DESIGN FOR EXCELLENCE

ANNUAL REPORT 2017

RafflesEducation

DESIGN FOR EXCELLENCE

CONTENTS

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 25 colleges/universities in 23 cities across 13 countries in Asia-Pacific and Europe: Australia, Cambodia, The People's Republic of 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 has also set up a design school in Milan, Italy, named "Raffles Milano Istituto Moda e Design" that offers both degree and masters programmes in various disciplines of design.

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

The Group through its subsidiary that is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited owns the Oriental University City, a 1 million square meters self-contained campus in Langfang, Hebei Province in The People's Republic of China. The Group's subsidiary also provides education services to nine colleges in this campus.

LETTER TO SHAREHOLDERS

Dear Shareholders,

FY2017 has been another challenging year for Raffles Education Corporation Limited (the "Group"). However, the Group continues to focus on executing its strategic plans. The Board and management believe that the well-thought-out strategies will yield the desired results in due time.

We highlight below our K-12 schools, the new college in Italy and the subsidiary that operates a university city in The People's Republic of China for shareholders to have a better understanding:

RAFFLES AMERICAN SCHOOL ISKANDAR

In FY2017, Raffles American School in EduCity at Iskandar, Johor, added more facilities to its campus which include an Olympic-size swimming pool, a planetarium that allows students to gain a deeper understanding of the outer space and solar system through interactive media, a cafeteria with seating capacity for 1,000 where staff and students can have their meals in comfort, and dormitories for boarding students. The cafeteria is operated by an in-house culinary team that provides quality and good tasting food with a healthy focus. Overall, the campus provides students with a modern, state-of-the-art environment that is conducive to learning and growth.

RAFFLES AMERICAN SCHOOL BANGKOK

In FY2017, Raffles American School Bangkok, which is located next to Raffles International College, in Bangna, Bangkok, welcomed its first batch of happy and eager students of between kindergarten 1 to 3 and Grades 1 to 5, thereby increasing our portfolio of K-12 schools. Grades 6 to 12 will be rolled out gradually through FY2018/19. Raffles American School Bangkok offers an American core curriculum, leveraging on the success of Raffles American School Iskandar, and aims to secure the WASC (Western Association of Colleges and Schools) accreditation as soon as possible. Though situated within a competitive market, the value of the brand name ensures a healthy growth potential.

RAFFLES MILANO ISTITUTO MODA E DESIGN

During the financial year, the Group's wholly-owned subsidiary, Raffles Asset Italy S.R.L., substantially completed the renovations at its 4-storey building at Via Felice Casati, 16, in Milan, Italy. The school, named "Raffles Milano Istituto Moda e Design" ("Raffles Milano"), conducts both undergraduate and masters programmes in various disciplines of design. After completion of renovation, the balance of the space that is not utilised by the school will be leased out as commercial space. This is in line with the Group's ultimate aim of owning the education assets and facilities of every school, college, or university it operates. Raffles Milano will bring in relevant industry partners to operate within the premises to provide students with internship and employment opportunities in order for them to be effective in their profession as soon as they graduate. This model ensures that we can provide high quality facilities for our students, while enhancing operational cost efficiency.

ORIENTAL UNIVERSITY CITY HOLDINGS (H.K.) LIMITED

During the financial year, Oriental University City Holdings (H.K.) Limited ("OUCHK"), our 75% owned subsidiary which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, completed its acquisition of the land and buildings in Kuala Lumpur, Malaysia, that are being used by Raffles College of Higher Education Kuala Lumpur. After the acquisition, OUCHK continued to lease the land and buildings to Raffles College of Higher Education Kuala Lumpur, thereby reducing rental expenses for the Group.

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

IN CLOSING

The regulatory environment in most of the regions that we operate in has become more stringent in recent years and therefore, more resources and costs are expended in managing compliance and governance. While the Group continues to source for new opportunities to enhance its revenue streams, management trains a keen eye on the existing businesses to ensure that the Group is efficient and effective, and stays lean, nimble and competitive. We believe that our focus on achieving sustainable growth through improvement in operations and the initiatives to extend the Group's global reach into key markets of education will enhance our offerings, increase student numbers and improve profitability. Our focus on long term development will deliver more value to our shareholders in the coming years.

ACKNOWLEDGEMENTS

I would like to thank our shareholders, investors, students, business partners, staff and all stakeholders for their continued support. I would also like to acknowledge the guidance and wise counsel of my fellow Board members.

Mr Chew Hua Seng
Chairman and CEO

Raffles Milano Campus, Italy

Raffles Milano Campus, Italy

Oriental University City, The People's Republic of China

Raffles American School, Malaysia

Raffles American School, Thailand

RAFFLES

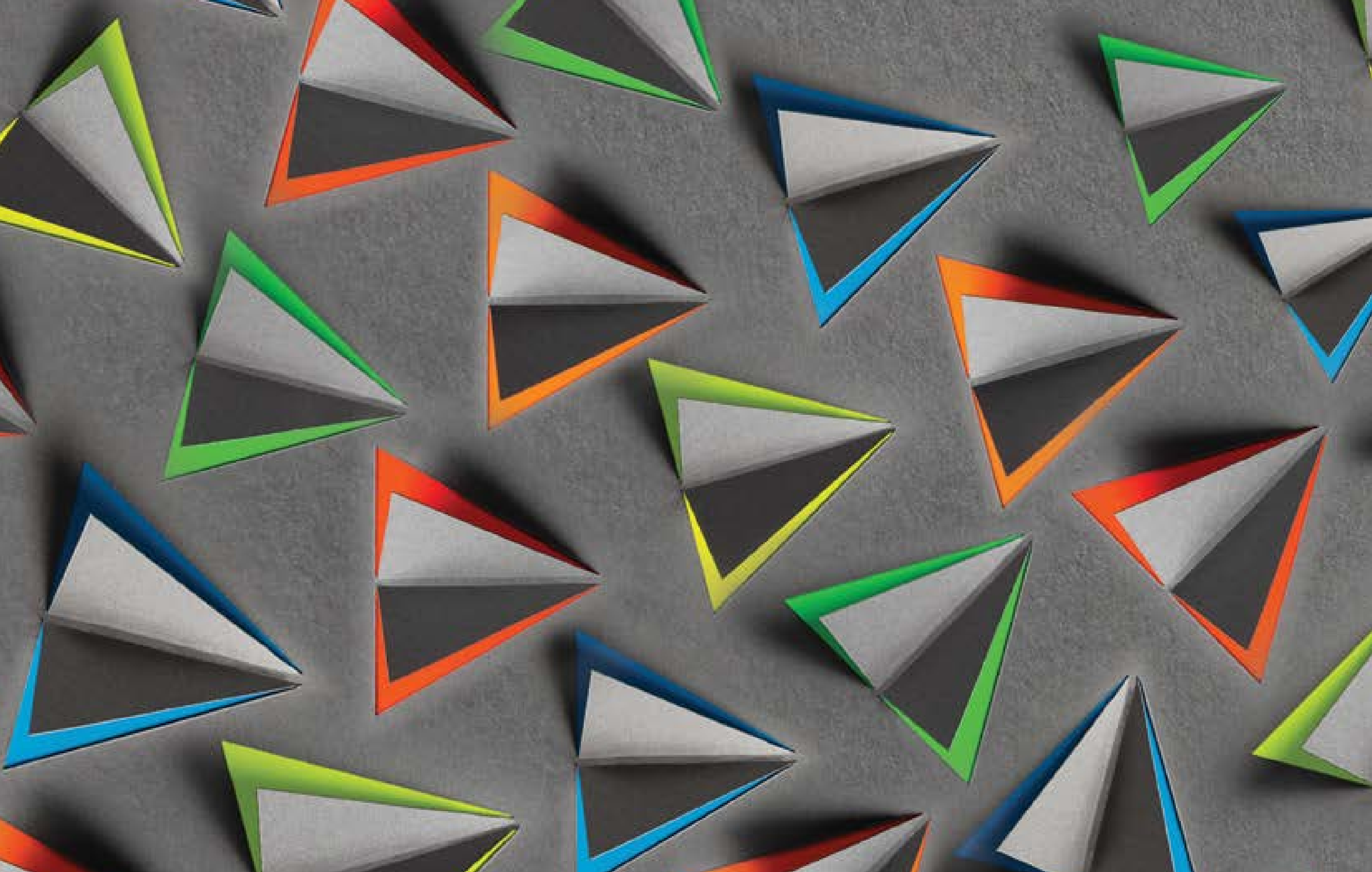
OUR FLIGHT PATH
WITH EXCELLENCE

2015

New college established in Nendaz, Switzerland.

Silver Jubilee celebrated, marking 25 illustrious years of premier education at RafflesEducation.

Oriental University City Holdings (H.K.) Limited listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.



2016

Raffles Milano Istituto Moda e Design established in Milan, Italy.

Raffles American School established in Bangkok, Thailand.

2017

New intake commencing in September 2017 for Raffles Milano Istituto Moda e Design.

TAKING A NEW FLIGHT STEP BY STEP

TAKING FLIGHT INTERNATIONALLY

GLOBALISING RAFFLES

01 BANGKOK ▫
02 BANGKOK ▫▫
03 BEIJING
04 COLOMBO
05 GREATER NOIDA *
06 GUANGZHOU
07 HEFEI WANBO
08 HONG KONG
09 ISKANDAR ^
10 ISKANDAR ^^
11 JAKARTA
12 KUALA LUMPUR
13 MEDAN
14 MILAN
15 MUMBAI
16 NENDAZ
17 PHNOM PENH
18 RIYADH
19 SHANGHAI
20 SINGAPORE
21 SURABAYA
22 SUZHOU
23 SYDNEY
24 TIANJIN
25 ULAANBAATAR

* Pending approval
▫ K-12
▫▫ College
^ K-12
^^ University

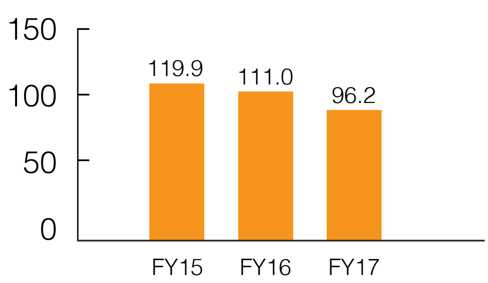
25 COLLEGES/UNIVERSITIES
23 CITIES
13 COUNTRIES

FINANCIAL HIGHLIGHTS

For the year ended 30 June (S$'000)	2015	2016	2017
Operating Results			
Revenue	119,895	111,030	96,220
Profit/(loss)			
Adjusted EBITDA~	46,095	57,266	27,738
Operating	11,811	9,808	4,212
Before Tax	22,339	27,670	(27,081)
After Tax	19,371	19,689	235
Attributable to shareholders	16,983	15,818	(1,853)
Operating Cashflow	4,167	815	(5,515)
Earnings per Share (cents)- Basic	1.68	1.63	(0.19)
- Diluted	1.68	1.63	(0.19)
Shares used in calculating EPS (millions) -Basic	1,010	973	966
-Diluted	1,010	973	966
Financial Position			
Issued Share Capital**	449,055	442,102	442,102
Shareholders Funds	565,996	528,203	527,150
Non-current Assets	944,462	971,281	1,039,874
Current Assets	322,620	218,050	188,283
Current Liabilities	422,956	181,903	253,832
Non-current Liabilities	184,751	388,469	354,094
Net Asset Value per Share (cents)	57.10	54.71	54.60
Return On Shareholders Funds			
Return on Equity (%)	3.0%	3.0%	(0.4%)
Net Profit Margin (%)	14.2%	14.2%	(1.9%)

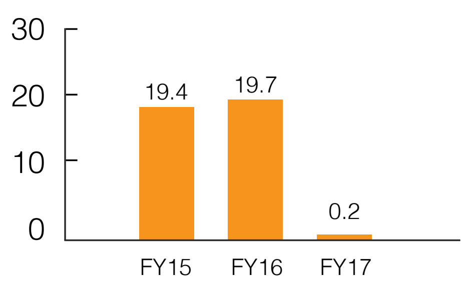
Revenue

S$ millions



Net Profit After Tax

S$ millions



Notes:

** Net of treasury shares

~ Net fair value gain on investment properties and gain on disposal of investment properties were 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)	2016	2017	Change
Operating Results			
Revenue	111,030	96,220	-13.3%
Profit			
Adjusted EBITDA~	57,266	27,738	-51.6%
Operating	9,808	4,212	-57.1
Before Tax	27,670	(27,081)	NM
After Tax	19,689	235	-98.8%
Attributable to shareholders	15,818	(1,853)	NM
Operating Cashflow	815	(5,515)	NM
Earnings per Share (cents)- Basic	1.63	(0.19)	NM
- Diluted	1.63	(0.19)	NM
Shares used in calculating EPS (millions) -Basic	973	966	-0.7%
-Diluted	973	966	-0.7%
Financial Position			
Issued Share Capital**	442,102	442,102	0%
Shareholders Funds	528,203	527,150	-0.2%
Non-current Assets	971,281	1,039,874	7.1%
Current Assets	218,050	188,283	-13.7%
Current Liabilities	181,903	253,832	39.5%
Non-current Liabilities	388,469	354,094	-8.8%
Net Asset Value per Share (cents)	54.71	54.60	-0.2%

As at 30 June	2015	2016	2017
Revenue Contribution by Region			
Asean	29.6%	28.5%	33.0%
North Asia	57.3%	63.0%	58.9%
Australasia	10.1%	5.1%	5.2%
South Asia	2.8%	2.5%	1.8%
Europe	0.2%	0.9%	1.1%
Total	100%	100%	100%

Revenue Contribution by Segments

(S$'000)	2016	2017
Education	88,587	80,318
Education Facilities Rental Service	14,774	11,918
Corporate & Others	73	42
Real Estate Investment & Development	7,596	3,942
Total	111,030	96,220

Earnings Contribution by Segments

(S$'000)	2016	2017
Education	21,715	14,979
Education Facilities Rental Service	11,513	7,776
Corporate & Others	(25,224)	(27,724)
Real Estate Investment & Development	11,685	5,204
Total	19,689	235

Note:
** Net of treasury shares
NM Not meaningful


Raffles Wins
These awards recognise Raffles' 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.
Outstanding Contribution to Fashion Education Award
Success by Design
I DON'T JUST PARTICIPATE
I'M THE SPOTLIGHT

Raffles Singapore Campus, Singapore

FY2017 Financial Review

Group revenue decreased to $96.2 million in FY2017 as compared to $111.0 million in FY2016 mainly due to the following reasons:

1) Discontinuation and teach-out of Raffles Shanghai joint venture college; and

2) Decrease in utility income from investment properties in Oriental University City Limited as the provision of electricity services has been taken over by a third party; and

3) Decrease in rental income from investment properties in Oriental University City Holdings (H.K.) Limited as the number of students renting accommodations has reduced and the change of business tax to value-added tax ("VAT").

From 1 July 2016, the revenue of Oriental University City Holdings (H.K.) Limited is net of value-added tax due to VAT reform in The People's Republic of China.

4) Reduction in foreign student intake in Raffles Sydney.

Group net profit decreased to $0.2 million in FY2017 as compared to $19.7 million in FY2016.

The Group's Net Asset Value decreased to 54.60 cents in FY2017 from 54.71 cents in FY2016. The Group's FY2017 net gearing ratio was 0.69 times.

The unfavorable macroeconomic conditions in the world, especially in the region and The People's Republic of China, currency volatility and uncertain global interest rate movements are impacting the Group's businesses.

The Group continues to face increasing competition, higher manpower costs and 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 ("RafflesEducation" or "the Group"). Under his astute leadership, RafflesEducation has grown to become the premier private education provider.

Mr Chew has led RafflesEducation 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 RafflesEducation'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 and Mensa Singapore. He is the Chairman of NTU Nanyang Business School Alumni Advisory Board. Mr Tan is a director of China New Town Development Company Limited that is listed on the Hong Kong Exchange and YHI International Limited and BH Global Corporation Limited, listed on SGX.

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 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 and 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 in May 2001 as Vice-President of the Group's Operations in The People's Republic of China, 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 the 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 education-related services through its network of institutions across Asia-Pacific and Europe.

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 25 colleges/universities in 23 cities across 13 countries.

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	PRC	Europe	K-12	Oriental University City
• Bangkok, Thailand • Kuala Lumpur, Malaysia • Phnom Penh, Cambodia • Singapore • Sydney, Australia • Ulaanbaatar, Mongolia	• Jakarta • Medan • Surabaya	• Mumbai	• Riyadh, Saudi Arabia	• Beijing • Guangzhou • Hong Kong • Shanghai • Hefei Wanbo College	• Nendaz, Switzerland • Milan, Italy	• Suzhou Kindergarten, Suzhou, China • Raffles American School Iskandar, Malaysia • Raffles American School Bangkok, Thailand	• 9 collaborative schools
Universities • Colombo, Sri Lanka* • Iskandar, Malaysia * In the process of setting up		**University** • Greater Noida		**University** • Tianjin University of Commerce Boustead College			
8 Cities	3 Cities	2 Cities	1 City	6 Cities	2 Cities	3 Cities	

Raffles University System

Raffles University System 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.

Raffles University System has a stringent and rigorous reporting and audit system to ensure quality standards and assurance, as well as operational compliance.

Raffles Bangkok Campus, Thailand

STRATEGY

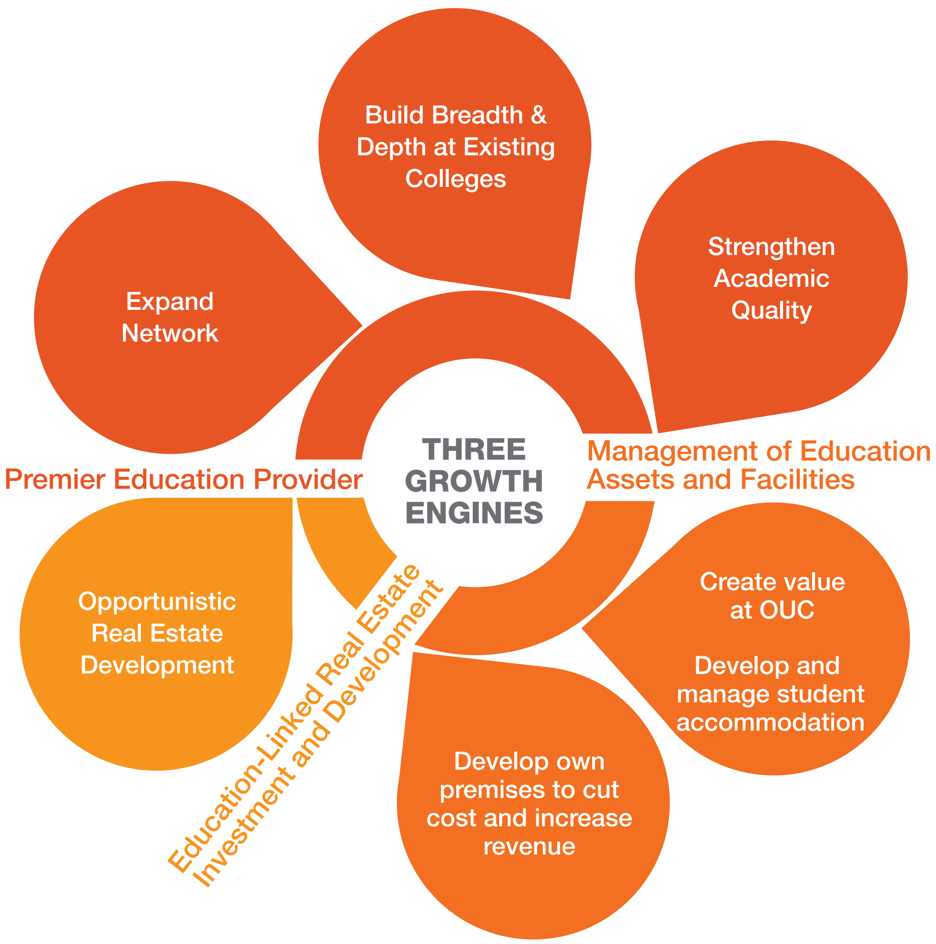
Our journey to success was a corporate journey crafted with great foresight and a well-designed roadmap.

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.

"***OUR STRATEGIES*** ARE MEANT TO ENSURE SUSTAINABILITY IN OUR EDUCATION BUSINESS."



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 RafflesEducation 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.

RafflesEducation currently has higher education institutions in Australia, The People's Republic of China and Malaysia. The Group is in the process of setting up a university in Colombo, Sri Lanka.

The expansion of Raffles Higher Education Group is significant, as it will eventually translate into a larger market share for RafflesEducation.

Raffles Colombo Campus, Sri Lanka

CREATE VALUE AT ORIENTAL UNIVERSITY CITY

The Group through its listed subsidiary in Hong Kong owns the Oriental University City ("OUC") in Langfang, Hebei Province in The People's Republic of 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 for reinvestment into its growing education business.

Oriental University City,
The People's Republic of China

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 is the corporate unit responsible for all academic matters and adheres strictly to a rigorous reporting and audit system to ensure quality standards and assurance, as well as operational compliance.

Through Raffles University System, 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

ESQR's Quality Choice Prize

Success in
Quality Management
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.

World Branding Award

Brand of the Year
National Award
2015

World Branding Award

Brand of the Year
National Award
2016

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

RAFFLES MILANO

Raffles Milano Istituto Moda e Design ("Raffles Milano") is the second of the Group's locations in Europe, the newest addition to the Group in one of the world's Design Centers.

- The campus was officially opened on 7 September 2017, in a press conference with the Mayor of Milan, Mr. Giuseppe SALA, as the guest of honor.

- Raffles Milano helps link students worldwide to Milanese creativity, deepens the Group's historical strength in design education, and enhances the Group's offerings for students looking for exposure to overseas experiences.

- Raffles Milano will begin to offer 3 undergraduate courses in product design, fashion design, and visual design, as well as 8 executive master's courses in advertising, architecture, fashion menswear, fashion womenswear, photography, product design, visual design, visual merchandising, with 2 intakes per year.

- Training method is that of the "Renaissance workshop", to bring in great Masters, who are International Creative Practitioners at the top of their respective industries, to work with students on real projects serving real customers and delivering real outcomes. This deepens the Group's close ties to industry, and helps to prepare graduates to be workplace ready upon graduation.

- The executive master's programmes bring together ten professionals or agencies for a ten month project based studio experience. For example, students in the Fashion Menswear executive master's are instructed by Massimiliano GIORNETTI, former creative director of Salvatore Ferragamo, and ten menswear design professionals. The programme is endorsed by the men's magazine, GQ.

- Students in Raffles' colleges receive priority admission to Raffles Milano's executive master's programmes after they graduate, further promoting exchanges between Raffles' colleges. The first batch of students will visit from Raffles Guangzhou in September 2017.


Assistant Vice President of Raffles Europe, CHEW Han Wei (Left) with the Mayor of Milan, Mr. Giuseppe SALA (Right)


Press interview with Raffles Milano's Principal, Pasquale VOLPE

Opening speech by Raffles Milano's Academic Director, Carlo FORCOLINI

MILANO


MILANO.IT

MI AMI 2017 Festival, Stage Raffles Milano in Italy

"AS AN EDUCATOR
THE GREATEST GIFT WE CAN BESTOW
ON OUR STUDENTS IS TO DESIGN A UNIQUE
EDUCATIONAL PATHWAY TOWARDS
A LUMINOUS CAREER."

MILANO

RAFFLES AMERICAN SCHOOL BANGKOK

Raffles American School, Bangkok ("RAS") was started in 2016 to satisfy a growing demand for an American curriculum international school that will provide an English medium learning environment that is child-oriented. Since its launch, RAS has become one of the fastest growing international schools in Bangkok, achieving an enrollment of 150 students after the first semester. This has spurred the staff at RAS to work diligently at creating a school that is academically challenging and providing students with opportunities to achieve individualized learning outcomes.

RAS is located in the Bangna suburb of Bangkok, about 20 minutes from downtown and equally close to the international airport. The residential neighborhood is a new and upcoming area with a fast growing population. Presently, the Preschool, Kindergarten, and Elementary school (up to Grade 6) are all housed in the same building. RAS will construct new buildings on the land surrounding the current structure as its student population grows. RAS is also preparing to offer Advanced Placement (AP) high school course up to Grade 12, and will seek accreditation from the Western Association of Schools and Colleges. The current student body of RAS comprises 20 different nationalities with a local Thai representation of 60%. The diverse cultural population of students allows for a truly international learning experience in Thailand for RAS' students. RAS will bring the learning experience to a higher plane by continually enhancing the contents of its curriculum and organising activities aimed at enrichment and growth.

AMERICAN SCHOOL


2 GODOWN
Teletubbies
Teletubbies


Colors
Shapes

Raffles Wins

Singapore Design Awards

Left to Right Mr.TAI Lee Siang, Minister, Ms. SIM Ann and Lionel TAY

Lionel TAY Yee Dang
Malaysian
Raffles Singapore

Platinum Award - "Singapore Art Museum Rebranding"

Left to Right Shilvi HUANG and Sheirly Novia HERRYANTO

Shilvi HUANG
Indonesian
Raffles Singapore

Sheirly Novia HERRYANTO
Indonesian
Raffles Singapore

Gold Award - "Typographic Festival Branding"

Left to Right Talissa ANDHARA and NGUYEN Uyen Thao

Talissa ANDHARA
Indonesian
Raffles Singapore

NGUYEN Uyen Thao
Vietnamese
Raffles Singapore

Special Mention Award - "Women Abuse Public Awareness Poster"

SINGAPORE DESIGN AWARDS 2017

Dream Ferrari

Monica HUTAMA
Indonesian
Raffles Singapore

Grand Winner, with all expenses paid for a trip to Maranello, Italy.

FEVO Mastercard Art Competition

John Kevin Jativa TRINIDAD
Filipino
Raffles Singapore

Winner - Theme "Doodle Frenzy"

Left to Right Manager of Prepaid Products (EZ-Link), Ms. Agnes CHUA and John Kevin Jativa TRINIDAD

Manish Anil KUMAR
Indian
Raffles Singapore

Winner - Theme "Doodle Frenzy"

Left to Right Manager of Prepaid Products (EZ-Link), Ms. Agnes CHUA and Manish Anil KUMAR

Monica HUTAMA
Indonesian
Raffles Singapore

Winner - Theme "Doodle Frenzy"

Left to Right Manager of Prepaid Products (EZ-Link), Ms. Agnes CHUA and Monica HUTAMA

Raffles Wins

Safety Starts with Me Competition 2017

Rofi Almansyuri TUBAGUS ▶
Indonesian
Raffles Singapore
Gold and Consolation Award for Poster Design

Left to Right Recipient Rofi Almansyuri TUBAGUS with Minister, Mr. CHAN Chun Sing

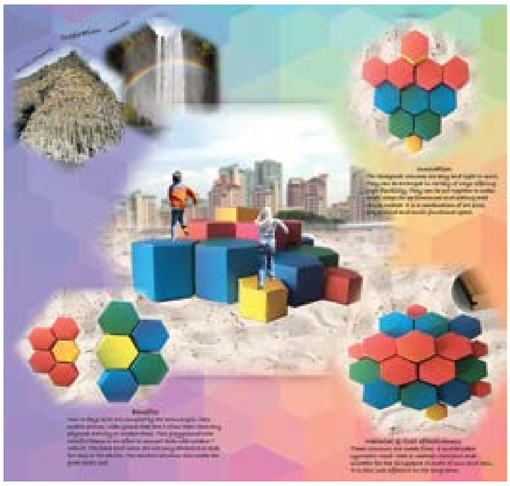
▲ **Nathaniel MANNAWI**
Indonesian
Raffles Singapore
Silver Award for Poster Design

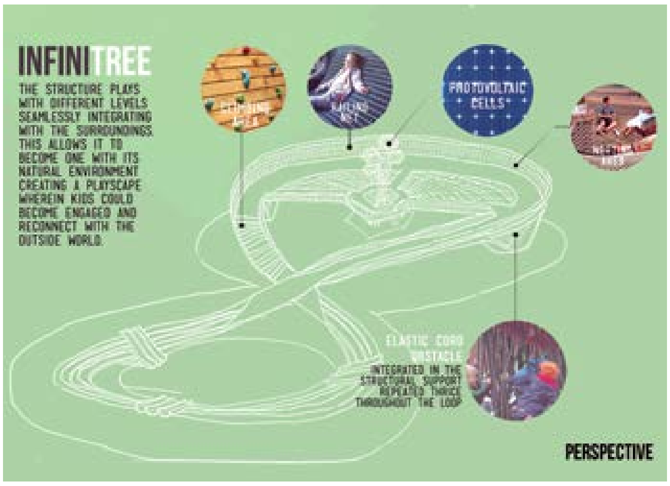
▲ **Ichaya PONGPITAK**
Thai
Raffles Singapore
Consolation Award for Poster Design

▲ **Marshia SETIAWAN**
Indonesian
Raffles Singapore
Bronze Award for Animation & Short Film

HDB "Play for Thrill" Competition

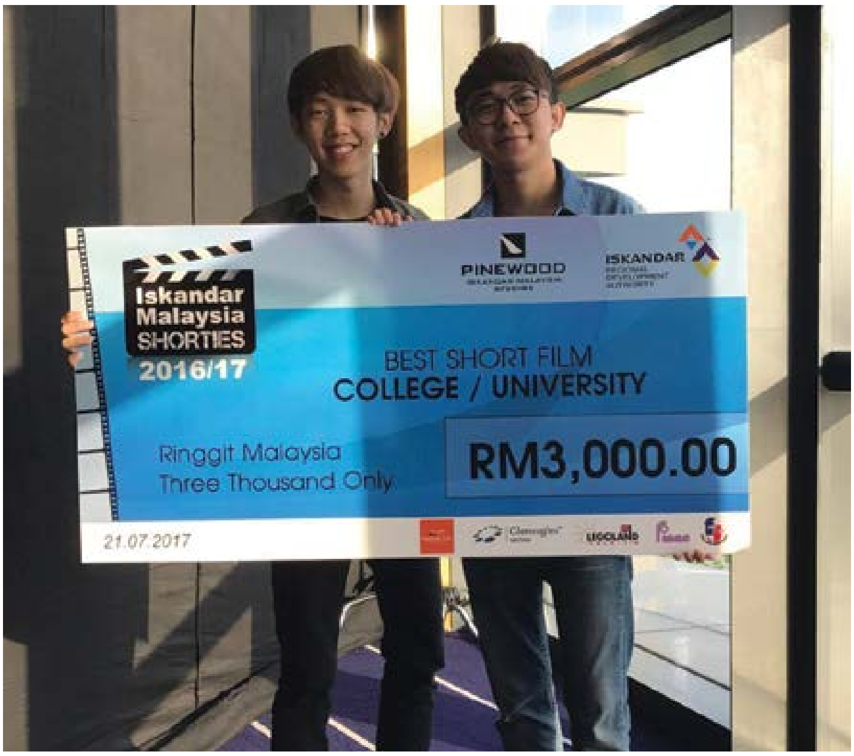
VELARDE Charmille Grace Roldan
Filipino
Raffles Singapore
1st Prize and Most Popular Prize - "InfiniTree"





Pratiksha Prasad KULKARNI
Indian
Raffles Singapore
Merit Prize - "Hoppipolla"

Iskandar Malaysia Shorties 2017



Elton LAW (Left)
Malaysian
Raffles University Iskandar
YEAP Jin Hao (Right)
Malaysian
Raffles University Iskandar
Best Short Film (College / University Category)

Raffles Wins

SCO°LERS

Back Row (Left to Right) Yosua PRISKWILA, Fiyon NEAU (Visual Communication Programme Director), FONG Shin Yi, SEAH Jing Li and LEE Huey Sin

Front Row (Left to Right) Zoe LEE Ning Xin, TAY Jia Yun, Fazuliana Binti Ahmad AZUWANIZA, LEE Sheir Yin, Patrick MIN (Visual Communication Lecturer)

Best Digital Award

▲ **Keyrin KASWIRA**
Indonesian
Raffles Kuala Lumpur

Gold - "Harrods Honey Label"

▲ **Yosua PRISKWILA**
Indonesian
Raffles Kuala Lumpur

Gold - Indonesian Cultural Game "Juru Parkir"

▲ **FONG Shin Yi**
Malaysian
Raffles Kuala Lumpur

Gold - "Shinobatics"

Best Digital Award

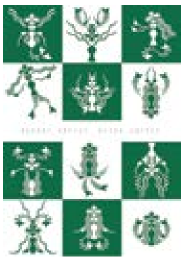
▲ **LEE Huey Sin**
Malaysian
Raffles Kuala Lumpur

SEAH Jing Li
Malaysian
Raffles Kuala Lumpur

Yosua PRISKWILA
Indonesian
Raffles Kuala Lumpur

Silver - "Shit Happens"

Best Print Award



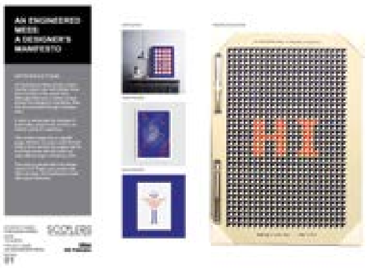
▲ **FONG Shin Yi**
Malaysian
Raffles Kuala Lumpur

Silver - "Before Coffee, After Coffee"

▲ **FONG Shin Yi**
Malaysian
Raffles Kuala Lumpur

Bronze - "PETA Lipstick"

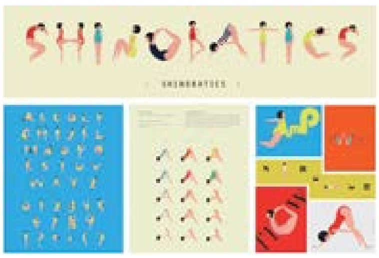
Best Publication Award



▲ **Fazuliana Binti Ahmad AZUWANIZA**
Malaysian
Raffles Kuala Lumpur

Bronze - "An Engineered Mess: A Designer's Manifesto"

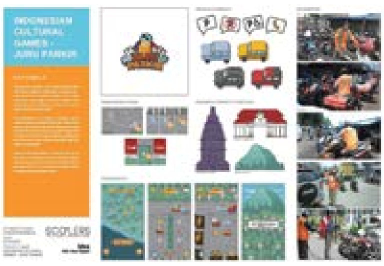
Best Typography Award



▲ **FONG Shin Yi**
Malaysian
Raffles Kuala Lumpur

Silver - "Shinobatics"

Grand Prix



▲ **Yosua PRISKWILA**
Indonesian
Raffles Kuala Lumpur

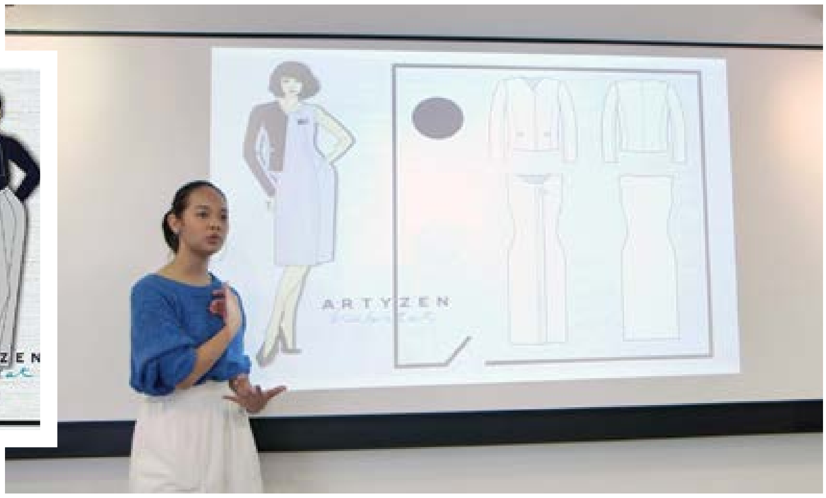
Idea of the Year - Indonesian Cultural Game "Juru Parkir"

Self-Promotion Award

▲ **Zoe LEE Ning Xin**
Malaysian
Raffles Kuala Lumpur

Bronze - "How 2 Zoe"

Artyzen Habitat Uniform Design Project



◀ **Ommar Davin Morrow YOHANSHA** (Left)
Indonesian
Raffles Singapore

Irene ANTONIUS (Middle)
Indonesian
Raffles Singapore

Timami Yestha PRAMESI (Right)
Indonesian
Raffles Singapore

Winning Team

▼ **Left to Right** Ommar Davin Morrow YOHANSHA, Irene ANTONIUS, Mr. Allan YIP (VP Marketing, Distribution and Brands, Artyzen Hospitality Group) and Ms. Alicia CHOO (Marketing Executive, Artyzen Hospitality Group)

Raffles Wins

▲ **AMORADO Jezelle Maxine Hautea** (Left)
Filipino
Raffles Singapore

DE GUZMAN Ma Renee Angela Esquillo (Middle)
Filipino
Raffles Singapore

Yvonne LEE Xie Phei (Right)
Malaysian
Raffles Singapore

3rd Prize (Group Category)

DMC Craft Masters Challenge

Image Source: DMC Asia Pacific

2016 LVMH Prize for Young Fashion Designers

Moto Guo's 'Amazon Fashion Week, Tokyo 2017' Collection

◀ **KEEK Wen Han (Moto)**
Malaysian
Raffles Kuala Lumpur

March 2017: Sponsored by Parco Group, for Runway Show in 'Fashion Port New East'.

January 2017: Sponsored by Mr. Giorgio Armani and Camera Nazionale della Moda Italiana (CNMI), for a second Runway Show in Europe.

SS 2017 'Picnic in The Society': Second runway show in Kuala Lumpur Fashion Week, and Shanghai Fashion Week.

FW 2016 'The Pencil Pusher': Selected as one of 'The Latest Fashion Buzz' in Pitti Uomo, Florence, and first showcase in Shanghai Fashion Week.

2016: Semi-finalist, LVMH Prize for Young Fashion Designers.

SS 2016 'But Do Not Blame Lulu': Showcased in Tranoi, Paris, and first show in Kuala Lumpur Fashion Week.

FW 2015 'A Litho Odd': First collection in White Milano, Milan.

2013 Graduation Ceremony: Best Collection Award

On Cheong Jewellery 80th Anniversary

LI Zhiyu
Chinese
Raffles Singapore
Winner

Malaysia International Jewellery Fair (MIJF) 2017

QIN Meiyi
Chinese
Raffles Singapore
Merit Prize

LI Zhiyu
Chinese
Raffles Singapore
Merit Prize

Raffles Wins

Singapore International Jewellery Expo 2017 (Simone Jewels)

▲ **YU Jiayin**
Chinese
Raffles Singapore
First Place

▲ **Beatriz Anais BREYSSE**
French
Raffles Singapore
First Runner-Up

▲ **ZHU Ang**
Chinese
Raffles Singapore
Second Runner-Up

▲ **LI Zhiyu**
Chinese
Raffles Singapore
Best Rhino Design

▲ **CHEN Zinan**
Chinese
Raffles Singapore
Best Workmanship

▲ **HUANG Kailin**
Chinese
Raffles Singapore
Best Inspiration Story

▲ **XU Mengge**
Chinese
Raffles Singapore
Best Abstract Design

Nordic Business and Design Case Competition - Design Finland 100

Left to Right Surbhi HASIJA, Himani PANDEY, Dr. Kirsti LINDBERG-REPO, Mr. Christian GRÖNROOS, Natasha Padival RODRIGUES, and Riha LOKESH

◄ **Surbhi HASIJA**
Indian
Raffles Singapore

Himani PANDEY
Indian
Raffles Singapore

Natasha Padival RODRIGUES
Indian
Raffles Singapore

Riha LOKESH
Indian
Raffles Singapore

Winning proposal for Pre Helsinki

FCCISL Entrepreneurial Award 2017 (Creation of Design Label and Start-up Business)

◄ **Aqla MIZVER**
Sri Lankan
Raffles University Sri Lanka

Industry Award

Industry Award for creating her own design label and start-up business, and was awarded by the President of the Federation of Chambers of Commerce and Industry of Sri Lanka.

Maybelline New York 2017

▲ **Sabrina BENSAWAN**
Indonesian
Raffles Jakarta

Most Inspiring Social Activist

Raffles Students Speak

"Upon visiting Raffles, I knew that this was where I wanted to pursue a course in Fashion Design. I believe that Raffles not only teaches students about design, but also encourages them to adopt an international perspective and a creative mind."

Since I was a child, I was fond of sketching clothes. I have always dreamed of people wearing my designs. When I was in Raffles, I started out by coming up with a theme, and gradually went on to sketching, drafting, draping, and sewing, so as to enable my designs to come to life! I was proud of myself when I saw the finished pieces, and that motivated me to continue my passion in the fashion industry.

I was looking for an International Fashion School in Guangzhou and I came across Raffles. Upon visiting Raffles, I knew that this was where I wanted to pursue a course in Fashion Design. I believe that Raffles not only teaches students about design, but also encourages them to adopt an international perspective and a creative mind.

I wish to offer advice to all future students who want to join Raffles. Being a Fashion Designer is indeed a glamorous career. As such, one has to be free to dare to dream, have persistence and possess the continuous dream to be able to let one's creativity and passion soar!

Marina LI Yi Ming
Chinese

Raffles Guangzhou
Fashion Design
Class of 2014

"Coming from a very simple country, the thought of moving to another country terrified me. My fear and anxiety disappeared when I stepped into Raffles, and was welcomed by accommodating Creative Practitioners, and amicable peers, who were ready to help me transform into the designer whom I aspire to be."

During my time at Raffles, I met new people who helped me grow as a Fashion Designer. With the institution's up-to-date facilities and Creative Practitioners from diverse nationalities, my journey only got better.

Coming from a very simple country, the thought of moving to another country terrified me. My fear and anxiety disappeared when I stepped into Raffles, and was welcomed by accommodating Creative Practitioners, and amicable peers, who were ready to help me transform into the designer whom I aspire to be.

I would like to thank all of my Creative Practitioners, who motivated and pushed me beyond my limits, enabling me to become more determined to pursue my dream. They never gave up and gave me continuous support, and helped me overcome my shortcomings. I believe that such Creative Practitioners like them are indeed true role models for students, encouraging them to strive to reach their goals, and become better versions of themselves.

AMORADO Jezelle Maxine Hautea
Filipino

Raffles Singapore
Fashion Design
Class of 2015

There's a saying that goes, 'Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime.' The Creative Practitioners in the Interior Design programme, inculcated this philosophy within us, students.

Being exposed to international culture and design, my study at Raffles, has indeed helped in guiding me to discover my inspiration behind my designs through this truly unique experience, as both my Creative Practitioners and fellow students come from different parts of the world.

In my two years here, I have gradually transformed into the designer that I am today; one that exudes confidence, creativity, and holds an ardent passion for design. The past two years would not have been possible without the help of Raffles Singapore's Creative Practitioners!

There's a saying that goes, 'Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime.' The Creative Practitioners in the Interior Design programme, inculcated this philosophy within us, students.

They encouraged us to design, think, and innovate independently instead of being spoon-fed with ideas.

I am also thankful for the opportunities that Raffles Singapore has provided me, through my Industrial Attachment, competition opportunities, and many more.

VELARDE Charmille Grace Roldan
Filipino

Raffles Singapore
Interior Design
Class of 2015

Raffles has given me a realistic perception of the working industry, and thus helped me to integrate myself to fit into it.

The Creative Practitioners and students at Raffles Singapore belong to diverse nationalities and cultures, therefore enabling me to mingle with different people, and learn how to better work together.

The Creative Practitioners are really nice, dedicated, caring, and push the boundaries further, with each of them adopting a different but inspiring teaching style.

Raffles Singapore has given me a realistic perception of the working industry, and thus helped me to integrate myself to fit into it. Also, by networking with various industry partners, it is indeed beneficial for students to get Industrial Attachments with reputable companies, and in turn learn from the exposure and experiences.

Beatriz Anais BREYSSE
French

Raffles Singapore
Jewellery Design
Class of 2016

Raffles Students Speak

"The most valuable thing I have gained is the connections I have been able to make, both professionally and personally, as it has opened up many new avenues to think differently, exude confidence, innovate better, and be more creative."

The exposure I have gained during my study at Raffles Singapore is unlike any other, not just in terms of the college projects which I have participated in, but also the extra-curricular activities, that I have been encouraged to take part in. The most valuable thing I have gained is the connections I have been able to make, both professionally and personally, as it has opened up many new avenues to think differently, exude confidence, innovate better, and be more creative.

My Creative Practitioners have played a major role in my journey, by encouraging me to learn better. They granted me with opportunities to grow and network in the industry, both on a local and international scale.

Raffles Singapore has given me everything to be extremely grateful for. I am very thankful for the opportunities that I have been presented with, and for the experience that I have gained, not only to grow, but to also improve as an individual. I owe it to everyone that I have met along the way, and who have helped me to discover my potential.

Natasha Padival RODRIGUES
Indian

Raffles Singapore
Fashion Marketing
Class of 2014

"Besides the fact that the Creative Practitioners are both knowledgeable and helpful, learning together, alongside students from different nationalities, indeed adds value to the practices and cultures here. This concoction therefore makes learning more interesting, in a fun-filled manner."

It has been a very enriching experience in the Interior Design programme, at Raffles Singapore. Besides the fact that the Creative Practitioners are both knowledgeable and helpful, learning together, alongside students from different nationalities, indeed adds value to the practices and cultures here. This concoction therefore makes learning more interesting, in a fun-filled manner.

The facilities are well equipped with the necessary infrastructure, and the state of the art technology, so as to support the various modules taught in the school. The Creative Practitioners always make an effort to organise site visits, and encourage me to participate in various on-going competitions, thus giving me an insight into real-life scenarios, and an opportunity to work on live projects.

All in all, I must say that I made the right decision to enrol into Raffles, and that my career now, is in right path.

Pratiksha Prasad KULKARNI
Indian

Raffles Singapore
Interior Design
Class of 2016

“My study at Raffles was indeed wonderful. I never thought becoming both a design and marketing student would shape me into the person that I have transformed into today.”

I have been dreaming of having my own label since senior high school, which led me to begin my journey at Raffles. I found Raffles right away because the college was featured in Season 1 of Asia's Next Top Model. It was also recognised as a reputable education network, having gained much exposure, and prestige.

My study at Raffles was indeed wonderful. I never thought becoming both a design and marketing student would shape me into the person that I have transformed into today.

Raffles has definitely ignited the creative spark within me, in the direction of translating my innovative ideas into a collection that resonates with what consumers are looking for.

Arman Hifni RAMADHAN
Indonesian

Raffles Surabaya
Fashion Marketing
Class of 2015

“At Raffles, you have the opportunity of experiencing the practical aspect in classes, by sewing, drawing, and drafting, alongside learning how to market your brand, visual communication, the art of public speaking, how to develop your designs from scratch, and many more.”

Raffles definitely prepares each and every student with fundamental aspects, that they need to be equipped with, prior to entering the industry. At Raffles, you have the opportunity of experiencing the practical aspect in classes, by sewing, drawing, and drafting, alongside learning how to market your brand, visual communication, the art of public speaking, how to develop your designs from scratch, and many more.

The Creative Practitioners possess incredible experiences that are a huge help and motivation in the learning process of the students. They really helped me to grow, by pointing out my strengths and weaknesses, in turn transforming them into something that is far beyond what I thought I was capable of.

Interacting with industry professionals during my study at Raffles was pretty interesting, as I received feedback on my projects and had the opportunity to take a peek into the industry, before graduating.

Mariah CHERUBIM
Indonesian

Raffles Jakarta
Fashion Design
Class of 2015

Raffles Students Speak

“I would sum up my experience at Raffles in 3 words: Enriching, Extraordinary, and Amazing. It is best to choose a college that not only educates, but also elevates you as a person. Raffles is the perfect place for that!”

I am extremely passionate about being an inspiration to many. I desire to be an agent of change by striving for the best in every aspect, namely, education, career, and charity.

I decided to enrol in Raffles due to the college's global presence, multi-cultural student body, and extremely supportive Creative Practitioners, who strive to see their students test their limits, both in and outside of campus.

I would sum up my experience at Raffles in 3 words: Enriching, Extraordinary, and Amazing. It is best to choose a college that not only educates, but also elevates you as a person. Raffles is the perfect place for that!

Sabrina BENSAWAN
Indonesian

Raffles Jakarta
Business Management
Class of 2015

“I enjoyed my time making both international and local friends. I learnt more about their cultures and used them as inspirations for my designs.”

It has been a great opportunity for me to be a designer at Raffles Singapore. I enjoyed my time making both international and local friends. I learnt more about their cultures and used them as inspirations for my designs.

It was also great that Raffles Singapore invited designers and manufacturers from abroad for students to have the opportunity to gain insight on their design and business thinking. Raffles provides large and open space workshops for designers, that serve as conducive environments for the brainstorming of ideas and using of tools for mock ups or prototypes, with guidance from the Creative Practitioners.

I would like to thank all of my Creative Practitioners, who have been caring me for throughout the course, and also provided me with an incredible experience through my Industrial Attachment. As such, I had the chance to build a powerful portfolio which will benefit me upon my graduation, as well as for my own business in the future.

CHOI Ikheon
Korean

Raffles Singapore
Product Design
Class of 2015

“My Creative Practitioners guided me for 3 years. Whenever I faced any challenges in my assignments, I approached him to get useful advice, as he possessed the ideal knowledge and experience in the design industry.”

For me, art not only refers to design; it also includes music, installation, dance, and many more attributes. Everything that exists in our surrounding is art which am I passionate about.

Raffles is a well-known education group. When I came to know that Raffles had started up a university in Johor Bahru, I was very excited. After graduating from high school, I decided to continue my studies in Raffles University Iskandar. I wanted to become a designer, and Raffles was the best option to me.

My Creative Practitioners guided me for 3 years. Whenever I faced any challenges in my assignments, I approached him to get useful advice, as he possessed the ideal knowledge and experience in the design industry.

I would describe my experience at Raffles as ‘inspiring, enriching and fun’. If you really want to study design in Johor Bahru, Raffles University Iskandar is indeed the best choice for you!

Elton LAW
Malaysian

Raffles University Iskandar
Digital Media Design
Class of 2015

“The global presence of the Raffles Education has indeed provided me with additional confidence in choosing Raffles for my MBA.”

I am passionate about being my own boss. I found out about Raffles through my own research, and my sister was part of the alumni of Raffles Singapore. As such, I had confidence in her referral. The global presence of the Raffles Education has indeed provided me with additional confidence in choosing Raffles for my MBA.

Having a multi-racial student portfolio, industry-relevant curriculum, and flexible timetable, are some of the reasons why I chose to study at Raffles.

The Creative Practitioners have continuously inspired me and they are very much knowledgeable and competent in their respective fields. They have encouraged me to work hard, and also inspired me to complete all my projects. They have not only cultivated their subject expertise, but also instilled many industrial applications, which were very helpful in helping me to understand the real application of the theories, that I learnt.

The journey was indeed a once-in-a-lifetime experience for me, as all of my classmates were from diverse backgrounds, and our various experiences helped us a lot in gathering mutual ideas for assignments and project work. My overall experience at Raffles shall remain as one of the best tertiary education experiences for me.

Khartic Rao MANOKARAN
Malaysian

Raffles University Iskandar
Business Management
Class of 2014

Raffles Students Speak

“It was indeed a calling when I had the opportunity to study Psychology at Raffles. My passion towards Psychology granted me with the drive to read a list of journal articles, and turn them into interesting explorations.”

It was indeed a calling when I had the opportunity to study Psychology at Raffles. My passion towards Psychology granted me with the drive to read a list of journal articles, and turn them into interesting explorations.

I have always loved Psychology since I was young. It was indeed a calling when I had the opportunity to study Psychology at Raffles. My passion towards Psychology granted me with the drive to read a list of journal articles, and turn them into interesting explorations.

I found out about Raffles through FACON Education Fair and chose the college as it is a reputable education provider across the region.

Various Creative Practitioners adopted various styles of teaching and different philosophies. As a student, I respected and embraced them. Also, meeting people from different nationalities enabled me to transform, both during and after my years of study.

LIN Bao Xin
Malaysian

Raffles University Iskandar
Psychology
Class of 2014

“My learning experience at Raffles was fulfilling, exciting, and challenging. My advice to future students at Raffles would be to prepare themselves for challenges ahead and that college is just one step away from the real world.”

I chose Raffles because of the industry-relevant curriculum, the environment of the campus, as well as its amazing reputation of nurturing promising talents. I loved my team members, and they are the main reason behind my motivation and drive to work harder every day, as they dedicated their lives to their work and inspired me with their contribution.

My learning experience at Raffles was fulfilling, exciting, and challenging. My advice to future students at Raffles would be to prepare themselves for challenges ahead and that college is just one step away from the real world. Raffles is indeed the place, where you will be nurtured and encouraged to achieve your goals.

Moto KEEK Wen Han
Malaysian

Raffles Kuala Lumpur
Fashion Design
Class of 2011

“My Creative Practitioners played an important role in my academic development and were more than mentors to me. Instead of solely being good designers, they encouraged me to be a responsible designer, and to also spread positivity to the students and motivate one another to be better.”

When I started studying at Raffles, I was very clear about my desire and path. My passion, enthusiasm, and desire are in design, and that motivated me to think more creatively, and to search for creative solutions in order to solve problems, and to develop my way of thinking.

When I decided to continue my degree, I wanted it to be in a very well established school. Raffles is an educational institution that has a very good background in design, and a strong global presence, which offers various design courses.

My Creative Practitioners played an important role in my academic development and were more than mentors to me. Instead of solely being good designers, they encouraged me to be a responsible designer, and to also spread positivity to the students and motivate one another to be better.

If anyone has a passion to study design, Raffles is definitely the right choice. In my experience, it creates quality designers and provides quality education.

Preya Darshini BALASUBRAMANIAM
Malaysian

Raffles University Iskandar
Graphic Design
Class of 2014

“I am very thankful to my Creative Practitioners at Raffles as they taught me skills to compete in the professional world, and the ethics and principles to stand with, in real life.”

I made several friends in Raffles Singapore and greatly enjoyed myself during my study here. I am delighted that I have very patient classmates and Creative Practitioners, who saw me as a person instead of a subversive individual.

I am very thankful to my Creative Practitioners at Raffles Singapore as they taught me skills to compete in the professional world, and the ethics and principles to stand with, in real life.

I spent a lot of time in the Product Design workshops to test prototypes and make my concepts come to life, for my school projects. In the workshops, we have sufficient equipment and space for creating mock-ups, where there is indeed no existing limit to one’s creativity and innovation.

Working at Hirsch Bedner Associates, for my Industrial Attachment, is one of the most memorable experiences during my study here at Raffles Singapore. I was amazed by the efforts and motivation that materialized into achievements and fortune.

CAO Lunle
Singaporean

Raffles Singapore
Product Design
Class of 2014

Raffles Students Speak

"Raffles is indeed the right place to be, as it allows students to explore themselves and build a strong foundation for their careers in the future."

For as long as I can remember, the creative, analytical, and logical mindset within me has been trying to strike a balance. It was at Raffles that I learned to channel my 'bi-polar competencies' in the right direction. I am forever thankful to my Creative Practitioners who inspired, motivated, and guided me, to become who I am today.

Raffles is indeed the right place to be, as it allows students to explore themselves and build a strong foundation for their careers in the future.

Thanks to the guidance of my Creative Practitioners, I have come to realize my dream of 'protecting and preserving Sri Lankan traditional textile industry', in the form of my final major project.

Chathurika WARNAKULASURIYA
Sri Lankan

Raffles University Sri Lanka
Fashion Marketing
Class of 2015

"I really enjoyed the workshops in school as they included exciting events such as experimenting on typography, going on field trips to visit art galleries or exhibitions."

Studying at Raffles Singapore has indeed been a great experience for me as I learnt to enhance upon my creative skills, with the guidance from inspirational Creative Practitioners who push me to become a professional designer in the design industry.

There were a few struggles that I faced during my school period, but with great help from my Creative Practitioners and friends, it made everything so much easier for me.

Moreover, I really enjoyed the workshops in school as they included exciting events such as experimenting on typography, going on field trips to visit art galleries or exhibitions.

The most valuable experience which I gained during my journey at Raffles would be the Industrial Attachment. I found it very useful for me, as I gained insight and exposure to the real world and encountered working spaces and clients. My 3-year journey has indeed been an amazing one, here at Raffles Singapore!

Ichaya PONGPITAK
Thai

Raffles Singapore
Graphic Design
Class of 2014

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 2017 and where there are deviations from the Code, appropriate explanation are provided within this Statement.

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 the Group's strategic directions.
- Approving the annual budget, 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.

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 meetings of the Board and Board Committees 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 2017 are as follows:

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

* Attendance at invitation of the Committees.

Board Induction

New Directors are appointed by the Board upon recommendation of the Nomination Committee. 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 various relevant Singapore laws, and how to discharge those duties.

In addition, newly appointed Directors are given an orientation on the Group's businesses and governance practices. As Directors are appointed based on their existing knowledge, skills and experience that are expected to enhance the effectiveness of the Board, any further training after appointment are for continual professional development.

The Company will arrange and fund the training for a first-time Director of a listed company in areas of accounting, legal and compliance such as Directors' duties and responsibilities under statute and common law, and a broad overview on the rules of SGX-ST Listing Manual. Members of the Board are also updated regularly on key accounting and other regulatory changes that have a significant impact on the Group.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Independence of Judgement

The present Board comprises six members who are business leaders and professionals with financial and other technical backgrounds. Amongst them are four Non-Executive and Independent Directors, with the other two being Executive Directors. 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.

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.

All Directors are required to officially disclose their interests in the Company including any interested person transactions with the Company. Any Director who has an interest that may present a conflict between his obligation with the Company and his personal business or other interests will either recuse himself from participating in the deliberations and voting on the matter or declare his interest and abstain from decision-making. All Directors practise good governance by updating the Company with the changes to their interests in a timely manner.

The Nominating Committee assesses and determines the independence of a Director upon appointment and on an annual basis. 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 reviews the independence of each Non-Executive Director in August annually by taking into consideration the information collected through the confirmation of independence completed by each Director which is addressed to the Nomination Committee. The Director is required to declare any circumstances in which he may be considered non-independent. Nomination Committee will review each confirmation of independence before affirming the independence of a Director. The Nomination Committee adopts the materiality thresholds and independence criteria as defined in the Code.

Name of Director	Appointment	Date of Initial Appointment	Last Re-election
Mr Chew Hua Seng	Chairman and Chief Executive Officer Member of Nomination Committee	25 November 1999	N.A.
Mr Henry Tan Song Kok	Lead Independent Director Chairman of Audit Committee	1 September 2000	24 October 2016
Dr Tan Chin Nam	Independent Director Chairman of Nomination Committee Member of Remuneration and Risk Management Committees	24 October 2008	24 October 2016
Mr Teo Cheng Lok John	Independent Director Chairman of Remuneration Committee Member of Audit and Risk Management Committees	24 October 2008	19 October 2015
Mr Lim Tien Lock, Christopher	Independent Director Chairman of Risk Management Committee Member of Audit, Nomination and Remuneration Committees	19 November 2008	19 October 2015
Mr Chew Kok Chor	Executive Director and Deputy Chief Executive Officer	24 January 2011	27 October 2014

The Nomination Committee is tasked by the Code to undertake a "particularly rigorous review" of the independence of a Director that has served on the Board for a continuous period of nine (9) years or longer from the date of his first appointment. If the Nomination Committee decides to regard such a Director as independent, it shall disclose its explanation in the Company's Annual Report. As of the date of this Statement, Independent Directors, namely, Dr Tan Chin Nam, Mr Lim Tien Lock, Christopher and Mr Teo Cheng Lok John, have each served on the Board for a term of slightly under nine (9) years.

Mr Henry Tan Song Kok has served as a Director of the Company for over 16 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 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 reviews the composition of the Board in the process of new appointments and on an annual basis. The Nomination Committee is satisfied 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. Whilst there may be a lack of female representation on the current Board, there is female representation within senior management. Hence, the lack of female representation does not in any way detract from the effectiveness of the Board.

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.

Role of Non-Executive Directors

The Non-Executive Directors of the Company, who are also independent, constructively challenge and assist in developing proposals on strategy. They also assist the Board in reviewing the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

Meeting of Directors without Management

The Non-Executive Directors meet without the presence of management or Executive Directors at least once a year and hold other *ad hoc* meetings as circumstances dictate, to review and discuss any matters required to be raised privately. The meetings are 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. The Lead Independent Director acts as the principal liaison between the Independent Directors of the Company and the Chairman of the Board, and between the Independent Directors of the Company and senior management. The Lead Independent Director chairs all the meetings of Independent Directors and provides feedback on such meetings to the Chairman of the Board.

The Lead Independent Director also responds to queries and comments that shareholders of the Company have directed to him or to the Independent Directors of the Company collectively, in consultation with the Chairman of the Board and the other Non-Independent Directors, as he may deem appropriate.

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 that are longest-serving to retire from office every year at the Annual General Meeting ("**AGM**").

Directors' Multiple Directorships in Listed Companies

The Company has not determined a specified maximum number of listed board representations for a Director but the NC takes into consideration the individual's other competing time commitments such as whether the individual also holds a full-time executive position in other organisations.

The NC had reviewed each Director's external directorships as well as attendance at meetings and contributions to the Board. The NC is satisfied that despite the multiple directorships of certain Directors, the Directors had spent adequate time on the Company's affairs and have carried out their responsibilities.

Alternate Director

There is no appointment of Alternate Director on the current Board of the Company.

Key Information on Directors

The Notice of AGM sets out the Directors proposed for re-election. Key information on each Director can be found in the "Board of Directors" section of 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 in August annually to determine whether the Board, Board Committees and the Directors are performing effectively and formulate action plans for improvement. No external facilitator is appointed to assist NC in the evaluation. The performance evaluation criteria are set by the NC.

The Board Performance Evaluation Questionnaire includes questions on:

(i) Board's composition;

(ii) Board's access to information;

(iii) Board procedures such as the conduct of proceedings at Board meetings and the independent access to officers and members of management outside of Board meetings; and

(iv) Board's standard of conduct in preventing conflicts of interest and the disclosure of personal interests in transactions and abstention from voting where appropriate.

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.

In respect of individual Directors, formal evaluation is carried out by the NC as and when a Director is due for retirement by rotation and is seeking re-election. Contributions in different form by an individual Board member including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and attendance at Board and Board Committee meetings are considered.

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 meetings of the Board and Board Committees 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 is satisfied that the existing framework that has the endorsement of the Board and which serves to attract, retain and motivate senior management staff of the Group through competitive compensation compared to the industry and comparable companies, is still relevant and effective. The framework for remuneration of Directors and key management personnel covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, grant of shares and benefits in kind.

In addition, the RC reviews the obligations arising in the event of termination of the Executive Directors' and key management personnel's contract of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC has access to expert advice from external remuneration consultants where required.

None of the RC members or Directors is involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

Share Option Scheme and Share Plan

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 23 March 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.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Group advocates a performance based remuneration system that is directly linked to corporate and individual performance, both in terms of financial and non-financial, and the creation of shareholder wealth by incorporating appropriate key performance indicators.

Remuneration of Executive Director

The Chairman and CEO'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 CEO entered into a three-year service agreement with the Company on 1 July 2008. The service agreement is renewable every three years.

In FY2015, the RC undertook a review of the CEO's remuneration with the assistance of independent consultants, Hay Group. Following the review, the RC 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 and the new service agreement is similarly subject to renewal every three years. The RC was of the opinion that there are no excessively long or onerous removal clauses in the service agreement.

Remuneration of Non-Executive Directors

All Non-Executive and Independent Directors receive Director's fees and fees for serving on the various Board Committees. 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 financial year ended 30 June 2017 in bands of S$250,000 is set out below:

Name of Director	Fees %	Salary %	Others %	Total %
Between S$1 million to S$1.25 million				
Mr Chew Hua Seng	-	100	-	100
Between S$250,001 to S$500,000				
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 view that disclosing the total remuneration paid in aggregate to the lean key management team would compromise confidentiality and may affect the retention of competent personnel. The non-disclosure does not compromise the ability of the Company to meet the Code on good corporate governance as the RC, comprising entirely of Independent Directors, reviews the remuneration package of such key management personnel who are remunerated based on the performance of the individual and the Group to ensure that they are fairly remunerated.

The Group operates in very diverse market conditions across many jurisdictions. Accordingly, its framework and policies on remuneration take into consideration performance factors such as size of the college and maturity of the college (number of years in operation) when assessing the performance of Executive Directors and key management personnel.

In addition to financial performance, the level of difficulty in managing a particular college arising from local operational and regulatory conditions is also taken into consideration in the appraisal of performance.

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 financial year ended 30 June 2017:

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$150,001 to S$200,000

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.

The Group has a policy on corporate disclosure controls and procedures to ensure that the Group complies with its disclosure obligations under the Listing Manual. These controls and procedures incorporate decision-making procedures and an obligation on internal reporting of decisions made.

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 adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology risks to safeguard the interests of shareholders and the Group's assets.

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 are continually instilled and reinforced throughout the organisation.

As the environment in which the Group operates changes, risks and opportunities also 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 2017:

(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 and effective 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 and effective* as at 30 June 2017 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 FY2017 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$2,109,000
Mr Chew Hua Seng	S$12,831,000

Note 1: Ms Doris Chung Gim Lian who 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 on interested party 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. A former partner or director of the Company's existing auditing firm or auditing corporation cannot act as a member of the Company's AC:

(a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case

(b) for as long as he has any financial interest in the auditing firm or auditing corporation.

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. The AC is kept abreast by management and the external auditors of changes to accounting standards, the Listing Manual of the SGX-ST and other regulations which could have an impact on the Group's operations and financial statements. Members of the AC also update themselves through relevant publications and by attending relevant seminars and courses.

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 co-operation of the management. 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 Baker Tilly Consultancy (Singapore) Pte Ltd.

Baker Tilly Consultancy (Singapore) Pte Ltd is affiliated to Baker Tilly TFW LLP, one of the 10 largest accountancy and business advisory firms in Singapore and also an independent member of Baker Tilly International, the world's 8th largest accounting and business advisory network. The persons assigned to carry out the internal audits on the Group are well qualified, with certifications such as Chartered Accountant of Singapore, Certified Internal Auditor and Certification in Risk Management Assurance, amongst others. The AC is satisfied that Baker Tilly Consultancy (Singapore) Pte Ltd has adequate resources to perform its functions and also has the appropriate standing within the Company.

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.

Baker Tilly Consultancy (Singapore) Pte Ltd has conducted its internal audits on the Group in accordance with internal audit methodology which is aligned with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal audit has direct access to AC Chairman and would update AC Chairman regularly. 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.

The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings of shareholders and be informed of the rules, including voting procedures that govern such meetings. All shareholders of the Company receive the Annual Report, circulars and notices of general meetings. The notices are also advertised in newspapers.

The Constitution of the Company allows each shareholder to appoint up to two (2) proxies to attend and vote at general meetings on his/her behalf, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

Proxies need not be shareholders of the Company. At general 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.

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

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. Directors must attend all general meetings of the Company unless prevented by extenuating circumstances. 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.

The Company Secretary prepares Minutes of shareholders' meetings which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and the responses from the Board and management. The Minutes are available to shareholders upon request.

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.

All the resolutions proposed at the Company's general meetings are put to vote by poll. The Company has adopted electronic poll voting which allows the votes cast for or against together with the respective percentages on each resolution to be tallied immediately and displayed live on screen at the general meeting. The same information is also announced after the general meeting via SGXNet.

Financials

Directors' Statement

The Directors of Raffles Education Corporation Limited (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 2017 and the statement of financial position of the Company as at 30 June 2017.

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 2017 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	329,895,853	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	75,000	-	-	-
Teo Cheng Lok John	75,000	-	-	-
Lim Tien Lock, Christopher	75,000	-	-	-
Tan Chin Nam	75,000	-	-	-
Chew Kok Chor	869,999	869,999	-	-
(b) *Related corporation*				
Interests in Raffles College of Higher Education Sdn. Bhd.				
	Number of ordinary shares			
Chew Hua Seng	-	-	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 2017 in the shares of the Company have not changed from those disclosed as at 30 June 2017.

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 2017 were as follows:

Date of grant	At 1 July 2016 ('000)	Exercised ('000)	Expired/ cancelled ('000)	Balance as at 30 June 2017 ('000)	Exercise price $	Exercise period
REC Scheme						
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	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
	2,429	-	(346)	2,083		

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 2017 ('000)	Aggregate options granted since the commencement of the Schemes to 30 June 2017 ('000)	Aggregate options exercised/cancelled since the commencement of the Schemes to 30 June 2017 ('000)	Aggregate options outstanding as at 30 June 2017 ('000)
Chew Hua Seng	-	1,500	(1,500)	-
Henry Tan Song Kok	-	632	(632)	-
Lim Tien Lock, Christopher	-	209	(209)	-
Tan Chin Nam	-	209	(209)	-
Teo Cheng Lok John	-	209	(209)	-
Chew Kok Chor	-	1,117	(247)	870
Doris Chung Gim Lian*	-	300	(300)	-
	-	4,176	(3,306)	870

*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 Share Plan (the "Share Plan") was approved by the shareholders at an Extraordinary General Meeting held on 5 March 2008.

The Share 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 Share Plan.

The Share 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 Share 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 Share Plan. The aggregate number of shares to be issued and/or transferred under the Share 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 Share 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 2017, 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.

Directors' Statement

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	**Henry Tan Song Kok**
Director	Director

Singapore
13 September 2017

Independent Auditor's Report

TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raffles Education Corporation Limited (the "Company") and its subsidiaries (the "Group"), as set out on page 88 to 177, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Impairment assessment of goodwill	
As at 30 June 2017, the Group's goodwill amounted to $116.2 million. In accordance with FRS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually or more frequently if there is any indication that the cash-generating units (CGUs) to which goodwill have been allocated may be impaired. Management applied the value-in-use (discounted cash flow forecasts) method to determine the recoverable amount of the respective CGUs. Any shortfall between the recoverable amount and the carrying amount of the respective CGUs would be recognised as impairment losses. We have determined the impairment assessment of goodwill to be a key audit matter as significant judgements and estimates are involved with regard to the key assumptions such as forecasted revenues, timing of re-registration of license, growth rates, profit margins, tax rates and discount rates used in the discounted cash flow forecasts prepared by management. Refer to Note 3.1(i), Note 3.2(i) and Note 10 of the accompanying financial statements.	Our procedures included amongst other, the following: • Evaluated management's process in determining the recoverable amounts of the respective CGUs, including the process in deriving the key estimates for forecasted revenues, timing of re-registration of license, growth rates, profit margins, tax rates and discount rates; • Assessed the reasonableness of management's key assumptions and estimates applied by comparing them against historical forecasts and performance, including performing sensitivity tests. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream, growth strategies and cost initiatives; and • Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Valuation of investment properties	
As at 30 June 2017, the Group's investment properties amounted to $459.1 million and represented 37% of the Group's total assets. The Group's investment properties are stated at fair value based on professional valuation performed by independent valuation specialists. The fair value of investment properties was derived using the direct comparison and income approach. Details of the valuation methodologies used are disclosed in Note 5 to the financial statements. The valuation process involves significant judgement in determining the appropriate valuation methodologies to be applied and these are underpinned by a number of key assumptions which included capitalisation rate, monthly rental rate and price per square metre. Changes to these key assumptions may have a significant impact to the valuation. We have determined the valuation of investment properties as a key audit matter due to the significance of the carrying amount to the consolidated financial statements as a whole, combined with the significant judgements associated with the valuation.	Our procedures included amongst other, the following: • Assessed the competency, capabilities and objectivity of the independent valuation specialists, including obtaining an understanding of the specialists' scope of work and the terms of engagement; • Read the valuation reports issued by the independent valuation specialists and discussed with them to understand and evaluate the appropriateness of the valuation methodologies used; • Assessed the reasonableness of the key assumptions made by comparing the price per square metre, monthly rental rate and capitalisation rate to historical rates and available industry data; and • Assessed the adequacy of the related fair value disclosures in the financial statements.
Refer to Note 3.2(ii) and Note 5 of the accompanying financial statements.	

KEY AUDIT MATTER	AUDIT RESPONSE
3 Recoverability of receivable from sale of investment properties	
As at 30 June 2017, the Group has significant balance of $54.5 million due from an unrelated third party for the disposal of investment properties in prior years. Management is required to assess whether there is any objective evidence that the above receivable may be impaired. Recoverability assessment requires management to make significant judgement regarding the debtor's ability to pay and the timing of future receipts from the receivable. We have determined the recoverability of this unrelated third party to be a key audit matter as the recoverability assessment by management involved significant judgement. Refer to Note 11 and Note 33(a) of the accompanying financial statements.	Our procedures included amongst other, the following: • Evaluated the reasonableness of management's judgements as to the existence of objective evidence that the receivable is impaired, and consequently, management's assessment of whether there is an impairment loss on this receivable; • Assessed the recoverability of this significant debt, by discussing with management and corroborating to the historical payment records; and • Assessed adequacy of disclosures in respect of this receivable and credit risk in Note 11 and Note 33(a) respectively.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants
Singapore
13 September 2017

Statements of Financial Position

As at 30 June 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	418,119	362,649	-	-
Investment properties	5	459,097	437,028	-	-
Investments in subsidiaries	6	-	-	465,919	463,858
Investments in joint ventures	7	29,700	41,665	-	-
Investments in associates	8	7,122	5,991	-	-
Available-for-sale financial assets	9	612	612	-	-
Intangible assets	10	119,037	118,751	344	94
Deferred tax assets	15	2,510	1,074	-	-
Other receivables	11	-	-	30,230	9,615
Restricted bank balances	12	3,677	3,511	-	-
		1,039,874	971,281	496,493	473,567
Current assets					
Inventories		104	89	-	-
Trade and other receivables	11	114,166	156,695	214,383	270,991
Cash and bank balances	12	74,013	61,266	661	1,810
		188,283	218,050	215,044	272,801
Less:					
Current liabilities					
Trade and other payables	13	76,980	56,710	149,026	159,947
Income tax payable		3,767	37,775	51	83
Borrowings	14	173,085	87,418	158,997	80,568
		253,832	181,903	308,074	240,598
Net current (liabilities)/assets		(65,549)	36,147	(93,030)	32,203
Less:					
Non-current liabilities					
Trade and other payables	13	23,789	56,566	47,600	59,638
Borrowings	14	269,621	278,901	5,766	79,305
Deferred tax liabilities	15	60,684	53,002	-	-
		354,094	388,469	53,366	138,943
Net assets		620,231	618,959	350,097	366,827
Equity					
Share capital	16	481,785	481,785	481,785	481,785
Treasury shares	17	(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves	18	85,048	86,101	(92,005)	(75,275)
Equity attributable to equity holders of the Company		527,150	528,203	350,097	366,827
Non-controlling interests		93,081	90,756	-	-
Total equity		620,231	618,959	350,097	366,827

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	19	96,220	111,030
Other operating income	20	11,336	9,745
Personnel expenses	21	(40,449)	(43,487)
Depreciation and amortisation expenses	23	(10,900)	(11,151)
Other operating expenses		(51,995)	(56,329)
Loss on derecognition of an available-for-sale financial asset		-	(407)
Fair value gain on investment properties, net	5	12,789	37,136
Reversal of provision for land restructuring cost	3.2(vi)	622	-
Reversal of government grant receivable for land restructuring	3.2(vi)	(30,713)	-
Finance costs	22	(12,746)	(15,091)
Share of results of joint ventures, net of tax		(2,263)	(4,000)
Share of results of associates, net of tax		1,018	224
(Loss)/Profit before income tax	23	(27,081)	27,670
Income tax expense	24	(3,486)	(7,981)
Reversal of tax payable for land restructuring	3.2(vi), 24	30,802	-
Profit after income tax		235	19,689
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		415	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 derecognition of an available-for-sale financial asset		-	407
Currency exchange differences arising on translating foreign operations		1,902	(43,520)
Total comprehensive income/(loss) for the financial year		2,552	(23,797)
Attributable to:			
Equity holders of the Company		(1,853)	15,818
Non-controlling interests		2,088	3,871
Net profit for the financial year		235	19,689
Attributable to:			
Equity holders of the Company		627	(21,103)
Non-controlling interests		1,925	(2,694)
Total comprehensive income/(loss) for the financial year		2,552	(23,797)
Earnings per share (cents)			
- Basic	25	(0.19)	1.63
- Diluted	25	(0.19)	1.63

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2017

	Note	Attributable to equity holders of the Company								
	Note	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 2016		481,785	(39,683)	7,020	(19,085)	2,453	95,713	528,203	90,756	618,959
Total comprehensive income/(loss)		-	-	415	2,065	-	(1,853)	627	1,925	2,552
Dividends		-	-	-	-	-	-	-	(710)	(710)
Contribution from non-controlling interests in subsidiary		-	-	-	-	-	-	-	1,599	1,599
Acquisition of non-controlling interests in subsidiaries	28	-	-	-	(1)	-	(1,679)	(1,680)	(489)	(2,169)
Balance at 30 June 2017		481,785	(39,683)	7,435	(17,021)	2,453	92,181	527,150	93,081	620,231

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2017

	Note	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
		Attributable to equity holders of the Company								
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	28	-	-	-	-	-	-	-	980	980
Change of ownership interest without loss of control		-	-	-	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.

Statement of Changes in Equity

For the financial year ended 30 June 2017

	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 2016		481,785	(39,683)	2,453	(77,728)	366,827
Total comprehensive loss		-	-	-	(16,730)	(16,730)
Balance at 30 June 2017		481,785	(39,683)	2,453	(94,458)	350,097
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

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Operating activities			
(Loss)/Profit before income tax		(27,081)	27,670
Adjustments for:			
Depreciation for property, plant and equipment	4	10,258	10,132
Fair value gain on investment properties, net	5	(12,789)	(37,136)
Loss on derecognition of an available-for-sale financial asset		-	407
Loss on derecognition of subsidiary	23	20	-
Fair value gain on re-measurement of pre-existing equity interest in an associate	20	-	(1,397)
Allowance for doubtful trade receivables	11	100	80
Reversal of allowance for doubtful trade receivables	11	-	(152)
Amortisation of intangible assets	10	642	1,019
Bad trade receivables written off	23	131	536
Interest expense	22	12,746	15,091
Interest income	20	(963)	(1,114)
Gain on disposal of property, plant and equipment, net	23	(381)	(2)
Gain on disposal of investment properties, net	20	(4,558)	-
Property, plant and equipment written off	23	451	36
Intangible asset written off	23	423	-
Reversal of provision for land restructuring cost		(622)	-
Reversal of government grant receivable for land restructuring		30,713	-
Share of results of joint ventures		2,263	4,000
Share of results of associates		(1,018)	(224)
Operating profit before working capital changes		10,335	18,946
Working capital changes:			
Inventories		(15)	29
Trade and other receivables		(3,068)	(1,766)
Course fees and education service deferred income		(846)	(3,299)
Trade and other payables		624	3,465
Cash generated from operations		7,030	17,375
Interest paid		(12,808)	(16,144)
Interest received		963	1,114
Income and withholding tax paid, net		(700)	(1,530)
Net cash (used in)/generated from operating activities		(5,515)	815

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Investing activities			
Additions of development costs and computer software	10	(1,276)	(1,627)
Additions of trademarks and licenses	A	(1,305)	(1)
Payment for property, plant and equipment	B	(76,717)	(55,143)
Additions of investment properties	C	(4,132)	(15,567)
Cash proceeds from disposal of interest in former subsidiary		-	2,084
Acquisition of a subsidiary, net of cash acquired	28	-	(2,730)
Net cash flow on derecognition of subsidiary	28	(111)	-
Proceeds from disposal of property, plant and equipment		3,620	86
Proceeds from disposal of investment properties		13,283	29,989
Capital distribution from a joint venture		10,239	-
Purchase of additional equity interest in an associate		-	(1,243)
Dividends received from joint venture		-	51,685
Dividends received from associate		-	32
Net cash (used in)/generated from investing activities		(56,399)	7,565
Financing activities			
Increase in bank balances pledged		(36,484)	(23,184)
Net payment for repurchase of shares	17	-	(6,953)
Loan from a director		10,941	-
Repayment of loan to a director of subsidiaries		(9,894)	-
Drawdown of bank borrowings		125,080	109,164
Repayment of bank borrowings		(50,666)	(109,163)
Contribution from non-controlling interest		1,599	-
Acquisition of non-controlling interest in subsidiary	28	(209)	-
Dividends payments to equity holders of the Company		-	(9,736)
Dividends payments to non-controlling interests		(710)	(910)
Net cash generated from/(used in) financing activities		39,657	(40,782)
Net change in cash and cash equivalents		(22,257)	(32,402)
Cash and cash equivalents at beginning of financial year		38,839	80,904
Effect of exchange rate changes on cash and cash equivalents		(1,440)	(9,663)
Cash and cash equivalents at end of financial year	12	15,142	38,839

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Note A			
Additions of trademarks and licenses	10	81	1
Increase in other receivables in relation to trademarks and licenses		1,224	-
Additions of trademarks and licenses per consolidated statement of cash flows		1,305	1
Note B			
Additions of property, plant and equipment	4	62,099	51,356
Decrease/(increase) in other payables in relation to property, plant and equipment		12,561	(1,857)
Increase in prepayments in relation to property, plant and equipment		2,057	5,644
Payment for property, plant and equipment per consolidated statement of cash flows		76,717	55,143
Note C			
Additions of investment properties	5	6,523	15,826
(Decrease)/increase in prepayments in relation to investment properties		(11)	11,779
Increase in other payables in relation to investment properties		(2,380)	(12,038)
Additions of investment properties per consolidated statement of cash flows		4,132	15,567

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 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 2017 were authorised for issue by the Board of Directors of the Company on 13 September 2017.

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.

For the financial year 30 June 2017, the Group's current liabilities exceeded its current assets by approximately $65.5 million. The Directors are of the opinion that based on the Group's projected operational cash flow and continuing support from bankers and creditors, including the availability of $500 million Multicurrency Medium Term Note Programme, the use of going concern basis in the preparation and presentation of the Group's financial statement is appropriate. Notwithstanding this condition exists, the Directors have assessed that there is no material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

During the current financial year beginning 1 July 2016, 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 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments)	: Transfer of Investment Property	1 January 2018
FRS 102 (Amendments)	: Classification and Measurement of Share-Based Payment Transactions	1 January 2018
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 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to FRSs (December 2016)		
FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
FRS 101 (Amendments)	: First-Time Adoption of Financial Reporting Standards	1 January 2018
FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017

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

Except as disclosed below, management anticipates that the adoption of the above FRS and INT FRS in future periods, if applicable, will not have a material impact on the financial statements of the Company 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)

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new financial framework on 1 July 2018 and will apply the equivalent of IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ended 30 June 2018 and the opening statements of financial position as at 1 July 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt those amendments in the financial year beginning on 1 July 2017 and will include the additional disclosures in its financial statements for that financial year.

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.

Classification and measurement

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 can elect to recognise the gains and losses in other comprehensive income. 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 can also be measured at fair value through other comprehensive income.

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 derecognition of financial assets and financial liabilities.

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 (Continued)

Classification and measurement (Continued)

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and financial liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost.

The Group currently accounts certain AFS investment in unquoted equity instruments at cost less impairment loss as disclosed in Note 9 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity instruments at fair value, with the difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings at the date of initial application.

Impairment

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 loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will 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 under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

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 and intends to elect not to restate comparatives for the previous financial year. The Group will include additional disclosure in the financial statements in the financial year when FRS 109 is adopted.

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.

The Group has performed a preliminary assessment of the impact of FRS 115. Based on this preliminary assessment, the impact upon adoption of FRS 115 is not expected to be material to the Group's financial statements. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

The Group plans to adopt the new standard in the financial year beginning 1 July 2018 using the modified retrospective method and apply all the practical expedients available for modified retrospective approach under FRS 115 as listed above.

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 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 FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premise and office equipment on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning 1 July 2019 using the modified retrospective in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that 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 and licenses

Trademarks and licenses 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.

2. Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(iv) Computer software (Continued)

Computer software under development represents software under development, which is stated at cost. Cost comprises the direct costs incurred during the period of development, installation and testing. Computer software under development is reclassified to the appropriate category of intangible assets when completed and ready for use. No amortisation is provided on computer software under development. Amortisation commences when the asset is ready for its intended use.

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.

2.8 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.

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

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.

2.9 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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

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.

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 education service received in advance and accruals for property and land use tax and business taxes) 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.

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

2.10 Financial instruments (Continued)

Other financial liabilities (Continued)

(i) Trade and other payables (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Other financial liabilities (Continued)

Offsetting financial instruments

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

Equity instruments and treasury shares

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

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

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

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

2.11 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. Summary of significant accounting policies (Continued)

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.

2.13 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. Summary of significant accounting policies (Continued)

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.

2.15 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.

2. Summary of significant accounting policies (Continued)

2.15 Income tax expense (Continued)

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.

2.16 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 option plan and Performance share plan.

(i) Share option 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.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

Share-based payments (Continued)

(i) Share option plan (Continued)

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.

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 share 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. Summary of significant accounting policies (Continued)

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.

2.18 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 the 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.

2. Summary of significant accounting policies (Continued)

2.18 Foreign currencies (Continued)

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 operations are treated as assets and liabilities of the foreign operations and translated at exchange rates prevailing at the reporting date.

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. Summary of significant accounting policies (Continued)

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 number 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.

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

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.

(ii) 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.

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

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

(iii) 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 Note 2.4 respectively. The determination of the level of influence the Group and the Company 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 Group's and the Company'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, where elements are present that, when considered in isolation, indicate control or lack of control over an investee, but when considered together makes 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.

3.2 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) 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 2017 was approximately $116,232,000 (2016: $116,232,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) 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 comparables. The carrying amount of investment properties as at 30 June 2017 was approximately $459,097,000 (2016: $437,028,000).

(iii) Impairment of other receivables

The management establishes allowance for doubtful other 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 other receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of other receivables for the Group and the Company as at 30 June 2017 was approximately $111,445,000 (2016: $153,346,000) and $244,613,000 (2016: $280,606,000) respectively.

(iv) 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 5 years, using a suitable discount rate to calculate the present value of those cash flows or fair value less cost of disposal. The Group's carrying amount of investments in joint ventures and associates as at 30 June 2017 was approximately $29,700,000 and $7,122,000 (2016: $41,665,000 and $5,991,000) respectively. As at 30 June 2017, the Company's investment in subsidiaries is $465,919,000 (2016: $463,858,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(v) 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.

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 2017 are $3,767,000 (2016: $37,775,000), $2,510,000 (2016: $1,074,000) and $60,684,000 (2016: $53,002,000) respectively. As at 30 June 2017, the Company's income tax payable is $51,000 (2016: $83,000).

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

In the financial years 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. During the financial year ended 30 June 2017, the statutory period of these tax provisions expired and reversals were made to the consolidated statement of comprehensive income. As at 30 June 2017, the carrying amounts of grant receivable, income tax payable and other payables are $Nil (2016: $30,629,000), $Nil (2016: $30,009,000) and $Nil (2016: $620,000) 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								
2017								
Cost								
Balance at 1 July 2016	43,822	298,120	1,855	18,785	12,722	2,120	57,509	434,933
Additions	3,539	2,940	21	2,281	1,327	332	51,659	62,099
Disposals	-	(5,417)	(21)	(394)	(217)	(103)	-	(6,152)
Written off	-	(3,078)	-	(1,253)	(1,213)	-	-	(5,544)
Derecognition of a subsidiary	-	(246)	-	(143)	(128)	-	-	(517)
Reclassification	-	10,568	(5)	(1,312)	(512)	-	(8,739)	-
Reclassified from prepayments	-	12,962	-	30	-	-	7,226	20,218
Transfer from investment properties (Note 5)	3,443	13,616	-	-	-	-	-	17,059
Transfer to investment properties (Note 5)	(1,140)	(3,923)	-	-	-	-	(22,125)	(27,188)
Foreign currency realignment	(340)	1,708	(3)	59	76	(6)	(2,254)	(760)
Balance at 30 June 2017	49,324	327,250	1,847	18,053	12,055	2,343	83,276	494,148
Accumulated depreciation and impairment losses								
Balance at 1 July 2016	-	47,005	1,798	11,967	10,008	1,506	-	72,284
Depreciation charged	-	7,400	13	1,527	1,175	143	-	10,258
Disposals	-	(313)	(2)	(346)	(249)	(30)	-	(940)
Written off	-	(2,755)	-	(1,159)	(1,179)	-	-	(5,093)
Derecognition of a subsidiary	-	(233)	-	(135)	(122)	-	-	(490)
Transfer to investment properties (Note 5)	-	(137)	-	-	-	-	-	(137)
Foreign currency realignment	-	87	(3)	27	40	(4)	-	147
Balance at 30 June 2017	-	51,054	1,806	11,881	9,673	1,615	-	76,029
Carrying amounts								
Balance at 30 June 2017	49,324	276,196	41	6,172	2,382	728	83,276	418,119

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								
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 a 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)

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 2017, legal ownership and title deeds of certain properties of carrying amount $16.7 million (2016: $31.4 million) have not been formally transferred from vendor to the Group due to delay in the completion of certain formal procedures.

Certain freehold land and leasehold land, buildings and improvements with carrying value of $159.3 million (2016: $141.1 million) were mortgaged to secure borrowings as referred to in Note 14 to the financial statements.

Borrowing costs of $3.0 million (2016: $1.1 million) which arose on the financing specifically for the construction in-progress were capitalised during the financial year.

5. Investment properties

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	437,028	416,387
Additions	6,523	15,826
Disposals	(11,401)	-
Fair value gain recognised in comprehensive income, net	12,789	37,136
Transfer from property, plant and equipment (Note 4)	27,051	16,692
Transfer to property, plant and equipment (Note 4)	(17,059)	(21,816)
Reclassified from prepayments	-	9
Revaluation gain on transfer from owner-occupied property recognised in other comprehensive income	504	34
Foreign currency realignment	3,662	(27,240)
Balance at end of financial year	459,097	437,028

(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"), 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"), Raffles Siviez 1750 Pte. Ltd. ("Siviez") and 4 Vallees Pte. Ltd. ("4Vallees"). OUC owns and leases out investment properties to colleges within its self-contained campus. The land under RISB, TLG, Mandurah and RASL are vacant as at 30 June 2017. Building construction on the land of RAS 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. Siviez owns a commercial building and will be leased out. 4Vallees owns a hotel and facilities ("Hotel") and seven commercial units ("commercial units"). Currently, six 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 $15.7 million (2016: $16.3 million). Direct operating expenses arising from rental and non-rental generating investment properties amounted to $5.1 million and $3.0 million (2016: $5.3 million and $4.5 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.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted including reliability of the inputs used in the valuations.

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

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

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	2.9% - 8.5% per annum (2016: 3.0% - 8.5% per annum)	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	\$3.50 - \$38.80 per sqm (2016: \$3.30 - \$32.70 per sqm)	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre[1]	\$98 - \$2,238 per sqm (2016: \$100 - \$3,740 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) \$284.0 million (2016: \$289.9 million) of the Group's investment properties are held under remaining leasehold interests between 32 to 37 years (2016: 33 to 38 years). The remaining investment properties are freehold.

(d) Certain investment properties with carrying values totalling \$199.6 million (2016: \$140.7 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 deeds of certain land and buildings with carrying values of approximately \$7.6 million (2016: \$31.0 million) have not been transferred to the Group due to delay in the completion of certain formal procedures.

(g) As at reporting date, an investment property with carrying value of \$9.9 million (2016: \$10.1 million) is currently pending procedural approval by the local authority on the mix development and further fragmentation of the land.

6. Investments in subsidiaries

	Company 2017 $'000	Company 2016 $'000
Quoted equity shares, at cost	68,736	68,736
Unquoted equity shares, at cost	407,833	465,363
Less: Allowance for impairment loss	(10,650)	(70,241)
	465,919	463,858

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

	Company 2017 $'000	Company 2016 $'000
Balance at beginning of financial year	70,241	70,241
Allowance made during the financial year	1,169	-
Allowance written off during the financial year	(60,760)	-
Balance at end of financial year	10,650	70,241

Particulars of the significant subsidiaries are as follows:

Subsidiaries	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	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 College of Higher Education Sdn. Bhd.[(a)]	70	49	Malaysia	Provision of training programmes and courses in various areas of design and management
Raffles K12 Sdn. Bhd.[(a)]	100	100	Malaysia	Operating an American system of school

6. Investments in subsidiaries (Continued)

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

Subsidiaries	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	Country of incorporation/ principal place of business	Principal activities
Raffles Design International (India) Pvt. Ltd.[(a)]	100	100	India	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
4 Vallees Pte. Ltd.	97	97	Singapore	Property investment
Raffles Assets (Singapore) Pte. Ltd.	100	100	Singapore	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

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. OUCHK is listed on the Growth Enterprise Market ("GEM") of the Hong Kong Stock Exchange.

6. Investments in subsidiaries (Continued)

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

Subsidiaries	Effective equity interest held by the NCI 2017 %	2016 %	Country of incorporation/ principal place of business
Langfang Oriental Institute of Technology ("LOIT")[a]	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

Note on subsidiaries:

[a] Indirectly held subsidiary

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 inter-company eliminations together with amounts attributed to NCI, is presented below:

	LOIT		OUCHK Group	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	-	-	11,918	14,774
Profit before income tax	6	1,087	6,710	15,475
Income tax (expense)/credit	(547)	(570)	1,483	(3,945)
(Loss)/Profit after income tax	(541)	517	8,193	11,530
(Loss)/Profit allocated to NCI	(265)	253	2,048	2,883
Other comprehensive income allocated to NCI	-	-	(63)	(3,546)
Total comprehensive income allocated to NCI	(265)	253	1,985	(663)
Dividends paid to NCI	-	-	(645)	(910)
Cash flows from operating activities	-	-	6,358	5,550
Cash flows from investing activities	-	-	(11,857)	(22,563)
Cash flows from financing activities	-	-	7,423	(3,853)
Net cash inflows/(outflows)	-	-	1,924	(20,866)
Assets:				
Current assets	-	-	18,086	24,012
Non-current assets	82,955	83,099	206,659	188,192
Liabilities:				
Current liabilities	-	-	(7,630)	(8,515)
Non-current liabilities	(5,172)	(4,635)	(18,434)	(10,370)
Net assets	77,783	78,464	198,681	193,319
Accumulated non-controlling interests	38,114	38,447	49,670	48,330

7. Investments in joint ventures

	Group 2017 $'000	Group 2016 $'000
Equity shares, at cost	75,073	85,312
Share of post-acquisition reserves of joint ventures	(45,373)	(43,647)
	29,700	41,665

Particulars of the joint ventures as at 30 June 2017 are as follows:

Joint ventures	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %	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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current assets[1]	28,966	26,941	36,832	57,506
Non-current assets	16,771	17,078	-	-
Current liabilities	(34,676)	(30,229)	(10,394)	(10,406)
Net assets	11,061	13,790	26,438	47,100
[1]*Included in the above amounts are:*				
Cash and bank balances	1,483	1,517	25,109	16
Revenue	1,883	5,367	-	-
Loss after tax[2], representing total comprehensive income	(3,685)	(3,063)	(183)	(4,155)
[2]*Included in the above amounts are:*				
Depreciation and amortisation	(1,524)	(2,027)	-	-
Interest income	160	160	7	2
Interest expense	(121)	(93)	-	-
Dividends received from joint venture				
- current year dividend	-	-	-	21,685
- prior year dividend	-	-	-	30,000
Capital distribution from joint venture	-	-	10,239	-

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Proportion of Group's interest	58%	58%	50%	50%
Group's share of net assets	6,415	7,998	13,219	23,550
Goodwill	10,780	10,780	-	-
Group's carrying amount of investment in joint ventures	17,195	18,778	13,219	23,550

8. Investments in associates

	Group	
	2017	**2016**
	$'000	**$'000**
Quoted equity shares, at cost	4,633	4,633
Unquoted equity shares, at cost	1,070	1,070
Share of post-acquisition results	1,419	288
	7,122	5,991

Details of associates as at 30 June 2017 are as follows:

Associates	**Effective equity interest held by the Group 2017 %**	**Effective equity interest held by the Group 2016 %**	**Country of incorporation/ principal place of business**	**Principal activities**
KHID Co., Ltd[(b)(c)]	50.0	37.5	Mongolia	Investment holding
Axiom Properties Limited ("Axiom")[(a)(d)]	14.7	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] Based on management's assessment and judgement, the financial information of the insignificant associate is immaterial for disclosure.

[d] 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 that 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 2017, the fair value of the Group's investment in Axiom, which is listed on the Australian Securities Exchange, was $4,158,000 (2016: $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:

	2017 **$'000**	**2016** **$'000**
Current assets	2,453	3,669
Non-current assets	76,695	69,128
Current liabilities	(1,447)	(5,342)
Non-current liabilities	(48,349)	(44,542)
Net assets	29,352	22,913
Revenue	6,049	2,049
Profit after tax	5,301	997
Other comprehensive income	2,075	1,505
Total comprehensive income	7,376	2,502

The information above reflects the amounts presented in the financial statements of the associate (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:

	2017 $'000	2016 $'000
Share of net assets of Axiom	5,741	4,560
Goodwill	540	571
Carrying value of investment in Axiom	6,281	5,131
Add:		
Carrying value of individually immaterial associate	841	860
Carrying value of the Group's investments in associates	7,122	5,991

9. Available-for-sale financial assets

	Group	
	2017 $'000	2016 $'000
Unquoted equity interest, at cost	612	612

The unquoted equity interest was 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 licenses $'000	Development costs $'000	Computer software and computer software under development $'000	Total $'000
Group					
2017					
Cost					
Balance at 1 July 2016	116,232	559	13,048	2,055	131,894
Additions	-	81	974	302	1,357
Written off	-	-	(586)	-	(586)
Foreign currency realignment	-	(5)	(51)	-	(56)
Balance at 30 June 2017	116,232	635	13,385	2,357	132,609
Accumulated amortisation and impairment losses					
Balance at 1 July 2016	-	124	11,555	1,464	13,143
Amortisation	-	13	426	203	642
Written off	-	-	(163)	-	(163)
Foreign currency realignment	-	-	(50)	-	(50)
Balance at 30 June 2017	-	137	11,768	1,667	13,572
Carrying amounts					
As at 30 June 2017	116,232	498	1,617	690	119,037
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

10. Intangible assets (Continued)

	Trademarks $'000	Computer software under development $'000	Total $'000
Company			
2017			
Cost			
Balance at 1 July 2016	218	-	218
Additions	-	263	263
Balance at 30 June 2017	218	263	481
Accumulated amortisation			
Balance at 1 July 2016	124	-	124
Amortisation	13	-	13
Balance at 30 June 2017	137	-	137
Carrying amounts as at 30 June 2017	81	263	344
2016			
Cost			
Balance at 1 July 2015	217	-	217
Additions	1	-	1
Balance at 30 June 2016	218	-	218
Accumulated amortisation			
Balance at 1 July 2015	105	-	105
Amortisation	19	-	19
Balance at 30 June 2016	124	-	124
Carrying amounts as at 30 June 2016	94	-	94

10. Intangible assets (Continued)

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	
	2017	**2016**
	$'000	**$'000**
China Education Limited	94,164	94,164
Raffles College Pty Ltd[(2)]	10,481	10,481
Others[(1)]	11,587	11,587
	116,232	116,232

[(1)] Individually insignificant

[(2)] As of 30 June 2017, the Tertiary Education Quality and Standards Agency ("TEQSA") is still assessing the Raffles College Pty Ltd's ("RCDC") re-registration to provide the higher education courses to overseas students.

RCDC has endeavoured to address the matters raised in TEQSA's findings and correspondingly has applied for Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") re-registration. There is however uncertainty around the timing of when re-registration may occur.

In this regard, the management has considered that should RCDC meet the standards and be in compliance with the regulations laid down for re-registration, it is unlikely that such registration will be refused.

The carrying value of goodwill is subject to the timing of when the CRICOS re-registration will occur. The management is confident in receiving CRICOS registration in early 2018.

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

Impairment testing of goodwill

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 five years.

The pre-tax discount rate applied to the cash flow projections is 7% (2016: 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 historical trend.

10. Intangible assets (Continued)

Goodwill on acquisition (Continued)

Sensitivity analysis

The management has estimated that even if the estimated growth rate reduced by 1% (2016: 1%), if the projected net cash flows had been 10% (2016: 10%) lower or if the estimated discounted rate applied to the cash flows had been 8% instead of 7% (2016: 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables:				
Third parties	2,721	3,349	-	-
Other receivables:				
Third parties[a]	10,304	10,548	-	-
Receivables from sale of investment properties[b]	58,934	62,885	-	-
Government grant receivables (Note 3.2(vi))	-	30,629	-	-
Deposits	8,411	8,318	-	-
Prepayments[c]	22,726	33,716	104	219
Receivable from former joint venture	338	321	-	-
Subsidiaries[d]	-	-	213,683	270,192
Joint ventures[d]	8,347	5,683	555	546
Tax recoverable	34	120	-	-
Others	2,351	1,126	41	34
	111,445	153,346	214,383	270,991
	114,166	156,695	214,383	270,991
Non-current other receivables:				
Subsidiaries[d]	-	-	30,230	9,615
	114,166	156,695	244,613	280,606

Trade receivables are non-interest bearing and are generally on 30 days credit term (2016: 30 days).

It is not practicable to determine the fair value of the amount owing from subsidiaries as there is no fixed term of repayment.

11. Trade and other receivables (Continued)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due and not impaired	1,133	1,643
Past due but not impaired	1,588	1,706
Total trade receivables, net	2,721	3,349

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, diverse 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 $1.6 million (2016: $1.7 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 is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
0 - 30 days	76	129
31 - 60 days	7	87
Over 61 days	1,505	1,490
	1,588	1,706

11. Trade and other receivables (Continued)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	-	155
Allowance made for the financial year (Note 23)	100	80
Allowance utilised	(100)	(80)
Allowance reversed (Note 23)	-	(152)
Foreign currency realignment	-	(3)
Balance at end of financial year	-	-

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 (2016: $10.2 million).

(b) Receivables from sale of investment properties relate to outstanding balances of $54.5 million (2016: $62.9 million) from disposal of 490mu land and properties in OUC and $4.5 million (2016: $Nil) from disposal of 27mu land and properties in OUC.

(c) In prior year, included an amount of $13.2 million as prepayment for purchase of properties from a director of subsidiaries and her related entity.

(d) The amounts due from subsidiaries and joint ventures are non-trade in nature, unsecured, interest-free and are to be settled in cash, except for the amount of $29.1 million (2016: $22.9 million) advanced to subsidiaries as at the end of the financial year which bears interest at 3% (2016: 3%) per annum. The carrying amount of these amounts approximates its fair value.

12. Cash and bank balances

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Fixed deposits with banks	59,929	47,428	-	-
Cash and bank balances	14,084	13,838	661	1,810
	74,013	61,266	661	1,810
Non-current				
Restricted bank balances	3,677	3,511	-	-
	77,690	64,777	661	1,810
Less: Pledged fixed deposits and bank balances	(58,871)	(22,427)		
Less: Restricted bank balances	(3,677)	(3,511)		
Cash and cash equivalents for purpose of consolidated statement of cash flows	15,142	38,839		

Group

Certain fixed deposits and restricted bank balances are pledged to banks as collateral for credit facilities granted (Note 14).

Fixed deposits at the reporting date have an average maturity of 4 months (2016: 1 month) from the end of the financial year with the following effective interest rates per annum:

	Group	
	2017	2016
Chinese Renminbi	1.34% - 2.40%	1.20% - 1.74%

13. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Trade payables	3,554	3,462	-	-
Subsidiaries	-	-	144,157	156,861
Joint ventures	5,152	-	-	-
Amounts due to joint venturers	-	4,078	-	-
Course fees received in advance	9,871	11,015	-	-
Education service received in advance	1,048	750	-	-
Other accruals	12,376	16,341	1,960	3,086
Accruals for property and land use tax[(a)]	2,366	2,160	-	-
Accruals for business taxes	2,129	1,628	-	-
Accruals for capital expenditure	18,660	6,170	-	-
Loan from a Director	10,941	-	765	-
Loan from a director of subsidiaries	2,144	-	2,144	-
Purchase from non-controlling interest of additional interest in a subsidiary	1,960	-	-	-
Payable to EISB[(b)]	2,399	8,544	-	-
Other payables	4,380	2,562	-	-
	76,980	56,710	149,026	159,947
Non-current other payables				
Subsidiary	-	-	47,600	47,600
Loan from a director of subsidiaries	-	12,038	-	12,038
Advance from third party	5,088	5,097	-	-
Payable to EISB[(b)]	18,464	39,328	-	-
Other payables	237	103	-	-
	23,789	56,566	47,600	59,638
	100,769	113,276	196,626	219,585

Current trade payables are non-interest bearing and are normally settled on 30 to 60 days' term (2016: 30 to 60 days' term).

The amounts due to subsidiaries, joint ventures, joint venturers and loan from a Director are unsecured, interest-free and repayable on demand, except for the amount payable to a subsidiary of $47.6 million (2016: $47.6 million) as at the end of the financial year which bears interest at a range of 2.63% to 2.83% (2016: 2.76% to 2.83%) per annum and repayable in May 2019.

Loan from a director of subsidiaries is unsecured, interest-free, repayable on demand and are to be settled in cash. In prior year, the loan from a director of subsidiaries was not expected to be repaid within twelve months.

The carrying amount of non-current other payables approximate its fair value.

13. Trade and other payables (Continued)

Further notes on trade and other payables:

(a) Included in accruals for property and land use tax is an amount of $Nil (2016: $0.6 million) which relates to revenue tax, stamp duty and deed tax arising from the land restructuring in OUC (Note 3.2(vi)).

(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 was paid during the financial year 2017.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Borrowings:				
- Secured bank borrowings[a]	343,570	271,917	70,715	70,568
- Unsecured bank borrowings[a]	19,463	15,097	14,375	10,000
- Unsecured Notes[b]	79,673	79,305	79,673	79,305
	442,706	366,319	164,763	159,873
Repayable:				
- within 1 financial year	173,085	87,418	158,997	80,568
- more than 1 financial year	269,621	278,901	5,766	79,305
	442,706	366,319	164,763	159,873
Secured borrowings repayable:				
- within 1 financial year	73,949	72,321	64,949	70,568
- more than 1 financial year	269,621	199,596	5,766	-
	343,570	271,917	70,715	70,568
Unsecured borrowings repayable:				
- within 1 financial year	99,136	15,097	94,048	10,000
- more than 1 financial year	-	79,305	-	79,305
	99,136	94,402	94,048	89,305

[a] Security for bank borrowings are as follows:

- bank borrowings of $20.5 million (2016: $32.6 million) of the Company are secured by letter of guarantee by a subsidiary;
- bank borrowings of $260.9 million (2016: $201.3 million) are secured by letter of guarantee by the Company;
- bank borrowings of $34.5 million (2016: $38.0 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 $53.9 million (2016: $21.0 million) are secured by pledged bank deposits of $58.9 million (2016: $22.4 million) (Note 12); and
- certain property, plant and equipment (Note 4) with carrying amount of $159.3 million (2016: $141.1 million) and investment properties (Note 5) with carrying amount of $199.6 million (2016: $140.7 million).

The current bank borrowings have an average maturity of 7 months (2016: 4 months) from the end of the financial year. The non-current bank borrowings have an average maturity of 3.61 years (2016: 4.15 years) from the end of the financial year.

The effective interest rates of the bank borrowings range from 1.53% to 7.00% (2016: 1.55% to 7.00%) per annum. The carrying amount of the borrowings approximates its fair value due to frequent re-pricing.

14. Borrowings (Continued)

(b) During the 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 financial year 2015, the MTN Programme was increased to $500 million.

As at 30 June 2017, 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	
	2017 $'000	**2016 $'000**
Deferred tax assets	2,510	1,074
Deferred tax liabilities	(60,684)	(53,002)

Deferred tax assets

	Other payables $'000	Tax losses $'000	Accelerated tax capital allowance $'000	Others $'000	Total $'000
Group					
Balance at 1 July 2016	468	554	36	16	1,074
Credited/(Charged) to profit or loss	782	587	-	(10)	1,359
Change in tax rate	17	-	-	-	17
Foreign currency realignment	22	37	-	1	60
Balance at 30 June 2017	1,289	1,178	36	7	2,510
Balance at 1 July 2015	1,012	35	36	16	1,099
(Charged)/Credited 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

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 2016	(692)	(25,370)	(26,867)	(73)	(53,002)
Credited/(Charged) to profit or loss	49	(1,882)	-	59	(1,774)
Charged to equity	-	(89)	-	-	(89)
Reclassified from income tax payable	-	-	(4,932)	-	(4,932)
Foreign currency realignment	5	(961)	70	(1)	(887)
Balance at 30 June 2017	(638)	(28,302)	(31,729)	(15)	(60,684)
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)

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 2017 and 2016, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled $181.3 million (2016: $166.0 million) as at 30 June 2017.

16. Share capital

	Group and Company			
	2017	2016	2017	2016
	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			
	2017	2016	2017	2016
	Number of ordinary shares		$'000	$'000
At beginning of the financial year	79,790,100	54,133,800	39,683	32,730
Repurchase during the financial year	-	25,656,300	-	6,953
At end of the financial year	79,790,100	79,790,100	39,683	39,683

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 Share Plan.

18. Accumulated profits/(losses) and other reserves

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Revaluation reserve[1]	7,435	7,020	-	-
Foreign currency translation reserve[2]	(17,021)	(19,085)	-	-
Share-based payments reserve[3]	2,453	2,453	2,453	2,453
Accumulated profits/(losses)	92,181	95,713	(94,458)	(77,728)
	85,048	86,101	(92,005)	(75,275)

[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 2017 $'000	Group 2016 $'000
Course fees	75,454	84,179
Rental income from investment properties	15,708	16,336
Utility income from investment properties	136	4,608
Registration fees	617	675
Canteen operation	157	157
Other fees	4,148	5,075
	96,220	111,030

20. Other operating income

	Group 2017 $'000	Group 2016 $'000
Interest income	963	1,114
Foreign exchange gain	4,422	5,590
Fair value gain on re-measurement of pre-existing equity interest in an associate (Note 28)	-	1,397
Gain on disposal of investment properties	4,558	-
Gain on disposal of property, plant and equipment	406	3
Government grant	6	1,099
Others	981	542
	11,336	9,745

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

21. Personnel expenses

	Group 2017 $'000	Group 2016 $'000
Salaries, bonuses and allowances	34,611	37,174
Contributions to defined contribution plans	4,743	4,958
Other social expenses	1,095	1,355
	40,449	43,487

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

22. Finance costs

	Group 2017 $'000	Group 2016 $'000
Interest expenses:		
- Bank borrowings	7,658	6,771
- Unsecured Notes	5,088	8,320
	12,746	15,091

23. (Loss)/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 2017 $'000	Group 2016 $'000
Allowance for doubtful trade receivables (Note 11)	100	80
Reversal of allowance for doubtful trade receivables (Note 11)	-	(152)
Bad trade receivables written off	131	536
Depreciation and amortisation expenses	10,900	11,151
Audit fees paid to auditors:		
- Auditor of the Company	394	394
- Other auditors	307	306
Non-audit fees paid to auditors:		
- Auditor of the Company	27	62
- Other auditors	2	71
Foreign exchange loss	4,245	7,257
Gain on disposal of property, plant and equipment, net	(381)	(2)
Royalty, registration and administration fees	5,572	6,781
Operating lease expenses:		
- Rental of premises	6,285	5,996
- Rental of equipment	130	131
Marketing and advertisement expenses	3,777	4,549
Property, plant and equipment written off	451	36
Intangible assets written off	423	-
Loss on derecognition of subsidiary (Note 28)	20	-
Reversal for early termination of tenancy agreement and demolition of car park	-	(55)
Utilities	3,125	6,251
Professional fees	6,095	3,643
Repair and maintenance	5,247	4,823

24. Income tax (credit)/expense

	Group 2017 $'000	Group 2016 $'000
Income tax:		
- Current financial year	3,239	1,525
- Overprovision in respect of prior financial years	(168)	(2,832)
	3,071	(1,307)
Deferred tax:		
- Current financial year	1,197	8,990
- (Over)/Underprovision in respect of prior financial years	(782)	298
	415	9,288
	3,486	7,981
Reversal of tax payable for land restructuring	(30,802)	-
Total income tax (credit)/expense recognised in profit or loss	(27,316)	7,981

Reconciliation of effective tax rate

Domestic income tax in Singapore is calculated at 17% (2016: 17%) of the estimated assessable (loss)/profit for the financial year. The income tax (credit)/expense varied from the amount of income tax (credit)/expense determined by applying the Singapore income tax rate of 17% (2016: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group 2017 $'000	Group 2016 $'000
(Loss)/Profit before income tax	(27,081)	27,670
Income tax calculated at Singapore statutory rate of 17% (2016: 17%)	(4,604)	4,704
Tax effect of income not subject to taxation	(1,945)	(1,401)
Tax exemption	(1,882)	(2,833)
Tax effect of non-allowable expenses	8,068	6,329
Deferred tax assets not recognised for current financial year	306	501
Effect of different tax rates of overseas operations	4,493	3,215
Overprovision of current income tax in prior years	(168)	(2,832)
(Over)/Underprovision of deferred tax in prior years	(782)	298
Reversal of tax payable for land restructuring	(30,802)	-
Total income tax (credit)/expense recognised in profit or loss	(27,316)	7,981

Subject to the agreement by relevant tax authorities, at the reporting date, the Group has unutilised tax losses of $15.3 million (2016: $13.5 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	
	2017	**2016**
	$'000	**$'000**
(Loss)/Profit attributable to equity holders of the Company	(1,853)	15,818

Number of shares

	Group			
	2017		2016	
	Basic	**Diluted**	**Basic**	**Diluted**
Weighted average number of ordinary shares in issue ('000)	965,505	965,505	973,144	973,144

2,083,604 (2016: 2,429,600) 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	
	2017	**2016**
	$'000	**$'000**
Final tax exempt dividend paid in respect of the financial year of Nil cent (2016: 1.0 cent) per ordinary share	-	9,736

The Company did not recommend any dividend in respect of the financial year ended 30 June 2017.

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.

27. Share-based payments (Continued)

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

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

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

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

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

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

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

	2017		2016	
	Number of share options ('000)	**Weighted average exercise price $**	**Number of share options ('000)**	**Weighted average exercise price $**
Outstanding at beginning of financial year	2,429	1.236	2,860	1.161
Expired/cancelled	(346)	(0.726)	(431)	(0.738)
Outstanding at end of financial year	2,083	1.321	2,429	1.236
Exercisable as at end of financial year	2,083	-	2,429	-

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* $
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

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

28. Derecognition of subsidiary/Acquisition of non-controlling interests in subsidiaries

(a) Derecognition of Raffles-Changzhou International College ("RCZ")

During the financial year 2017, the Group terminated the joint-cooperation agreement with its partner. Except for settlement of certain inter-company balances, all the assets were handed over to the partner. As such, RCZ ceased to be a subsidiary.

The carrying amount of the assets and liabilities of RCZ as at the date of derecognition were as follows:

	$'000
Property, plant and equipment	27
Trade and other receivables	34
Cash and cash equivalents	111
Trade and other payables	(152)
Net assets derecognised	20
Loss on derecognition of subsidiary (Note 23)	(20)
Cash derecognised	(111)
Net cash outflow	(111)

28. Derecognition of subsidiary/Acquisition of non-controlling interests in subsidiaries (Continued)

(b) Acquisition of non-controlling interests in Raffles International Mongolia Co., Ltd. ("RUB")

During the financial year 2017, the Company acquired the remaining 25% equity interest in RUB for $209,000. RUB has then become a wholly-owned subsidiary of the Company.

	$'000
Consideration paid to non-controlling interests	209
Carrying amount of net assets purchased from non-controlling interests	(59)
Excess of consideration over net assets	150

(c) Acquisition of non-controlling interests in Raffles College of Higher Education Sdn. Bhd. ("RKL")

During the financial year 2017, the Group completed acquiring the additional 21% equity interest in RKL in relation to the Second Tranche Acquisition (Note 28(d)) for $2.0 million (RM6.1 million).

	$'000
Consideration payable to non-controlling interests	1,960
Carrying amount of net assets purchased from non-controlling interests	(430)
Excess of consideration over net assets	1,530

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

In previous financial year, the Company entered into a share purchase agreement with a director of subsidiaries (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 Second Tranche Acquisition was completed during the financial year 2017 (Note 28(c)).

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

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 First Tranche 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.

28. Derecognition of subsidiary/Acquisition of non-controlling interests in subsidiaries (Continued)

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

The fair values of the identifiable assets and liabilities acquired and the cash flows effect of RKL as at the date of the First Tranche 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 ended 30 June 2016, 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 three of its subsidiaries are involved in two 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 2017 and 2016, 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 2017, the Company has given guarantees amounting to $295.4 million (2016: $239.3 million) to banks in respect of banking facilities granted to the subsidiaries (Note 14) and the guarantees amount represents the maximum exposure. The earliest period that the guarantees could be called is within 12 months (2016: 12 months).

(d) As at 30 June 2017, the Company has given guarantees amounting to $20.9 million (2016: $21.6 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 $34.3 million (2016: $31.9 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 2017 $'000	Group 2016 $'000
Capital commitments in respect of property, plant and equipment	103,654	157,592

(b) 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 2017 $'000	Group 2016 $'000
Future minimum lease payments payable:		
Within 1 financial year	2,819	4,174
After 1 year but within 5 financial years	1,593	2,972
	4,412	7,146

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.

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

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

	Group 2017 $'000	Group 2016 $'000
Future minimum lease payments receivable:		
Within 1 financial year	5,384	12,211
After 1 year but within 5 financial years	10,311	4,609
After 5 financial years	1,570	1,275
	17,265	18,095

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
With associates				
Dividend income	-	32	-	32
With joint venture				
Capital distribution	10,239	-	-	-
Settlement of liabilities on behalf for joint venture	3	13	3	13
Dividend income	-	21,685	-	-
With subsidiaries				
Settlement of liabilities on behalf for/(by) subsidiaries	-	-	11,769	(9,681)
Dividend income	-	-	13,596	7,421
Interest income	-	-	799	859
Management service fee income	-	-	1,734	1,632
Recharge of rental and utilities	-	-	(480)	(480)
Waiver of inter-company debt	-	-	(7,001)	-
Consultancy fees income	-	-	3	293
With related party				
Rental to a director of subsidiaries and her related entity	149	149	-	-
Acquisition of the equity interest in a subsidiary from a director of subsidiaries	1,960	2,795	-	2,795
Loan from a Director	12,831	-	2,655	-
Loan from a director of subsidiaries	-	12,038	-	12,038
Prepayment for purchase of properties from a director of subsidiaries and her related entity	-	13,211	-	-

31. Significant related party transactions (Continued)

Key management personnel remuneration

	Group	
	2017	**2016**
	$'000	**$'000**
Directors' fees	265	265
Salaries and other short-term employee benefits	1,496	2,198
	1,761	2,463

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

To be consistent with the Group's current strategy of three growth engines, the Group has combined Private Education System and National Education System as a single Education segment and the comparative was reclassified accordingly.

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

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

- Education

  The Group offers 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 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 the PRC.

  The Group also 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.

32. Report by segments (Continued)

- 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, the PRC.

- 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 the opportunity arises, the Group may divest these properties.

- Corporate & Others

  Includes corporate headquarter and consolidation adjustments which are not directly attributable to a particular 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)

	Education $'000	Education Facilities Rental Service $'000	Real Estate Investment & Development $'000	Corporate & Others $'000	Total $'000
2017					
Revenue from external customers	80,318	11,918	3,942	42	96,220
Inter-segment revenue	902	417	1,873	27,377	30,569
Interest income	247	8	708	-	963
Fair value gain on investment properties, net	3,898	4,338	4,553	-	12,789
Finance costs	(578)	(180)	(1,971)	(10,017)	(12,746)
Depreciation and amortisation	(6,562)	(223)	(1,364)	(2,751)	(10,900)
Share of results from joint ventures	-	-	-	(2,263)	(2,263)
Share of results from associates	(18)	1,036	-	-	1,018
Reportable segment profit/(loss) before income tax	14,626	6,293	(20,232)	(27,768)	(27,081)
Net profit/(loss) for the financial year	14,979	7,776	5,204	(27,724)	235
Other information:					
Additions to property, plant and equipment	61,721	368	3	7	62,099
Additions to investment properties	723	279	5,521	-	6,523
Additions to intangible assets	1,070	-	-	287	1,357
Investment in joint ventures	-	-	-	29,700	29,700
Investment in associates	841	6,281	-	-	7,122
Segment assets	352,906	205,800	335,835	97,557	992,098
Segment liabilities	(167,669)	(8,111)	(91,830)	(275,865)	(543,475)

32. Report by segments (Continued)

	Education $'000	Education Facilities Rental Service $'000	Real Estate Investment & Development $'000	Corporate & Others $'000	Total $'000
2016					
Revenue from external customers	88,587	14,774	7,596	73	111,030
Inter-segment revenue	2,856	17	1,654	21,553	26,080
Interest income	424	159	493	38	1,114
Loss on derecognition 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	(105)	-	(1,354)	(13,632)	(15,091)
Depreciation and amortisation	(6,366)	(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	22,055	15,458	15,563	(25,406)	27,670
Net profit/(loss) for the financial year	21,715	11,513	11,685	(25,224)	19,689
Other information:					
Additions to property, plant and equipment	46,927	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	256,776	206,081	345,555	148,661	957,073
Segment liabilities	(120,932)	(4,112)	(60,522)	(294,029)	(479,595)

32. Report by segments (Continued)

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

	2017 $'000	2016 $'000
Revenue		
Total revenues for reportable segments	126,789	137,110
Elimination of inter-segment revenues	(30,569)	(26,080)
Consolidated revenue	96,220	111,030
Assets		
Total assets for reportable segments	992,098	957,073
Investments in joint ventures	29,700	41,665
Investments in associates	7,122	5,991
Unallocated assets	199,237	184,602
Consolidated total assets	1,228,157	1,189,331
Liabilities		
Total liabilities for reportable segments	(543,475)	(479,595)
Unallocated liabilities	(64,451)	(90,777)
Consolidated total liabilities	(607,926)	(570,372)

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 and intangible assets.

	Asean $'000	North Asia $'000	South Asia $'000	Australasia $'000	Europe $'000	Total $'000
2017						
Revenue from external customers	31,708	56,709	1,739	5,007	1,057	96,220
Non-current assets	345,797	547,353	10,390	56,821	72,714	1,033,075
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

Singapore and People's Republic of China contributed revenue of $18,192,000 and $56,241,000 (2016: $18,937,000 and $69,109,000) respectively. Non-current assets in Singapore and People's Republic of China amounted to $119,441,000 and $546,462,000 (2016: $133,609,000 and $535,446,000) 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 rental and 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 (2016: 100 basis point), with all other variables held constant.

	2017		2016	
	Increase interest rate (basis point)	**Decrease in profit $'000**	**Increase interest rate (basis point)**	**Decrease in profit $'000**
Group				
Borrowings	100	(3,019)	100	(2,409)
Company				
Borrowings	100	(851)	100	(806)
Amount due to a subsidiary	100	(476)	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, Australia and Europe. 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 exposures to foreign currencies such as Chinese Renminbi ("RMB"), Malaysian Ringgit ("MYR"), Australian Dollar ("AUD"), Swiss Franc ("CHF") and Euro ("EUR") at 30 June 2017 and 30 June 2016 were as follows:

	Note	**SGD**	**RMB**	**MYR**	**AUD**	**CHF**	**EUR**	**Others**	**Total in SGD equivalents**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group									
2017									
Available-for-sale financial assets	9	-	612	-	-	-	-	-	612
Trade and other receivables		2,182	78,343	1,800	247	656	1,280	6,898	91,406
Intra-group balances, net		(14,338)	21,674	(35,717)	(1,661)	7,437	(5,172)	27,777	-
Cash and bank balances	12	1,574	68,707	841	230	25	194	2,442	74,013
Restricted bank balances	12	-	-	-	-	3,677	-	-	3,677
Trade and other payables		(8,502)	(23,055)	(34,521)	(800)	(5,814)	(4,129)	(8,534)	(85,355)
Borrowings	14	(263,226)	(10,732)	(98,401)	(31,598)	(19,259)	(6,621)	(12,869)	(442,706)
		(282,310)	135,549	(165,998)	(33,582)	(13,278)	(14,448)	15,714	(358,353)
Less: net (assets)/ liabilities denominated in respective entities' functional currencies		235,004	(201,990)	124,537	25,326	15,658	15,127	18,943	232,605
Currency exposure		(47,306)	(66,441)	(41,461)	(8,256)	2,380	679	34,657	(125,748)

33. Financial risk management (Continued)

(c) Foreign currency risk (Continued)

	Note	SGD $'000	RMB $'000	MYR $'000	AUD $'000	CHF $'000	EUR $'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	1,060	224	595	117	4,850	122,859
Intra-group balances, net		(24,392)	(14,762)	(11,484)	(247)	(1,419)	(1,031)	53,335	-
Cash and bank balances	12	4,073	54,940	662	27	24	274	1,266	61,266
Restricted bank balances	12	-	-	-	-	3,511	-	-	3,511
Trade and other payables		(16,941)	(25,838)	(49,459)	(1,195)	(515)	(473)	(3,302)	(97,723)
Borrowings	14	(258,237)	(5,097)	(39,845)	(22,027)	(18,987)	(4,948)	(17,178)	(366,319)
		(293,061)	123,432	(99,066)	(23,218)	(16,791)	(6,061)	38,971	(275,794)
Less: net (assets)/ liabilities denominated in respective entities' functional currencies		254,270	(159,983)	87,429	22,834	19,698	8,286	10,789	243,323
Currency exposure		(38,791)	(36,551)	(11,637)	(384)	2,907	2,225	49,760	(32,471)

It is estimated that a five percentage point strengthening in foreign currencies against the respective functional currencies would decrease the Group's profit before income tax by approximately $6,287,000 (2016: $1,624,000). A five percentage point weakening in the foreign currencies against respective functional currencies 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.

The Company's exposures to foreign currencies such as Chinese Renminbi ("RMB"), United States Dollar ("USD") and Australian Dollar ("AUD") at 30 June 2017 and 30 June 2016 were as follows:

	Note	SGD $'000	RMB $'000	USD $'000	AUD $'000	Others $'000	Total in SGD equivalents $'000
Company							
2017							
Trade and other receivables		175,170	23,114	7,046	1,027	38,152	244,509
Cash and bank balances	12	652	-	9	-	-	661
Trade and other payables		(95,553)	(90,921)	-	(8,644)	(1,508)	(196,626)
Borrowings	14	(164,763)	-	-	-	-	(164,763)
		(84,494)	(67,807)	7,055	(7,617)	36,644	(116,219)
Less: net liabilities denominated in functional currency		84,494	-	-	-	-	84,494
Currency exposure		-	(67,807)	7,055	(7,617)	36,644	(31,725)

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							
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)

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 $1,586,000 (2016: $826,000). 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				
2017				
Trade and other payables	61,564	24,595	86,159	85,355
Borrowings	177,022	327,613	504,635	442,706
	238,586	352,208	590,794	528,061
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
Company				
2017				
Trade and other payables	150,368	48,728	199,096	196,626
Borrowings	168,805	5,951	174,756	164,763
	319,173	54,679	373,852	361,389
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

(e) Fair values

The carrying amounts of the Group's and Company's current assets and current financial assets and current financial liabilities approximate their fair values as at the end of the reporting periods due to the relatively short period of 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	
	2017	**2016**
	$'000	**$'000**
Net debt	365,016	301,542
Total capital	527,150	528,203
Net gearing ratio	69%	57%

The Group and the Company are in compliance with all externally imposed capital requirements relating to financial covenants on its borrowings for both the financial years ended 30 June 2017 and 30 June 2016.

Apart from the above, the Group's current overall strategy remains unchanged for financial years ended 30 June 2017 and 30 June 2016.

35. 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	26 - 49	111	94
(b) Northeastern side along the crossing of Yangguang Road and Gongyuan Road, Xinqiao Industrial Park, Anhui Province, the PRC	Education college development	Vacant	Leasehold	49	283	-
(c) No. 28, Jinjing Road, Xiqing District, Tianjin City, the PRC	Education college	Education facilities and hostels	Leasehold	35	112	31
(d) Room 101, 201-205, 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	49	1	2
(e) 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	32 - 37	914	561

35. Properties of the Group (Continued)

Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(f) Raffles Education Square 51 Merchant Road Singapore	Commercial development of multi storey office block and conservation shophouses	Education facilities	Leasehold	75	3	7
(g) Mukim of Pulai, District of Johor Bahru, State of Johor, Malaysia# Land held under: H.S.(D) 520221, PTD 189210	University campus development	Construction and development phase	Freehold	-	263	-
(h) Mukim of Pulai, Lot 143116 District of Johor Bahru, State of Johor, Malaysia#	Education college	Construction and development phase	Freehold	-	186	77
(i) Lot 102-104, 106 Section 88A Kuala Lumpur, Malaysia	Education college	Education facilities	Leasehold	50 - 52	5	4
(j) Soi Bangna – Trat 37 Bangkaew Sub-district Bang Phli District Samut Prakarn Province, Thailand#	Education college	Education facilities	Freehold	-	45	18
(k) Kadirana North Village Dunagaha Pattu of Aluthkorale @ Katana in Gampaha District Western Province of Sri Lanka#	University campus/ commercial development	Vacant	Freehold	-	101	-

35. Properties of the Group (Continued)

Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(l) 94 Mandurah Terrace, Mandurah, Western Australia#	Commercial/ residential/ education development	Vacant	Freehold	-	2	-
(m) 1 - 3 Fitzwilliam Street, Parramatta, New South Wales, Australia#	Commercial building	Education facilities and office use	Freehold	-	2	10
(n) Chemin des Cibles 17 1997 Haute-Nendaz Switzerland#	Hotel and commercial units	Hotel and commercial units	Freehold	-	6	7
(o) Route de Siviez 37, 1995 Siviez Switzerland#	Commercial building	Commercial use	Freehold	-	2	2
(p) Via Felice Casati, 16, Milan, Italy#	Commercial building	Education facilities and office use	Freehold	-	1	2

Valuation performed in financial years 2017 and 2016 by independent professional valuers, as referred to in Note 5 of the financial statements.

Statistics of Shareholdings

Size of Shareholdings as at 8 September 2017

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held (excluding treasury shares)	Percentage
1 - 99	528	5.37%	17,054	0.00%
100 - 1,000	1,095	11.13%	712,464	0.07%
1,001 - 10,000	4,892	49.75%	24,158,685	2.50%
10,001 - 1,000,000	3,266	33.21%	163,049,211	16.89%
1,000,001 and above	53	0.54%	777,567,719	80.54%
	9,834	100.00%	965,505,133	100.00%

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 8 September 2017, approximately 50.78% 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 8 September 2017

S/No.	Name	No. of Shares	Percentage
1	DB NOMINEES (SINGAPORE) PTE LTD	86,881,913	9.00%
2	CITIBANK NOMINEES SINGAPORE PTE LTD	86,134,346	8.92%
3	OEI HONG LEONG	83,875,200	8.69%
4	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	70,500,000	7.30%
5	SBS NOMINEES PTE LTD	41,859,999	4.34%
6	CHEW HUA SENG OR DORIS CHUNG GIM LIAN	39,245,972	4.06%
7	OEI HONG LEONG ART MUSEUM LIMITED	33,348,800	3.45%
8	HL BANK NOMINEES (SINGAPORE) PTE LTD	31,184,000	3.23%
9	RAFFLES NOMINEES (PTE) LTD	29,645,890	3.07%
10	OCBC SECURITIES PRIVATE LTD	28,793,555	2.98%
11	DBS NOMINEES PTE LTD	22,619,859	2.34%
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	16,110,072	1.67%
15	LIM & TAN SECURITIES PTE LTD	15,530,084	1.61%
16	TOMMIE GOH THIAM POH	11,024,729	1.14%
17	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	10,180,929	1.05%
18	CHEW HUA SENG	10,047,032	1.04%
19	TEO CHIANG SONG	10,000,000	1.04%
20	KGI SECURITIES (SINGAPORE) PTE LTD	9,815,000	1.02%
		673,984,426	69.81%

Statistics of Shareholdings

Size of Shareholdings as at 8 September 2017

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares Direct Interest	Deemed Interest
Chew Hua Seng[(1)(2)]	329,895,853	26,187,046
Doris Chung Gim Lian[(1)(2)]	131,533,018	224,549,881
Oei Hong Leong[(3)]	83,875,200	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 105,345,972 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.

This page has been intentionally left blank.

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 Leong Hon Mun Peter
Appointed with effect from financial year 2017

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Citibank NA, Singapore Branch
8 Marina View #17-01
Asia Square Tower 1
Singapore 018960

SHARE REGISTRAR

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

RafflesEducation

51 Merchant Road, Raffles Education Square
Singapore 058283
Tel: (65) 6338 5288   Fax: (65) 6338 5167
Website: www.Raffles-Education-Corporation.com
Company Reg. No.199400712N