - | - | - |
| Income tax expense | - | - | - | (52) |
| Dividends received from joint venture | | | | |
| - current year dividend | - | - | 21,685 | - |
| - prior year dividend | - | - | 30,000 | - |

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

**7. Investments in joint ventures** (Continued)

**Reconciliation of summarised financial information**

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in significant joint ventures, is as follows:

| | ERHEL | | VVPL | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Proportion of Group ownership | 58% | 58% | 50% | 50% |
| Group's share of net assets | 7,998 | 10,293 | 23,550 | 47,313 |
| Goodwill | 10,780 | 10,780 | - | - |
| Group's carrying amount of investment in joint ventures | 18,778 | 21,073 | 23,550 | 47,313 |

**8. Investments in associates**

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Quoted equity shares, at cost | 4,633 | - |
| Unquoted equity shares, at cost | 1,070 | 1,070 |
| Share of post-acquisition results net of dividend received | 288 | 326 |
| | 5,991 | 1,396 |

Details of associates as at 30 June 2016 are as follows:

| **Associates** | **Effective equity interest held by the Group 2016 %** | **2015 %** | **Country of incorporation/ principal place of business** | **Principal activities** |
|---|---|---|---|---|
| Raffles College of Higher Education Sdn. Bhd. ("RKL")(a)(d) | - | 20 | Malaysia | Provision of training programmes and courses in various areas of design and management |
| KHID Co., Ltd(b)(e) | 37.5 | 37.5 | Mongolia | Investment holding |
| Axiom Properties Limited ("Axiom")(c)(f) | 14.9 | - | Australia | Property development and investment |

## 8. Investments in associates (Continued)

Notes on associates:

(a) Audited by overseas member firm of BDO

(b) Audited by San Audit LLC, Mongolia

(c) Audited by HLB Mann Judd, Australia

(d) During the financial year, the Company acquired additional 29% equity interest in RKL. The Company has the rights to appoint majority of the directors on the board of directors of RKL. Therefore, RKL has been accounted for as a subsidiary (Note 28). The conditional purchase of a further interest of 21% equity interest in RKL is still subject to approval from the Ministry of Education of Malaysia.

(e) Based on management's assessment and judgement, the financial information of the insignificant associate is immaterial for disclosure.

(f) As at 30 June 2015, OUCHK owned 14.9% equity interest in Axiom, listed on the Australian Securities Exchange, which was accounted for as an available-for-sale financial asset (Note 9). During the financial year, OUCHK increased its equity interest to 19.9%. Although OUCHK's ownership interest in Axiom is less than 20%, OUCHK has the rights to appoint representative on the board of directors of Axiom. The Directors of OUCHK therefore considered OUCHK has the power to exercise significant influence and accounted the investment in Axiom as an associate since the date when OUCHK has the significant influence.

As at 30 June 2016, the fair value of the Group's investment in Axiom, which is listed on the Australian Securities Exchange, was $4,035,000. The fair value measurement is classified within Level 1 of the fair value hierarchy.

Summarised financial information of Axiom is as follows:

| | **2016** **$'000** |
|---|---|
| Current assets | 3,669 |
| Non-current assets | 69,128 |
| Current liabilities | (5,342) |
| Non-current liabilities | (44,542) |
| Net assets | 22,913 |
| Revenue | 2,049 |
| Profit after tax | 997 |
| Other comprehensive income | 1,505 |
| Total comprehensive income | 2,502 |

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the associate.

**8. Investments in associates** (Continued)

**Reconciliation of summarised financial information**

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the associate, is as follows:

| | **2016** |
|---|---|
| | **$'000** |
| Share of net assets of Axiom | 4,560 |
| Goodwill | 571 |
| Carrying value of investment in Axiom | 5,131 |
| Add: | |
| Carrying value of individually immaterial associate | 860 |
| Carrying value of the Group's investments in associates | 5,991 |

**9. Available-for-sale financial assets**

| | **Group** | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Quoted equity interest, at fair value[(a)] | - | 3,865 |
| Unquoted equity interest, at cost[(b)] | 612 | 658 |
| | 612 | 4,523 |

(a) During the financial year 2015, OUCHK acquired quoted equity shares interest of 14.9% in Axiom amounting to $3,761,000. The fair value of this equity interest is based on closing quoted market price on the last market day of the financial year and therefore, it is classified as a Level 1 fair value. The equity interest is listed on the Australian Securities Exchange.

During the financial year 2016, OUCHK increased its equity interest in Axiom from 14.9% to 19.9%, and accounted Axiom as an associate (Note 8).

(b) The unquoted equity interest were acquired as part of the assets in certain subsidiaries of OUC during the financial year 2008. As this equity interest in unquoted corporation in the People's Republic of China is not similar in size and activity to any quoted entities and there is no active market for this equity interest, it is not practicable to determine the fair value of this unquoted equity interest with sufficient reliability. Consequently, this unquoted equity interest is carried at cost less impairment loss, if any, based on management's assessment.

**10. Intangible assets**

| | Goodwill on acquisitions $'000 | Trademarks and license $'000 | Development costs $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2016** | | | | | |
| **Cost** | | | | | |
| Balance at 1 July 2015 | 112,452 | 593 | 11,731 | 1,875 | 126,651 |
| Arising from acquisition of subsidiary (Note 28) | 3,780 | - | - | - | 3,780 |
| Additions | - | 1 | 1,447 | 180 | 1,628 |
| Foreign currency realignment | - | (35) | (130) | - | (165) |
| Balance at 30 June 2016 | 116,232 | 559 | 13,048 | 2,055 | 131,894 |
| **Accumulated amortisation and impairment losses** | | | | | |
| Balance at 1 July 2015 | - | 105 | 10,854 | 1,242 | 12,201 |
| Amortisation | - | 19 | 778 | 222 | 1,019 |
| Foreign currency realignment | - | - | (77) | - | (77) |
| Balance at 30 June 2016 | - | 124 | 11,555 | 1,464 | 13,143 |
| **Carrying amounts** | | | | | |
| As at 30 June 2016 | 116,232 | 435 | 1,493 | 591 | 118,751 |
| **2015** | | | | | |
| **Cost** | | | | | |
| Balance at 1 July 2014 | 112,452 | 579 | 11,873 | 1,875 | 126,779 |
| Additions | - | 1 | 1 | - | 2 |
| Foreign currency realignment | - | 13 | (143) | - | (130) |
| Balance at 30 June 2015 | 112,452 | 593 | 11,731 | 1,875 | 126,651 |
| **Accumulated amortisation and impairment losses** | | | | | |
| Balance at 1 July 2014 | - | 88 | 9,956 | 980 | 11,024 |
| Amortisation | - | 17 | 995 | 262 | 1,274 |
| Foreign currency realignment | - | - | (97) | - | (97) |
| Balance at 30 June 2015 | - | 105 | 10,854 | 1,242 | 12,201 |
| **Carrying amounts** | | | | | |
| As at 30 June 2015 | 112,452 | 488 | 877 | 633 | 114,450 |

**10. Intangible assets** (Continued)

| | Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| **Trademarks** | | |
| **Cost** | | |
| Balance at beginning of year | 217 | 216 |
| Additions | 1 | 1 |
| Balance at end of year | 218 | 217 |
| | | |
| **Accumulated amortisation** | | |
| Balance at beginning of year | 105 | 88 |
| Amortisation | 19 | 17 |
| Balance at end of year | 124 | 105 |
| | | |
| **Carrying amounts** | 94 | 112 |

**Goodwill on acquisition**

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 are as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| China Education Limited | 94,164 | 94,164 |
| Raffles College Pty Ltd | 10,481 | 10,481 |
| Others[#] | 11,587 | 7,807 |
| | 116,232 | 112,452 |

[#] Individually insignificant

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

**10. Intangible assets** (Continued)

**Goodwill on acquisition** (Continued)

*Impairment testing of goodwill*

The recoverable amounts of the CGUs are determined from value in use calculations.

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% (2015: 7%) 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.

*Sensitivity analysis*

The management has estimated that even if the projected net cash inflows had been 10% (2015: 10%) lower or if the estimated discounted rate applied to the discounted cash flows had been 8% instead of 7% (2015: 8% instead of 7%), 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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| **Trade receivables**: | | | | |
| Trade receivables | 3,349 | 3,296 | - | - |
| Less: | | | | |
| Allowance for doubtful trade receivables | - | (155) | - | - |
| | 3,349 | 3,141 | - | - |
| **Other receivables**: | | | | |
| Third parties[a] | 10,548 | 24,822 | - | - |
| Receivable from sale of interest in subsidiary[b] | - | 18,284 | - | - |
| Receivables from sale of investment properties[c] | 62,885 | 104,855 | - | - |
| Government grant receivables (Note 3.2 (vii)) | 30,629 | 32,959 | - | - |
| Deposits | 8,318 | 5,654 | - | - |
| Prepayments[d] | 33,716 | 14,971 | 219 | 242 |
| Receivable from former joint venture | 321 | 226 | - | - |
| Subsidiaries[e] | - | - | 270,192 | 306,592 |
| Joint ventures[e] | 5,683 | 35,133 | 546 | 533 |
| Associates[e] | - | 210 | - | - |
| Tax recoverable | 120 | 964 | - | 887 |
| Others | 1,126 | 379 | 34 | 57 |
| | 153,346 | 238,457 | 270,991 | 308,311 |
| | 156,695 | 241,598 | 270,991 | 308,311 |
| **Non-current other receivables:** | | | | |
| Prepayments | - | 10,970 | - | - |
| Subsidiaries[e] | - | - | 9,615 | 22,974 |
| | - | 10,970 | 9,615 | 22,974 |
| | 156,695 | 252,568 | 280,606 | 331,285 |

**11. Trade and other receivables** (Continued)

Trade receivables are non-interest bearing and are generally on 30 days credit term (2015: 30 days).

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Not past due and not impaired | 1,643 | 1,520 |
| Past due but not impaired | 1,706 | 1,621 |
| Impaired, individually assessed | - | 155 |
| Less: allowance for doubtful trade receivables | - | (155) |
| Total trade receivables, net | 3,349 | 3,141 |

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 $1.7 million (2015: $1.6 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| 0 - 30 days | 129 | 275 |
| 31 - 60 days | 87 | 405 |
| Over 61 days | 1,490 | 941 |
| | 1,706 | 1,621 |

## 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 | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Balance at beginning of financial year | 155 | 1,356 |
| Allowance made for the financial year (Note 23) | 80 | 180 |
| Allowance utilised | (80) | (1,441) |
| Allowance reversed (Note 23) | (152) | - |
| Foreign currency realignment | (3) | 60 |
| Balance at end of financial year | - | 155 |

Further notes on trade and other receivables:

(a) Included in third parties other receivables is amount recoverable from the cancellation of purchase of land of $10.2 million. Included in previous financial year was $24.5 million short-term loan to a third party.

(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. During the current financial year, the Group has received the full amount.

(c) Receivables from sale of investment properties relate to outstanding balances of $Nil (2015: $16.1 million) from disposal of 118mu land and properties in OUC and $62.9 million (2015: $88.7 million) from disposal of 490mu land and properties in OUC.

(d) Included an amount of $13.2 million (2015: $Nil) recorded as prepayment for purchase of properties from the spouse of a Director and her related entity.

(e) The amounts due from subsidiaries, joint ventures and associates are non-trade in nature, unsecured, interest-free and repayable on demand, except for the amount of $22.9 million (2015: $33.3 million) advanced to subsidiaries as at the end of the financial year which bears interest at 3% (2015: 3%) per annum. The carrying amount of these amounts approximate its fair value.

## 12. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Current | | | | |
| Fixed deposits with banks | 47,428 | 40,803 | - | 9,005 |
| Cash and bank balances | 13,838 | 40,101 | 1,810 | 5,116 |
| | 61,266 | 80,904 | 1,810 | 14,121 |
| Non-current | | | | |
| Restricted bank balances | 3,511 | 2,890 | - | - |
| | 64,777 | 83,794 | 1,810 | 14,121 |
| Less: Pledged fixed deposits | (22,427) | - | - | - |
| Less: Restricted bank balances | (3,511) | (2,890) | - | - |
| Cash and cash equivalents for purpose of consolidated cash flows | 38,839 | 80,904 | 1,810 | 14,121 |

Group

Fixed deposits of $22,427,000 (2015: $Nil) are pledged to a bank for a standby letter of credit given for the Company's bank borrowings of $21,000,000 (Note 14).

Restricted bank balances represent bank balances of subsidiaries pledged to financial institutions as collateral for credit facilities granted.

Fixed deposits at the reporting date have an average maturity of 1 month (2015: 2 months) from the end of the financial year with the following effective interest rates per annum:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| Singapore Dollar | - | 0.65% |
| Chinese Renminbi | 1.20% - 1.74% | 0.01% - 3.33% |
| Australian Dollar | - | 1.82% |
| Sri Lanka Rupee | - | 3.00% |
| Indian Rupee | 5.00% | 6.25% |

| | Company | |
|---|---|---|
| | 2016 | 2015 |
| Singapore Dollar | - | 0.65% |

## 13. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Trade payables | 3,462 | 3,338 | - | - |
| Subsidiaries | - | - | 156,861 | 100,696 |
| Associates | - | 357 | - | - |
| Course fees received in advance | 11,015 | 14,196 | - | - |
| Education service received in advance | 750 | 869 | - | - |
| Other accruals | 13,263 | 17,446 | 3,086 | 4,767 |
| Accruals for indirect taxes and property-related expenses[(a)] | 3,788 | 2,915 | - | - |
| Accruals for management fees | 3,078 | 3,888 | - | - |
| Accruals for capital expenditure | 6,170 | 6,226 | - | - |
| Accruals for car park demolition in OUC | - | 7,444 | - | - |
| Amounts due to joint venturers | 4,078 | 16,200 | - | - |
| Amounts due to former related parties | - | 2 | - | - |
| Payable to EISB[(b)] | 8,544 | 9,127 | - | - |
| Other payables | 2,562 | 2,352 | - | - |
| | 56,710 | 84,360 | 159,947 | 105,463 |
| **Non-current other payables** | | | | |
| Subsidiary | - | - | 47,600 | - |
| Loan from the spouse of a Director | 12,038 | - | 12,038 | - |
| Advance from third party | 5,097 | - | - | - |
| Payable to EISB[(b)] | 39,328 | 42,012 | - | - |
| Other payables | 103 | 93 | - | - |
| | 56,566 | 42,105 | 59,638 | - |
| | 113,276 | 126,465 | 219,585 | 105,463 |

Current trade payables are non-interest bearing and are normally settled on 30 to 60 days' term (2015: 30 to 60 days' term).

The amounts due to subsidiaries, joint venturers, associates, former related parties are unsecured, interest-free and repayable on demand, except for the amount payable to a subsidiary of $47.6 million (2015: $Nil) as at the end of the financial year which bears interest at a range of 2.76% to 2.83% per annum and repayable in May 2019. The amount of $4.1 million (2015: $16.2 million) due to joint venturers is repayable within 12 months from the end of financial year. Loan from the spouse of a Director is unsecured, interest-free and will not demand for repayment earlier than 1 July 2017.

The carrying amount of other payables approximate its fair value.

**13. Trade and other payables** (Continued)

Further notes on trade and other payables:

(a) Included in accruals for indirect taxes and property-related expenses is an amount of $0.6 million (2015: $0.7 million) which relates to revenue tax, stamp duty and deed tax arising from the land restructuring in OUC (Note 3.2(vii)).

(b) This mainly relates to amount due to Education@Iskandar Sdn. Bhd. ("EISB") for the purchase of land in EduCity, Iskandar Johor, Malaysia.

During financial year 2011, one of the subsidiaries - Raffles Iskandar Sdn. Bhd. ("RISB") entered into Sale and Purchase Agreement ("SPA") with 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 will commence in the next financial year.

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.

During 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.

## 14. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Borrowings:** | | | | |
| - Secured bank borrowings[(a)] | 271,917 | 134,475 | 70,568 | 13,500 |
| - Unsecured bank borrowings[(a)] | 15,097 | 75,000 | 10,000 | 75,000 |
| - Unsecured third party interest-free borrowings | - | 22,388 | - | 22,388 |
| - Unsecured Notes[(b)] | 79,305 | 158,704 | 79,305 | 158,704 |
| | 366,319 | 390,567 | 159,873 | 269,592 |
| **Repayable:** | | | | |
| - within 1 financial year | 87,418 | 266,095 | 80,568 | 190,632 |
| - more than 1 financial year | 278,901 | 124,472 | 79,305 | 78,960 |
| | 366,319 | 390,567 | 159,873 | 269,592 |
| **Secured borrowings repayable:** | | | | |
| - within 1 financial year | 72,321 | 88,963 | 70,568 | 13,500 |
| - more than 1 financial year | 199,596 | 45,512 | - | - |
| | 271,917 | 134,475 | 70,568 | 13,500 |
| **Unsecured borrowings repayable:** | | | | |
| - within 1 financial year | 15,097 | 177,132 | 10,000 | 177,132 |
| - more than 1 financial year | 79,305 | 78,960 | 79,305 | 78,960 |
| | 94,402 | 256,092 | 89,305 | 256,092 |

[(a)] Security for bank borrowings are as follows:

- bank borrowings of $201.3 million (2015: $107.5 million) are secured by letter of guarantee by the Company;
- bank borrowings of $38.0 million (2015: $13.5 million) are secured by a standby letter of credit issued by a bank which is secured by a letter of guarantee from the Company. Standby letter of credit for $21.0 million (2015: $Nil) are secured by pledged bank deposits of $22.4 million (2015: $Nil) (Note 12);
- bank borrowings of $32.6 million (2015: $Nil) are secured by letter of guarantee by a subsidiary; and
- certain property, plant and equipment (Note 4) with carrying amount of $141.1 million (2015: $125.3 million) and investment properties (Note 5) with carrying amount of $140.7 million (2015: $107.2 million).

The current bank borrowings have an average maturity of 4 months (2015: 6 months) from the end of the financial year. The non-current bank borrowings have an average maturity of 4.15 years (2015: 3.55 years) from the end of the financial year.

The effective interest rates of the bank borrowings range from 1.55% to 7.00% (2015: 1.55% to 8.00%) per annum. The carrying amount of the borrowings approximates its fair value due to frequent re-pricing.

**14. Borrowings** (Continued)

[b] 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. During the previous financial year, the MTN Programme was increased to $500 million.

As at 30 June 2016, the following Notes were outstanding:

| Date of issue | Amount | Fixed interest rate (per annum) | Maturity date |
|---|---|---|---|
| 3 May 2013 | $50 million | 5.9% | 3 May 2018 |
| 7 May 2015 | $30 million | 5.9% | 3 May 2018 |

The carrying amount of the Notes approximates its fair value.

**15. 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 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Deferred tax assets | 1,074 | 1,099 |
| Deferred tax liabilities | (53,002) | (18,174) |

**Deferred tax assets**

| | Other payables $'000 | Tax losses $'000 | Accelerated tax capital allowance $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance at 1 July 2015 | 1,012 | 35 | 36 | 16 | 1,099 |
| Credited/(charged) to profit or loss | (502) | 531 | - | - | 29 |
| Change in tax rate | (16) | - | - | - | (16) |
| Foreign currency realignment | (26) | (12) | - | - | (38) |
| Balance at 30 June 2016 | 468 | 554 | 36 | 16 | 1,074 |
| | | | | | |
| Balance at 1 July 2014 | 545 | 153 | 37 | 20 | 755 |
| Credited/(charged) to profit or loss | 563 | (123) | - | - | 440 |
| Foreign currency realignment | (96) | 5 | (1) | (4) | (96) |
| Balance at 30 June 2015 | 1,012 | 35 | 36 | 16 | 1,099 |

**15. Deferred tax assets and liabilities** (Continued)

**Deferred tax liabilities**

| | Accelerated tax depreciation on property, plant and equipment $'000 | Fair value adjustment on investment properties $'000 | Divestment of land and properties $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance at 1 July 2015 | (427) | (17,689) | - | (58) | (18,174) |
| Arising from acquisition of subsidiary (Note 28) | (131) | - | - | - | (131) |
| Charged to profit or loss | (134) | (9,166) | - | (17) | (9,317) |
| Reclassified from income tax payable | - | - | (28,406) | - | (28,406) |
| Foreign currency realignment | - | 1,485 | 1,539 | 2 | 3,026 |
| Balance at 30 June 2016 | (692) | (25,370) | (26,867) | (73) | (53,002) |
| | | | | | |
| Balance at 1 July 2014 | (304) | (9,391) | - | (48) | (9,743) |
| Charged to profit or loss | (123) | (7,458) | - | (8) | (7,589) |
| Foreign currency realignment | - | (840) | - | (2) | (842) |
| Balance at 30 June 2015 | (427) | (17,689) | - | (58) | (18,174) |

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 2016 and 2015, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled $166.0 million (2015: $162.1 million) as at 30 June 2016.

**16. Share capital**

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Number of ordinary shares | | $'000 | $'000 |
| **Issued and paid up:** | | | | |
| Balance at beginning and 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.

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

## 17. Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Number of ordinary shares | | $'000 | $'000 |
| At beginning of the financial year | 54,133,800 | 27,896,000 | 32,730 | 24,065 |
| Repurchase during the financial year | 25,656,300 | 26,237,800 | 6,953 | 8,665 |
| At end of the financial year | 79,790,100 | 54,133,800 | 39,683 | 32,730 |

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.

## 18. Accumulated profits/(losses) and other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Revaluation reserve[1] | 7,020 | 6,986 | - | - |
| Foreign currency translation reserve[2] | (19,085) | 17,859 | - | - |
| Share-based payments reserve[3] | 2,453 | 2,453 | 2,453 | 2,453 |
| Accumulated profits/(losses) | 95,713 | 89,643 | (77,728) | (54,729) |
| | 86,101 | 116,941 | (75,275) | (52,276) |

[1] *Revaluation reserve*

Revaluation reserve represents the difference between the carrying amount and fair value of property when an owner-occupied property becomes an investment property which will be carried at fair value. 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.

## 19. Revenue

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Course fees | 84,179 | 97,893 |
| Rental income from investment properties | 16,336 | 14,326 |
| Utility income from investment properties | 4,608 | 3,551 |
| Other fees | 5,075 | 3,190 |
| Registration fees | 675 | 839 |
| Canteen operation | 157 | 96 |
| | 111,030 | 119,895 |

## 20. Other operating income

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Interest income | 1,114 | 1,241 |
| Foreign exchange gain | 5,590 | 5,541 |
| Fair value gain on re-measurement of pre-existing equity interest in an associate (Note 28) | 1,397 | - |
| Gain on disposal of property, plant and equipment | 3 | 29 |
| Government grant | 1,099 | - |
| Net reversal on provision for land restructuring cost | - | 403 |
| Others | 542 | 700 |
| | 9,745 | 7,914 |

Government grant for financial year 2016 mainly relates to government incentive received for the successful listing of OUCHK.

## 21. Personnel expenses

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Salaries, bonuses and allowances | 37,174 | 39,335 |
| Contributions to defined contribution plans | 4,958 | 4,811 |
| Other social expenses | 1,355 | 1,459 |
| | 43,487 | 45,605 |

Personnel expenses include Directors' remuneration as shown in Note 31 to the financial statements.

## 22. Finance costs

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Interest expenses: | | |
| - Bank borrowings | 6,771 | 5,001 |
| - Unsecured Notes | 8,320 | 8,455 |
| | 15,091 | 13,456 |

## 23. 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 | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Allowance for doubtful trade receivables (Note 11) | 80 | 180 |
| Reversal of allowance for doubtful trade receivables (Note 11) | (152) | - |
| Bad trade receivables written off | 536 | 203 |
| Audit fees paid to auditors: | | |
| - Auditor of the Company | 394 | 396 |
| - Other auditors | 306 | 482 |
| Non-audit fees paid to auditors: | | |
| - Auditor of the Company | 62 | 21 |
| - Other auditors | 71 | 558 |
| Foreign exchange loss, net | 1,667 | 213 |
| Gain on disposal of property, plant and equipment, net | (2) | (19) |
| Royalty, registration and administration fees | 6,781 | 6,411 |
| Operating lease expenses | | |
| - Rental of premises | 5,996 | 8,079 |
| - Rental of equipment | 131 | 142 |
| Marketing and advertisement expenses | 4,549 | 5,880 |
| Property, plant and equipment written off | 36 | 4 |
| Reversal of government grant receivable for land restructuring | - | 403 |
| (Reversal)/compensation for early termination of tenancy agreement and demolition of car park | (55) | 1,003 |
| Utilities | 6,251 | 5,940 |
| Professional fees | 3,643 | 5,073 |
| Repair and maintenance | 4,823 | 4,231 |

## 24. Income tax expense

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Income tax | | |
| - Current financial year | 1,525 | 2,116 |
| - Overprovision in prior financial years | (2,832) | (6,297) |
| | (1,307) | (4,181) |
| Deferred tax | | |
| - Current financial year | 8,990 | 7,128 |
| - Under provision in prior financial years | 298 | 21 |
| | 9,288 | 7,149 |
| | 7,981 | 2,968 |

**Reconciliation of effective tax rate**

Domestic income tax in Singapore is calculated at 17% (2015: 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% (2015: 17%) to profit before income tax as a result of the following differences:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Profit before income tax | 27,670 | 22,339 |
| Income tax calculated at statutory rate of 17% (2015: 17%) | 4,704 | 3,798 |
| Tax effect of income not subject to taxation | (1,401) | (25) |
| Tax exemption | (2,833) | (1,429) |
| Tax effect of non-allowable expenses | 6,329 | 3,197 |
| Utilisation of deferred tax assets previously not recognised | - | (56) |
| Deferred tax assets not recognised for current financial year | 501 | 314 |
| Effect of different tax rates of overseas operations | 3,215 | 3,445 |
| Overprovision in prior financial years | (2,534) | (6,276) |
| Total income tax expense | 7,981 | 2,968 |

Subject to the agreement by relevant tax authorities, at the reporting date, the Group has unutilised tax losses of $13.5 million (2015: $10.5 million) available for offset against future profits and deferred tax assets have not been recognised in respect of these items due to the unpredictability of future taxable profits.

## 25. Earnings per share

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

**Earnings**

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Profit attributable to equity holders of the Company | 15,818 | 16,983 |

**Number of shares**

| | Group | | | |
|---|---|---|---|---|
| | **2016** | | **2015** | |
| | **Basic** | **Diluted** | **Basic** | **Diluted** |
| Weighted average number of ordinary shares used ('000) | 973,144 | 973,144 | 1,009,532 | 1,009,532 |

2,429,600 (2015: 2,860,000) 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.

## 26. Dividends

| | Group and Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Final tax exempt dividend paid in respect of previous financial year of 1.0 cent (2015: 1.0 cent) per ordinary share | 9,736 | 10,162 |

## 27. 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.

**27. Share-based payments** (Continued)

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

(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:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number of share options ('000) | Weighted average exercise price $ | Number of share options ('000) | Weighted average exercise price $ |
| Outstanding at beginning of financial year | 2,860 | 1.161 | 3,147 | 1.173 |
| Expired/cancelled | (431) | (0.738) | (287) | (1.285) |
| Outstanding at end of financial year | 2,429 | 1.236 | 2,860 | 1.161 |
| Exercisable as at end of financial year | 2,429 | - | 2,860 | - |

No share options were granted during the financial year.

**27. Share-based payments** (Continued)

*Raffles Education Corporation Scheme ("REC Scheme") and Raffles Education Corporation Employees' Share Options Scheme ("REC ESOS Scheme")* (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* $ |
|---|---|---|---|---|---|---|
| 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 |
| 2.2.2009 | 5.3 | 30 | 2.07 | 10 | 1.5900 | 1.5450 |
| 9.2.2010 | 0.0 | 30 | 2.55 | 10 | 1.1100 | 1.0350 |
| 24.3.2011 | 2.5 | 38 | 1.32 | 5.5 | 0.7800 | 0.8100 |
| 2.9.2011 | 1.8 | 40 | 0.30 | 3 | 0.4620 | 0.4900 |

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

**28. Acquisition of subsidiary**

**Acquisition in financial year 2016**

**Acquisition of Raffles College of Higher Education Sdn. Bhd. ("RKL")**

During the current financial year, the Company entered into a share purchase agreement with the spouse of a Director (the "First Share Purchase Agreement") to purchase 29% of the issued share capital in RKL (the "First Tranche Acquisition"), for a consideration of $2.8 million (RM8.4 million).

The Company also entered into a conditional share purchase agreement (the "Second Share Purchase Agreement") to purchase 21% of the issued share capital in RKL (the "Second Tranche Acquisition"), for a consideration of $2.0 million (RM6.1 million). The completion of the Second Tranche Acquisition is conditional upon the approval of the Ministry of Education of Malaysia ("MOE"), which is still outstanding as at the date of this report.

The First Tranche Acquisition and the Second Tranche Acquisition shall collectively be referred to as the "Acquisition".

**28. Acquisition of subsidiary** (Continued)

**Acquisition in financial year 2016** (Continued)

**Acquisition of Raffles College of Higher Education Sdn. Bhd. ("RKL")** (Continued)

The Acquisition will enable the Company to benefit from the profitable operations of RKL, where it is currently not expected for the Company to fund the operations of RKL. The Acquisition is also in line with the Company's long term business plan to access the fast growing educational industry in Malaysia.

The Company had an existing 20% equity interest in RKL and was accounted as an associate before the Acquisition. Subsequent to the completion of the First Tranche Acquisition on 4 February 2016, the Company had the rights to appoint majority of the directors in RKL and thus accounted RKL as a subsidiary since then.

The fair values of the identifiable assets and liabilities acquired and the cash flows effect of RKL as at the date of acquisition are as follows:

| | **Fair value recognised on date of acquisition $'000** |
|---|---|
| Property, plant and equipment (Note 4) | 2,169 |
| Trade and other receivables | 157 |
| Cash and cash equivalents | 65 |
| Trade and other payables | (418) |
| Income tax recoverable | 80 |
| Deferred tax liabilities (Note 15) | (131) |
| Net identifiable assets at fair value | 1,922 |
| Less: Non-controlling interest | (980) |
| Less: Amount previously accounted for as associate | (530) |
| Less: Fair value gain on re-measurement of pre-existing equity interest in an associate (Note 20) | (1,397) |
| Add: Goodwill arising from acquisition (Note 10) | 3,780 |
| Total purchase consideration | 2,795 |
| Cash and cash equivalents acquired | (65) |
| Net cash outflows on acquisition of subsidiary | 2,730 |

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

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

From the date of acquisition, RKL has contributed $1,602,000 and $316,000 to the revenue and profit after tax of the Group respectively for the financial year ended 30 June 2016. If the combination had taken place at the beginning of the financial year, RKL's contribution to the Group's revenue and profit after tax would have been $3,510,000 and $562,000 respectively.

**29. Contingent liabilities**

**Group**

(a) The Company and four of its subsidiaries are involved in three separate arbitrations/legal 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.

(b) 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 2016 and 2015, 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**

(c) As at 30 June 2016, the Company has given guarantees amounting to $239.3 million (2015: $121.0 million) to banks in respect of banking facilities granted to the subsidiaries (Note 14) and the guarantees amount represents the maximum exposure.

(d) As at 30 June 2016, the Company has given guarantees amounting to $21.6 million (2015: $23.1 million) to EISB in respect of the outstanding payable to the purchase of land (Note 13(b)).

(e) As at the reporting date, the Company has undertaken to provide continued financial support to certain subsidiaries which are in net current liability position and/or showing shareholder's deficit of $31.9 million (2015: $31.7 million).

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

## 30. 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 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Capital commitments in respect of property, plant and equipment | 157,592 | 192,045 |

(b) Other commitments

(i) During the previous financial year, the Group has entered into a sale and purchase agreement to acquire the 42% equity interest in the joint venture, ERHEL. Outstanding purchase consideration not recognised in the financial statements amounted to $19,477,000. The transaction has not been completed as at the date of the financial statements.

(ii) During the financial year, the Company has entered into a sale and purchase agreement to acquire additional 21% equity interest in Raffles College of Higher Education Sdn. Bhd. ("RKL") for $2,036,000 from the spouse of a Director. The purchase is still subject to approval from the Ministry of Education of Malaysia.

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

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

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Future minimum lease payments payable: | | |
| Within 1 financial year | 4,174 | 2,781 |
| After 1 year but within 5 financial years | 2,972 | 2,620 |
| After 5 financial years | - | 21,073 |
| | 7,146 | 26,474 |

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.

**30. Commitments** (Continued)

(d) 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Future minimum lease payments receivable: | | |
| Within 1 financial year | 12,211 | 1,410 |
| After 1 year but within 5 financial years | 4,609 | 3,560 |
| After 5 financial years | 1,275 | 1,895 |
| | 18,095 | 6,865 |

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

**31. Significant related party transactions**

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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **With associates** | | | | |
| Settlement of liabilities on behalf for associates | - | 14 | - | 14 |
| Dividend income | 32 | 88 | 32 | 88 |
| **With joint venture** | | | | |
| Settlement of liabilities on behalf for joint venture | 13 | 104 | 13 | 104 |
| Dividend income | 21,685 | - | - | - |

**31. Significant related party transactions** (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **With subsidiaries** | | | | |
| Settlement of liabilities on behalf by subsidiaries | - | - | (9,681) | (1,279) |
| Dividend income | - | - | 7,421 | 24,683 |
| Interest income | - | - | 859 | 689 |
| Management service fee income | - | - | 1,632 | 1,408 |
| Recharge of rental and utilities | - | - | (480) | (480) |
| Waiver of inter-company debt | - | - | - | 8,106 |
| Consultancy fees income | - | - | 293 | 874 |
| **With related party** | | | | |
| Rental to the spouse of a Director and her related entity | 149 | - | - | - |
| Acquisition of the equity interest in an associate from the spouse of a Director | 2,795 | - | 2,795 | - |
| Loan from the spouse of a Director | 12,038 | - | 12,038 | - |
| Prepayment for purchase of properties from the spouse of a Director and her related entity | 13,211 | - | - | - |

*Key management personnel remuneration*

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Directors' fees | 265 | 265 |
| Salaries and other short-term employee benefits | 2,198 | 2,683 |
| | 2,463 | 2,948 |

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 ("key management"). The above amounts for key management personnel compensation are for the Directors of the Company (including directors' fees of Non-Executive Directors).

**32. Report by segments**

The Group has five reportable segments as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different skill sets and marketing strategies.

For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

- 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.

  The Group also 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 Gelin Nursery School of Suzhou National New & Hi-tech Industrial Development Zone ("SZGL") which offers only pre-school classes in China.

- 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.

- Education Facilities Rental Service

  This segment refers to OUCHK which is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. OUCHK engages in education facilities leasing and commercial leasing for supporting facilities. OUCHK currently owns and leases out certain investment properties to colleges in Oriental University City, located at Langfang Economic and Technical Development Zone in Langfang City, Hebei province, China.

- Real Estate Investment & Development

  The Group participates in opportunistic Real Estate Investments and Development. The ownership of these properties generates a stream of stable and recurring rental income. When opportunity arise, the Group may divest these properties.

**32. Report by segments** (Continued)

- 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 property, plant and equipment, investment properties, available-for-sale financial assets, inventories and operating receivables, 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.

**32. Report by segments** (Continued)

| | Private Education System $'000 | National Education System $'000 | Education Facilities Rental Service $'000 | Real Estate Investment & Development $'000 | Corporate & Others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Revenue from external customers | 55,050 | 33,537 | 14,774 | 7,596 | 73 | 111,030 |
| Inter-segment revenue | 2,856 | - | 17 | 1,654 | 21,553 | 26,080 |
| Interest income | 257 | 167 | 159 | 493 | 38 | 1,114 |
| Loss on de-recognition of an available-for-sale financial asset | - | - | (407) | - | - | (407) |
| Fair value gain on investment properties, net | 5,416 | - | 6,223 | 16,588 | 8,909 | 37,136 |
| Finance costs | (36) | (69) | - | (1,354) | (13,632) | (15,091) |
| Depreciation and amortisation | (2,606) | (3,760) | (74) | (1,388) | (3,323) | (11,151) |
| Fair value gain on re-measurement of pre-existing equity interest in an associate | - | - | - | - | 1,397 | 1,397 |
| Share of results from joint ventures | - | - | - | - | (4,000) | (4,000) |
| Share of results from associates | (23) | - | 198 | - | 49 | 224 |
| Reportable segment profit/(loss) before income tax | 14,148 | 7,907 | 15,458 | 15,563 | (25,406) | 27,670 |
| Net profit/(loss) for the financial year | 13,808 | 7,907 | 11,513 | 11,685 | (25,224) | 19,689 |
| Other information: | | | | | | |
| Additions to property, plant and equipment | 42,812 | 4,115 | 4 | 3,694 | 731 | 51,356 |
| Additions to property, plant and equipment from acquisition of subsidiary | 2,169 | - | - | - | - | 2,169 |
| Additions to investment properties | - | - | 621 | 7,765 | 7,440 | 15,826 |
| Additions to intangible assets | 1,527 | - | - | - | 101 | 1,628 |
| Additions to goodwill arising from acquisition of subsidiary | 3,780 | - | - | - | - | 3,780 |
| Investment in joint ventures | - | - | - | - | 41,665 | 41,665 |
| Investment in associates | 860 | - | 5,131 | - | - | 5,991 |
| Segment assets | 143,082 | 113,694 | 206,081 | 345,555 | 148,661 | 957,073 |
| Segment liabilities | (109,164) | (11,768) | (4,112) | (60,522) | (294,029) | (479,595) |

**32. Report by segments** (Continued)

| | Private Education System $'000 | National Education System $'000 | Education Facilities Rental Service $'000 | Real Estate Investment & Development $'000 | Corporate & Others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Revenue from external customers | 72,015 | 30,017 | 13,149 | 4,616 | 98 | 119,895 |
| Inter-segment revenue | 3,268 | - | - | 744 | 44,403 | 48,415 |
| Interest income | 499 | 305 | 45 | 382 | 10 | 1,241 |
| Fair value gain on investment properties, net | - | - | 7,458 | 15,540 | 33 | 23,031 |
| Finance costs | (5) | - | - | (1,066) | (12,385) | (13,456) |
| Depreciation and amortisation | (2,508) | (3,816) | (88) | (1,238) | (3,390) | (11,040) |
| Share of results from joint ventures | - | - | - | - | 901 | 901 |
| Share of results from associates | (75) | - | - | - | 127 | 52 |
| Reportable segment profit/(loss) before income tax | 21,376 | 7,145 | 12,431 | 7,689 | (26,302) | 22,339 |
| Net profit/(loss) for the financial year | 20,109 | 7,145 | 9,601 | 9,061 | (26,545) | 19,371 |
| Other information: | | | | | | |
| Additions to property, plant and equipment | 16,976 | 2,472 | 3,009 | 16,859 | 8,329 | 47,645 |
| Additions to investment properties | - | - | 185 | 58,790 | 10,347 | 69,322 |
| Additions to intangible assets | - | - | - | - | 2 | 2 |
| Investment in joint ventures | - | - | - | - | 67,863 | 67,863 |
| Investment in associates | 883 | - | - | - | 513 | 1,396 |
| Segment assets | 100,437 | 116,102 | 198,729 | 398,311 | 184,901 | 998,480 |
| Segment liabilities | (82,314) | (5,815) | (2,902) | (56,669) | (369,332) | (517,032) |

**32. Report by segments** (Continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Revenue** | | |
| Total revenues for reportable segments | 137,110 | 168,310 |
| Elimination of inter-segment revenues | (26,080) | (48,415) |
| Consolidated revenue | 111,030 | 119,895 |
| **Assets** | | |
| Total assets for reportable segments | 957,073 | 998,480 |
| Investments in joint ventures | 41,665 | 67,863 |
| Investments in associates | 5,991 | 1,396 |
| Unallocated assets | 184,602 | 199,343 |
| Consolidated total assets | 1,189,331 | 1,267,082 |
| **Liabilities** | | |
| Total liabilities for reportable segments | (479,595) | (517,032) |
| Unallocated liabilities | (90,777) | (90,675) |
| Consolidated total liabilities | (570,372) | (607,707) |

**Geographical segments**

The Group operates in five main geographical regions, namely Asean, North Asia, South Asia, Australasia and Europe.

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 joint ventures, investment in associates, intangible assets and other receivables.

| | Asean $'000 | North Asia $'000 | South Asia $'000 | Australasia $'000 | Europe $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Revenue from external customers | 31,574 | 69,976 | 2,766 | 5,692 | 1,022 | 111,030 |
| Non-current assets | 302,934 | 536,381 | 10,608 | 55,187 | 60,974 | 966,084 |
| **2015** | | | | | | |
| Revenue from external customers | 35,472 | 68,702 | 3,316 | 12,143 | 262 | 119,895 |
| Non-current assets | 275,707 | 560,490 | 6,076 | 54,247 | 39,430 | 935,950 |

Singapore and People's Republic of China contributed revenue of $18,937,000 and $69,109,000 (2015: $23,474,000 and $67,642,000) respectively. Non-current assets in Singapore and People's Republic of China amounted to $133,609,000 and $535,446,000 (2015: $158,145,000 and $559,507,000) respectively.

## 33. 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 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.

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 and amount due to a subsidiary.

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 (2015: 100 basis point), with all other variables held constant.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Increase interest rate (basis point)** | **Decrease in profit $'000** | **Increase interest rate (basis point)** | **Decrease in profit $'000** |
| **Group** | | | | |
| Borrowings | 100 | (2,409) | 100 | (1,867) |
| **Company** | | | | |
| Borrowings | 100 | (806) | 100 | (1,075) |
| Amount due to a subsidiary | 100 | (476) | - | - |

A 100 basis point decrease in interest rates would have an equal but opposite effect.

**33. 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 2016 and 30 June 2015 were as follows:

| | Note | SGD $'000 | RMB $'000 | USD $'000 | AUD $'000 | Others $'000 | Total in SGD equivalents $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2016** | | | | | | | . |
| Available-for-sale financial assets | 9 | - | 612 | - | - | - | 612 |
| Trade and other receivables | | 2,436 | 113,577 | 72 | 224 | 6,550 | 122,859 |
| Intra-group balances, net | | (24,392) | (14,762) | 38,370 | (247) | 1,031 | - |
| Cash and bank balances | 12 | 4,073 | 54,940 | 105 | 27 | 2,121 | 61,266 |
| Restricted bank balances | 12 | - | - | - | - | 3,511 | 3,511 |
| Trade and other payables | | (16,941) | (25,838) | (29) | (1,195) | (53,720) | (97,723) |
| Borrowings | 14 | (258,237) | (5,097) | - | (22,027) | (80,958) | (366,319) |
| | | (293,061) | 123,432 | 38,518 | (23,218) | (121,465) | (275,794) |
| Less: net (assets)/liabilities denominated in respective entities' functional currencies | | 254,270 | (159,983) | (127) | 22,834 | 126,329 | 243,323 |
| **Currency exposure** | | (38,791) | (36,551) | 38,391 | (384) | 4,864 | (32,471) |

**33. Financial risk management** (Continued)

**(c) Foreign currency risk** (Continued)

| | Note | SGD $'000 | RMB $'000 | USD $'000 | AUD $'000 | Others $'000 | Total in SGD equivalents $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2015** | | | | | | | |
| Available-for-sale financial assets | 9 | - | 658 | - | 3,865 | - | 4,523 |
| Trade and other receivables | | 50,530 | 169,748 | 79 | 318 | 4,988 | 225,663 |
| Intra-group balances, net | | 29,183 | (44,496) | (1,103) | 222 | 16,194 | - |
| Cash and bank balances | 12 | 16,799 | 47,321 | 115 | 2,656 | 14,013 | 80,904 |
| Restricted bank balances | 12 | - | - | - | - | 2,890 | 2,890 |
| Trade and other payables | | (23,182) | (23,412) | (16) | (3,315) | (58,560) | (108,485) |
| Borrowings | 14 | (344,535) | - | - | (22,740) | (23,292) | (390,567) |
| | | (271,205) | 149,819 | (925) | (18,994) | (43,767) | (185,072) |
| Less: net (assets)/liabilities denominated in respective entities' functional currencies | | 269,313 | (164,288) | 5,164 | 30,401 | 103,098 | 243,688 |
| **Currency exposure** | | (1,892) | (14,469) | 4,239 | 11,407 | 59,331 | 58,616 |

It is estimated that a five percentage point strengthening in foreign currencies against the Singapore Dollar would decrease the Group's profit before income tax by approximately $1,624,000 (2015: approximately $2,931,000 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 and does not take into account associated tax effects and share of non-controlling interests.

| | Note | SGD $'000 | RMB $'000 | USD $'000 | AUD $'000 | Others $'000 | Total in SGD equivalents $'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2016** | | | | | | | |
| Trade and other receivables | | 219,968 | 25,057 | 6,819 | 1,449 | 27,094 | 280,387 |
| Cash and bank balances | 12 | 1,808 | - | 1 | - | 1 | 1,810 |
| Trade and other payables | | (142,636) | (75,800) | - | (110) | (1,039) | (219,585) |
| Borrowings | 14 | (159,873) | - | - | - | - | (159,873) |
| | | (80,733) | (50,743) | 6,820 | 1,339 | 26,056 | (97,261) |
| Less: net liabilities denominated in functional currency | | 80,733 | - | - | - | - | 80,733 |
| **Currency exposure** | | - | (50,743) | 6,820 | 1,339 | 26,056 | (16,528) |

**33. Financial risk management** (Continued)

**(c) Foreign currency risk** (Continued)

| | Note | SGD $'000 | RMB $'000 | USD $'000 | AUD $'000 | Others $'000 | Total in SGD equivalents $'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2015** | | | | | | | |
| Trade and other receivables | | 230,653 | 28,387 | 6,806 | 9,588 | 54,722 | 330,156 |
| Cash and bank balances | 12 | 14,119 | - | 1 | - | 1 | 14,121 |
| Trade and other payables | | (47,615) | (57,443) | - | (391) | (14) | (105,463) |
| Borrowings | 14 | (269,592) | - | - | - | - | (269,592) |
| | | (72,435) | (29,056) | 6,807 | 9,197 | 54,709 | (30,778) |
| Less: net liabilities denominated in functional currency | | 72,435 | - | - | - | - | 72,435 |
| **Currency exposure** | | - | (29,056) | 6,807 | 9,197 | 54,709 | 41,657 |

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 $826,000 (2015: approximately $2,083,000 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.

Short-term funding is obtained from borrowing facilities from banks and financial institutions.

**33. Financial risk management** (Continued)

**(d) Liquidity risk** (Continued)

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 $'000** | **More than 1 financial year $'000** | **Total $'000** | **Carrying amount $'000** |
| **Group** | | | | |
| **2016** | | | | |
| Trade and other payables | 41,157 | 58,465 | 99,622 | 97,723 |
| Borrowings | 95,466 | 325,065 | 420,531 | 366,319 |
| | 136,623 | 383,530 | 520,153 | 464,042 |
| **2015** | | | | |
| Trade and other payables | 66,381 | 44,004 | 110,385 | 108,485 |
| Borrowings | 270,545 | 147,190 | 417,735 | 390,567 |
| | 336,926 | 191,194 | 528,120 | 499,052 |
| **Company** | | | | |
| **2016** | | | | |
| Trade and other payables | 161,288 | 62,107 | 223,395 | 219,585 |
| Borrowings | 85,669 | 83,963 | 169,632 | 159,873 |
| | 246,957 | 146,070 | 393,027 | 379,458 |
| **2015** | | | | |
| Trade and other payables | 105,463 | - | 105,463 | 105,463 |
| Borrowings | 193,997 | 93,403 | 287,400 | 269,592 |
| | 299,460 | 93,403 | 392,863 | 375,055 |

**(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.

## 34. 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 bank balances (including restricted bank balances). Total capital refers to equity attributable to the equity holders of the Company.

| | **Group** | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Net debt | 301,542 | 306,773 |
| Total capital | 528,203 | 565,996 |
| Net gearing ratio | 57% | 54% |

The Group and the Company are in compliance with all externally imposed capital requirements for both the financial year ended 30 June 2016 and 30 June 2015.

Apart from the above, the Group's current overall strategy remains unchanged for financial year ended 30 June 2016 and 2015.

## 35. Events after the balance sheet date

Subsequent to 30 June 2016, the following event has taken place:

The shareholders of the Company approved, during the extraordinary general meeting, the proposed acquisition by Joshua Education, Inc. (the "Purchaser"), which is a wholly-owned indirect subsidiary of the Company, of all of the issued and outstanding membership interests (the "Sale Interests") of Santa Fe University of Art and Design, LLC ("Santa Fe") from LEI Holdings US-1, Inc. (the "Seller") pursuant to a membership interest purchase agreement (the "SPA") between the Purchaser, the Seller and Santa Fe (the "Proposed Acquisition").

The estimated consideration to be paid by the Purchaser to the Seller for the Sale Interests shall be US$1.00 with certain adjustments as of the close of business day prior to the closing of the Proposed Acquisition.

In connection with the Proposed Acquisition, the Purchaser and the Seller has each contributed US$5,000,000 into an escrow account established pursuant to an escrow agreement entered into between them and an escrow agent.

As at the date of this report, the Proposed Acquisition has not been completed.

## 36. 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 | 27 - 50 | 111 | 94 |
| (b) | No. 28, Jinjing Road, Xiqing District, Tianjin City, the PRC | Education college | Education facilities and hostels | Leasehold | 36 | 112 | 31 |
| (c) | Room 101, 202, 301, 302 Block 5, No. 203 Tower Road, Suzhou National New and Hi-Tech Industrial Development Zone, Jiangsu Province, the PRC | Kindergarten | Kindergarten facilities | Leasehold | 50 | 1 | 2 |

**36. Properties of the Group** (Continued)

| | Location | Description | Existing use | Tenure | Unexpired lease term (years) | Site area ('000 sqm) | Gross floor area ('000 sqm) |
|---|---|---|---|---|---|---|---|
| (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 | 33 - 38 | 932 | 584 |
| (e) | Raffles Education Square 51 Merchant Road Singapore | Commercial development of multi storey office block and conservation shophouses | Education facilities | Leasehold | 76 | 3 | 7 |
| (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 | - | 45 | 18 |
| (h) | Mukim of Pulai, Lot 143116 District of Johor Bahru, State of Johor, Malaysia# | Education college | Construction and development phase | Freehold | - | 186 | - |

**36. Properties of the Group** (Continued)

| | Location | Description | Existing use | Tenure | Unexpired lease term (years) | Site area ('000 sqm) | Gross floor area ('000 sqm) |
|---|---|---|---|---|---|---|---|
| (i) | Kadirana North Village Dunagaha Pattu of Aluthkorale @ Katana in Gampaha District Western Province of Sri Lanka# | University campus/ commercial development | Vacant | Freehold | - | 101 | - |
| (j) | 94 Mandurah Terrace, Mandurah, Western Australia# | Commercial/ residential/ education development | Vacant | Freehold | - | 2 | - |
| (k) | Chemin des Cibles 17 1997 Haute-nendaz Switzerland# | Hotels and commercial units | Hotel and commercial units | Freehold | - | 6 | 7 |
| (l) | 1 - 3 Fitzwilliam Street, Parramatta, New South Wales, Australia# | Commerical building | Education facilities and office use | Freehold | - | 2 | 10 |
| (m) | Route de Siviez 37, 1997 Siviez Switzerland | Commerical building | Education facilities | Freehold | - | 2 | 2 |
| (n) | Via Felice Casati, 16, Milan, Italy# | Commercial building | Education facilities and office use | Freehold | - | 1 | 4 |

# Valuation performed in financial years 2016 and 2015 by independent professional valuers, as referred to in Note 5 of the financial statements.

# Statistics of Shareholdings

Size of Shareholdings as at 21 September 2016

| Size of Shareholdings | No. of Shareholders | Percentage | No. of Shares Held (excluding treasury shares) | Percentage |
|---|---|---|---|---|
| 1 - 99 | 469 | 4.57% | 13,978 | 0.00% |
| 100 - 10,00 | 1,137 | 11.08% | 739,444 | 0.08% |
| 1,000 - 10,000 | 5,121 | 49.92% | 25,401,719 | 2.63% |
| 10,001 - 1,000,000 | 3,476 | 33.89% | 171,737,679 | 17.79% |
| 1,000,001 and above | 55 | 0.54% | 767,612,313 | 79.50% |
| | 10,258 | 100% | 965,505,133 | 100% |

| | |
|---|---|
| Issued and fully paid-up capital | : S$486,372,541.86 |
| Number of issued shares and paid-up shares (excluding treasury shares) | : 965,505,133 |
| Number of treasury shares held | : 79,790,100 |
| 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 8.26%

Based on information available to the Company as at 21 September 2016, approximately 52.48% 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 21 September 2016**

| S/No. | Name | No. of Shares | Percentage |
|---|---|---|---|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 84,257,018 | 8.73% |
| 2 | MAYBANK NOMINEES (SINGAPORE) PTE LTD | 79,550,400 | 8.24% |
| 3 | OEI HONG LEONG | 67,341,500 | 6.97% |
| 4 | SING INVEST & FINANCE NOMINEES (PTE) LTD | 65,500,000 | 6.78% |
| 5 | CHEW HUA SENG OR DORIS CHUNG GIM LIAN | 59,245,972 | 6.14% |
| 6 | SBS NOMINEES PRIVATE LIMITED | 41,859,999 | 4.34% |
| 7 | RAFFLES NOMINEES (PTE) LIMITED | 36,093,562 | 3.74% |
| 8 | OEI HONG LEONG ART MUSEUM LIMITED | 33,348,800 | 3.45% |
| 9 | HL BANK NOMINEES (SINGAPORE) PTE LTD | 31,184,000 | 3.23% |
| 10 | OCBC SECURITIES PRIVATE LTD | 24,667,920 | 2.55% |
| 11 | DBS NOMINEES PTE LTD | 23,557,337 | 2.44% |
| 12 | DORIS CHUNG GIM LIAN | 19,187,046 | 1.99% |
| 13 | WATERWORTH PTE LTD | 18,000,000 | 1.86% |
| 14 | CIMB SECURITIES (SINGAPORE) PTE LTD | 16,335,776 | 1.69% |
| 15 | LIM & TAN SECURITIES PTE LTD | 13,794,882 | 1.43% |
| 16 | TOMMIE GOH THIAM POH | 11,024,729 | 1.14% |
| 17 | KGI FRASER SECURITIES PTE LTD | 10,738,333 | 1.11% |
| 18 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 10,019,247 | 1.04% |
| 19 | TEO CHIANG SONG | 10,000,000 | 1.04% |
| 20 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 8,444,539 | 0.87% |
| | | 664,151,060 | 68.79% |

# Statistics of Shareholdings

Size of Shareholdings as at 21 September 2016

**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)] | 329,895,853 | 26,187,046 |
| Doris Chung Gim Lian[(1)(2)] | 151,533,018 | 205,499,881 |
| Oei Hong Leong[(3)] | 67,628,100 | 33,348,800 |

**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 125,345,972 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.

# 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
600 North Bridge Road,
#23-01 Parkview Square
Singapore 188778

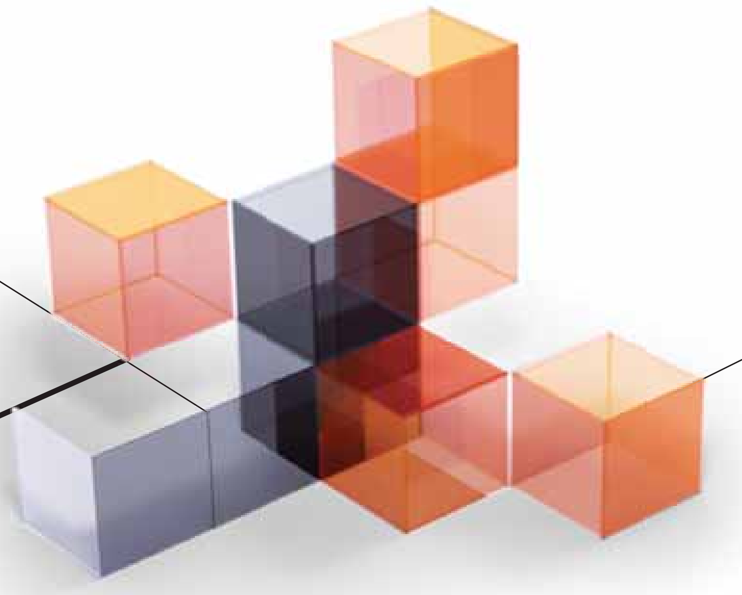
Audit Partner: Mr Ng Kian Hui
Appointed with effect from financial year 2013

### Banker

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

### Share Registrar

Intertrust Singapore Corporate Services Pte. Ltd.
77 Robinson Road
#13-00 Robinson 77
Singapore 068896



RafflesEducation

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