Issuer & Securities

Issuer/ Manager
RAFFLES EDUCATION CORPORATION LIMITED

Securities
RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

Stapled Security
No

Announcement Details

Announcement Title
Annual Reports and Related Documents

Date &Time of Broadcast
11-Oct-2018 17:55:42

ANNUAL REPORTS AND RELATED DOCUMENTS::

New

Report Type
Annual Report

Announcement Reference
SG181011OTHRJGEG

Submitted By (Co./ Ind. Name)
Chew Hua Seng

Designation
Chairman & CEO

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

Additional Details

Period Ended
30/06/2018

Attachments

REC Annual Report 2018.pdf

REC Circular.pdf

Total size =4993K MB

BLENDING

FOR THE FUTURE

ANNUAL REPORT 2018

RafflesEducation

BLEND

FOR
THE
FUTURE

The Committed And Visionary Blends

Fuel Our Future Growth

CONTENTS

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

Raffles Milano Istituto Moda e Design, Milan

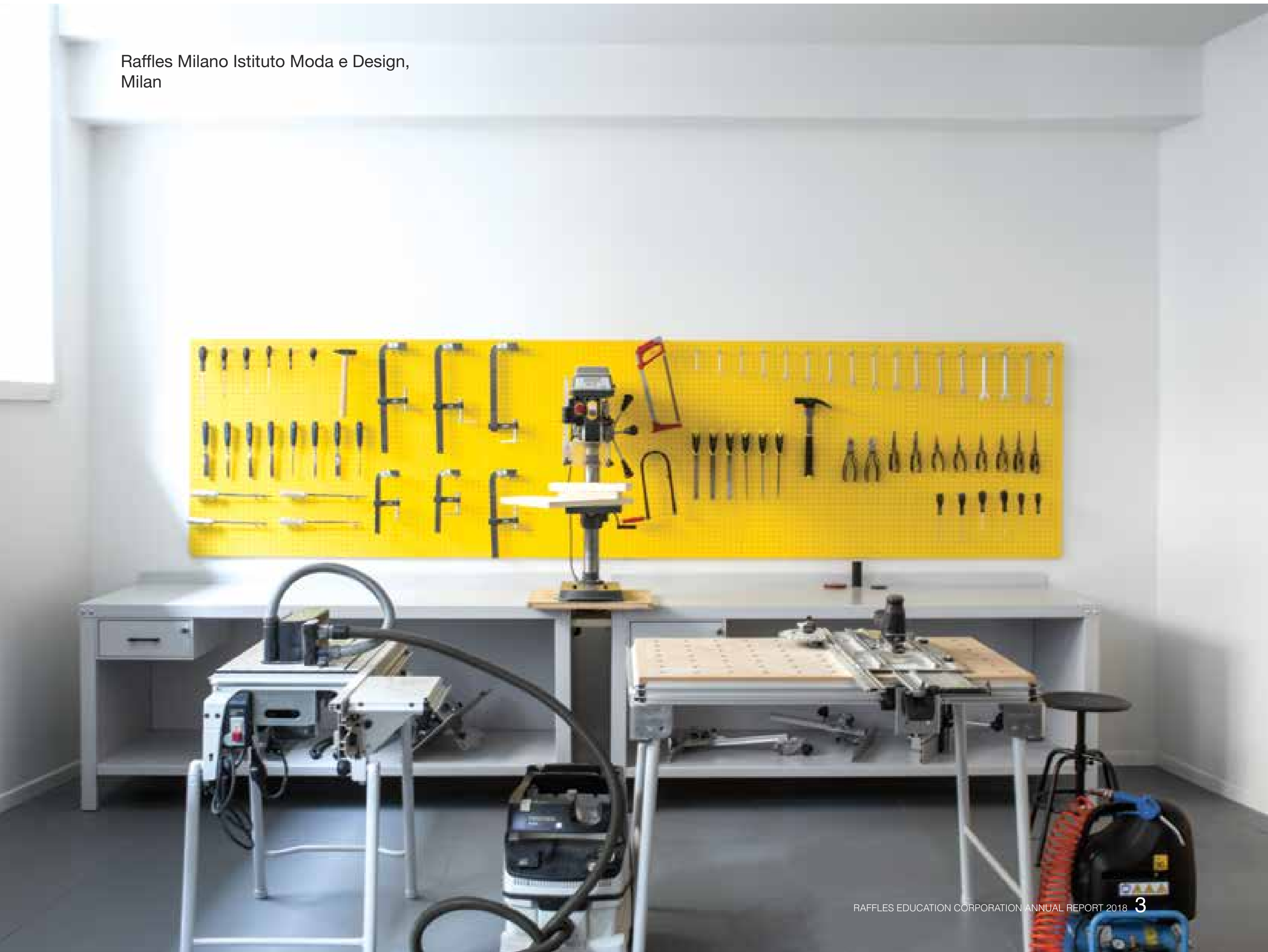
CORPORATE PROFILE

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 24 colleges/universities in 22 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.

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.



Raffles Milano Istituto Moda e Design,
Milan

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board of directors (the "Board") of Raffles Education Corporation Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 30 June 2018.

The Company has weathered many challenges by harnessing our key competencies and knowledge which are embedded in our core businesses. We have continued to build robust corporate governance frameworks through strong independent boards and management teams within our operating companies, with effective controls and safeguards in place.

Following the resignations of Messrs. Henry Tan, Christopher Lim and Scott Chew from the Board, Mr. Lim How Teck and Ms. Gan Hui Tin were appointed to the Board. These appointments augmented the existing Board, which now comprises one executive director and four independent directors.

I am also pleased to report that over the next three years, Raffles University Iskandar ("RUI") will build the first phase of a new campus in EduCity, Johor, on a plot of 65 acre land, which RUI had purchased. The state-of-the-art campus is designed by world-class architects Skidmore, Owings, and Merrill, who have designed iconic buildings such as the Burj Khalifa in Dubai, the World Trade Center in New York, and the Raffles American School in Nusajaya, Johor. The new campus will occupy approximately one third of the RUI land and can accommodate about 2500 students. The development of the new campus is expected to be completed in 2021.

Going forward, the Group will continue to evaluate and pursue investment opportunities for long term growth and to keep up with the evolving marketplace and education industry.

We will continually seek an optimal mix among our three growth engines – Education Provider, Management of Education Assets & Facilities and Education-Linked Real Estate Investment & Development – and balance our assets portfolio and resources both geographically and across sectors for sustainable growth.

In closing, I would like to thank our Board of Directors for their guidance and wise counsel in the last financial year. In fact, Henry Tan had served as Board Director for more than 15 years, Christopher Lim for close to 10 years and Scott Chew about 7 years. These gentlemen, who had stepped down from the Board, had served and contributed much to the Company and had done so with distinction.

And I would like to take this opportunity to welcome How Teck and Rosie Gan, who joined the Board as Independent Directors with effect from 6 March 2018 and 25 April 2018 respectively. How Teck's and Rosie's deep experiences in corporate finance will be invaluable to us.

I would also like to thank our management and staff for their dedication and contributions to the Company.

Last but not least, I would like to extend our appreciation to our shareholders for their strong support and our students for entrusting us with their education.

Mr Chew Hua Seng
Chairman and CEO

CORPORATE MILESTONES

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.

2018

Full completion of Raffles American School in Iskandar, Malaysia.

Raffles Mumbai relocated to a new campus at Marol, Andheri East, Mumbai.

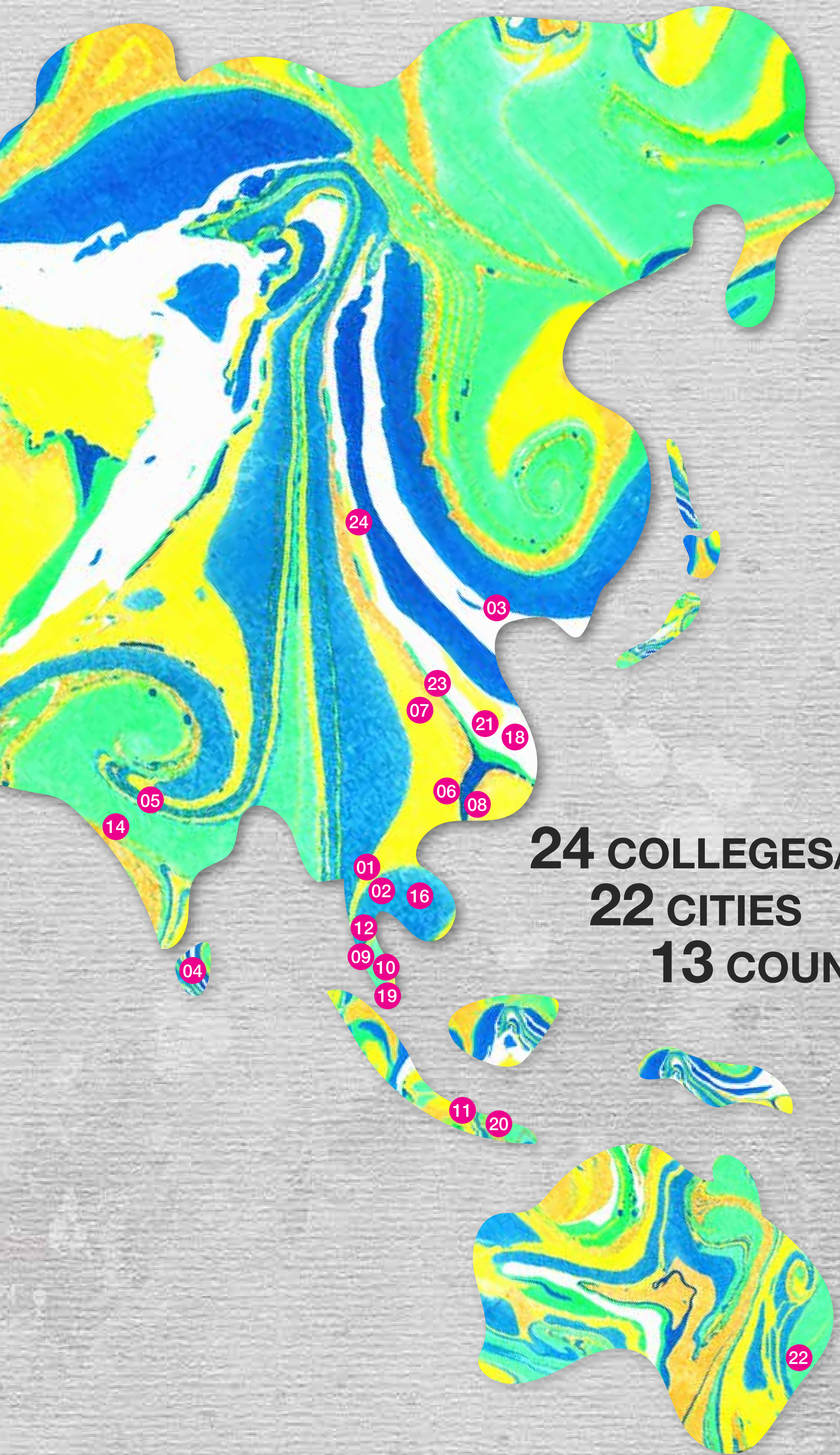
DRIP BY DRIP CREATING A MASTERPIECE

BLENDING THE INK WITH RAFFLES

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 MILAN
14 MUMBAI
15 NENDAZ
16 PHNOM PENH
17 RIYADH
18 SHANGHAI
19 SINGAPORE
20 SURABAYA
21 SUZHOU
22 SYDNEY
23 TIANJIN
24 ULAANBAATAR

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



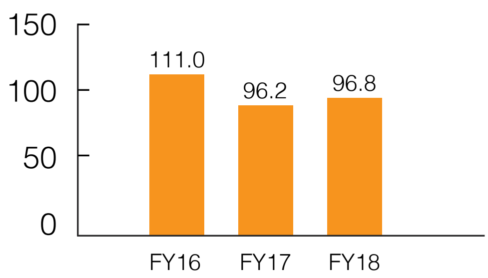
24 COLLEGES/UNIVERSITIES
22 CITIES
13 COUNTRIES

FINANCIAL HIGHLIGHTS

For the year ended 30 June (S$'000)	2016	2017	2018
Operating Results			
Revenue	111,030	96,220	96,832
Profit/(loss)			
Adjusted EBITDA~	57,266	27,738	76,346
Operating	9,808	4,212	(3,627)
Before Tax	27,670	(27,081)	42,421
After Tax	19,689	235	22,642
Attributable to shareholders	15,818	(1,853)	10,667
Operating Cashflow	815	(5,515)	(10,707)
Earnings per Share (cents)- Basic	1.47#	(0.17)#	0.9
- Diluted	1.47#	(0.17)#	0.9
Shares used in calculating EPS (millions) -Basic	1,077#	1,068#	1,182
-Diluted	1,077#	1,068#	1,182
Financial Position			
Issued Share Capital**	442,102	442,102	514,654
Shareholders Funds	528,203	527,150	621,592
Non-current Assets	971,281	1,039,874	1,116,009
Current Assets	218,050	188,283	144,084
Current Liabilities	181,903	253,832	259,854
Non-current Liabilities	388,469	354,094	272,509
Net Asset Value per Share (cents)	54.71	54.60	45.09
Return On Shareholders Funds			
Return on Equity (%)	3.0%	(0.4%)	1.7%
Net Profit Margin (%)	14.2%	(1.9%)	11.0%

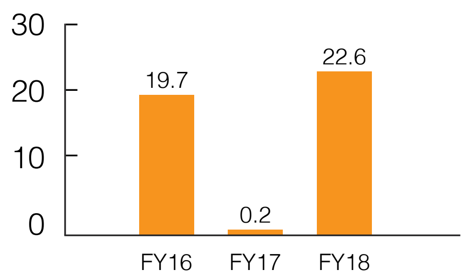
Revenue

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.

The number of shares used for prior year calculation of earnings per share was adjusted for the rights issue on 25 April 2018.

For the year ended 30 June (S$'000)	2017	2018	Change
Operating Results			
Revenue	96,220	96,832	1.0%
Profit			
Adjusted EBITDA~	27,738	76,346	175.2%
Operating	4,212	(3,627)	NM
Before Tax	(27,081)	42,421	NM
After Tax	235	22,642	9,534.9%
Attributable to shareholders	(1,853)	10,667	NM
Operating Cashflow	(5,515)	(10,707)	94.1%
Earnings per Share (cents)- Basic	(0.17)#	0.9#	NM
- Diluted	(0.17)#	0.9#	NM
Shares used in calculating EPS (millions) -Basic	1,068#	1,182#	10.7%
-Diluted	1,068#	1,182#	10.7%
Financial Position			
Issued Share Capital**	442,102	514,654	16.4%
Shareholders Funds	527,150	621,592	17.9%
Non-current Assets	1,039,874	1,116,009	7.3%
Current Assets	188,283	144,084	-23.5%
Current Liabilities	253,832	259,854	2.4%
Non-current Liabilities	354,094	272,509	-23.0%
Net Asset Value per Share (cents)	54.60	45.09	-17.4%

As at 30 June	2016	2017	2018
Revenue Contribution by Regions			
Asean	28.5%	33.0%	33.4%
North Asia	63.0%	58.9%	58.6%
Australasia	5.1%	5.2%	4.9%
South Asia	2.5%	1.8%	1.2%
Europe	0.9%	1.1%	1.9%
Total	100%	100%	100%

Revenue Contribution by Segments

(S$'000)	2017	2018
Education	80,318	79,006
Education Facilities Rental Service	11,918	13,159
Corporate & Others	42	18
Real Estate Investment & Development	3,942	4,649
Total	96,220	96,832

Earnings Contribution by Segments

(S$'000)	2017	2018
Education	14,979	5,429
Education Facilities Rental Service	7,776	31,456
Corporate & Others	(27,724)	(29,573)
Real Estate Investment & Development	5,204	15,330
Total	235	22,642

Note:
** Net of treasury shares
NM Not meaningful

FY2018 FINANCIAL REVIEW

Group revenue was flat between FY2017 and FY2018.

The Group's net profit increased to $22.6 million in FY2018 as compared to $0.2 million in in FY2017.

The Group's Net Asset Value per Share decreased to 45.09 cents in FY2018 from 54.60 cents in FY2017. The Group's FY2018 net gearing was 0.51 times.

The challenging global education environment, currency volatility, increasing interest rates and increasing competition continue to impact the Group.

The Group continues to streamline and restructure its operations for better cost management and improved efficiency.

Raffles Mumbai Campus, India

BOARD OF DIRECTORS

Front Row (Right to Left)

1. Mr Chew Hua Seng
Chairman and CEO

2. Mr Lim How Teck
Lead Independent Non-Executive Director

Back Row (Right to Left)

3. Mdm Gan Hui Tin
Independent Non-Executive Director

4. Dr Tan Chin Nam
Independent Non-Executive Director

5. Mr Teo Cheng Lok John
Independent Non-Executive Director

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 Lim How Teck

Lead Independent Non-Executive Director

Mr Lim How Teck is currently Chairman of Redwood International Pte. Ltd. (an investment & consultancy company). Mr Lim has an in-depth knowledge of the shipping industry and NOL group, having been with the Group from 1979 to 2005. He held Directorships in various subsidiaries, associated companies and investment interests of the NOL Group. In NOL, he held various positions from Executive Director, Group CFO, Group COO and Group Deputy CEO.

Mr Lim has extensive international qualifications and experience in business finance and accounting. Prior to joining NOL, he worked in Coopers & Lybrand (an international accounting firm) and Plessey Singapore (a multi-national trading and manufacturing company).

Mr Lim holds a Bachelor of Accountancy Degree from the University of Singapore. He is a Fellow of the Chartered Institute of Management Accountants of UK (FCMA), a Fellow of the Certified Public Accountants of Australia (FCPA Aust), a Fellow of the Institute of Certified Public Accountants of Singapore (FCPA ICPAS), a Fellow of the Singapore Institute of Directors (FSID). He is a graduate of the Harvard Graduate School of Business Corporate Financial Management Course and Advanced Management Program in 1983 and 1989 respectively.

Mr Lim’s other appointments include being Chairman of Heliconia Capital Management Pte. Ltd., ARA-CWT Trust Management (Cache) Limited, NauticAWT Limited and 33 Ventures Pte. Ltd. He is also a Board Director of PNG (Papua New Guinea) Sustainable Development Cooperation (FDC), FDC Pacific, Mizuho Securities (Singapore) Pte. Ltd., Greenship Offshore Manager Pte. Ltd., Heliconia Holdings Pte. Ltd., Yang Kee Logistics (Singapore) Pte. Ltd. and Singapore DTT Corporation Pte. Ltd. He is Senior Advisor to Bain Capital Partners, LLC and Adviser to KPISOFT Pte. Ltd., IMCSE Limted (International Monetary Crypto Securities Exchange) and Skyfy Technology Pte. Ltd. He was awarded The Public Service Medal (PBM) National Day Award in 1999 and the Public Service Star (BBM) National Day Award in 2014.

Mdm Gan Hui Tin

Independent Non-Executive Director

Mdm Gan Hui Tin was with the Hong Leong Group, Malaysia ("the Group") from 1996 to 2016. She was the Country Head for the Group's HL Bank, Singapore when she retired in 2016. Prior to joining the Group, Mdm Gan held senior positions in Chase Manhattan Bank NA and Bank Brussels Lambert. In total, Mdm Gan has close to 35 years of experience in the banking industry.

Mdm Gan holds a Bachelor's degree in Business Administration from the University of Singapore. She is presently a private investment consultant and holds directorship in Ethan Investments Pte. Ltd, Eluzai Pte. Ltd. and Elizur Pte. Ltd.

Dr Tan Chin Nam

Independent Non-Executive 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 Non-Executive 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.

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 24 colleges/ universities in 22 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 • 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	2 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.

Professor Graeme Britton
President of
Raffles University System

(Centre) President of Raffles University System, Professor Graeme Britton with
Chairman & CEO of Raffles Education, Mr Chew Hua Seng at Raffles University Iskandar's Convocation.

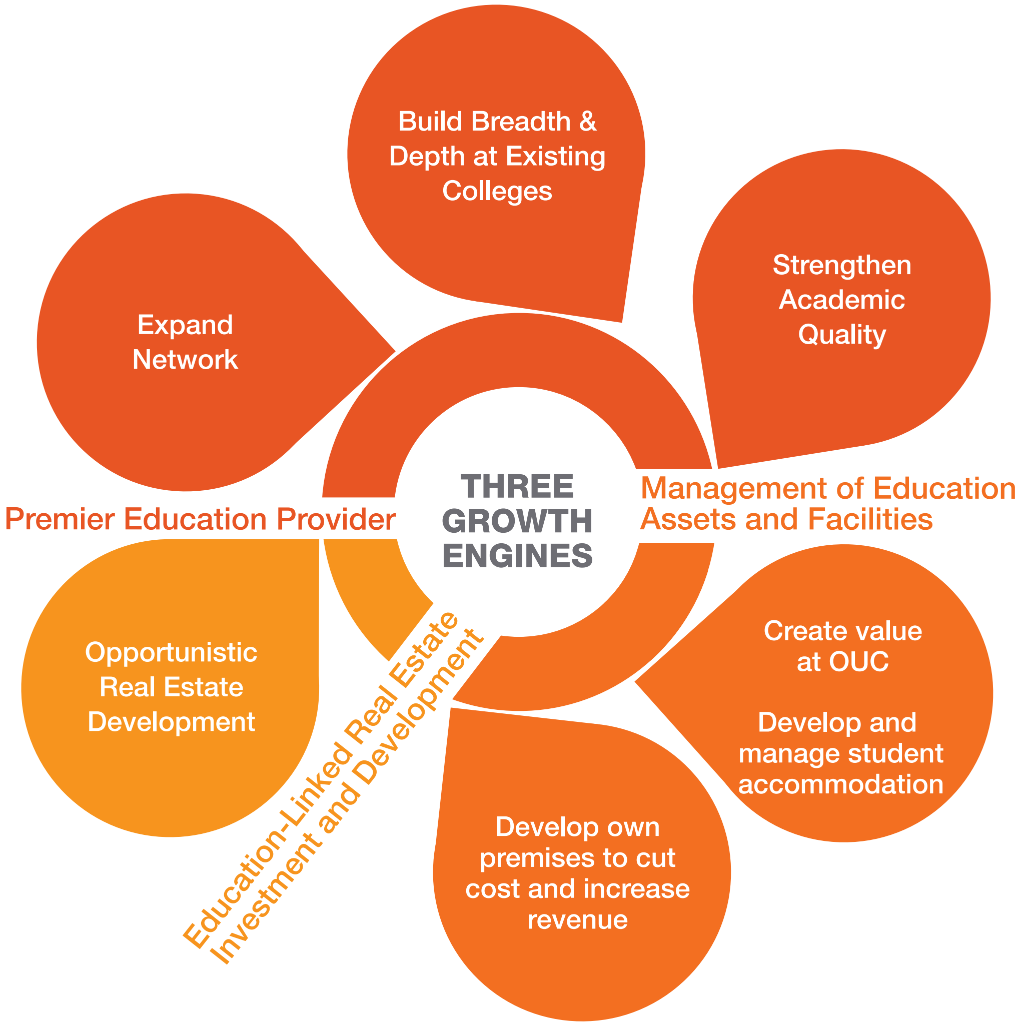
STRATEGY

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.

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.

Raffles Milano Istituto Moda e Design, Milan

TO GROOM SKILLED PROFESSIONALS
TO SUCCEED IN THE GLOBALISED ECONOMY.

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.

Asian Couture Federation Award

Outstanding Contribution to Fashion Education in Singapore
2014

International Star Award

For Quality (Gold Category)
2014

ESQR's Quality Choice Prize

Success in Quality Management
2016

International Diamond Prize Award

Excellence in Quality
2015

World Branding Award

Brand of the Year
National Award
2015

World Branding Award

Brand of the Year
National Award
2016

World Branding Award

Brand of the Year
National Award
2017

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 Wins

INAUGURAL SOPHIE HALLETTE DESIGN CHALLENGE ASIA 2018

Raffles Fashion Designer, CHEN Yiling Zowee
Chinese
Raffles Singapore

Winner for Inaugural Sophie Hallette Design Challenge Asia 2018

Raffles Fashion Designer, CHEN Yiling Zowee presenting her designs to Mr. Vishal ADVANI

Raffles Fashion Designer, Vivien VERONICA
Indonesian
Raffles Singapore

Finalist for Inaugural Sophie Hallette Design Challenge Asia 2018

Raffles Fashion Designer, Ma Renee Angela Esquillo DE GUZMAN
Filipina
Raffles Singapore

Finalist for Inaugural Sophie Hallette Design Challenge Asia 2018

Winner for Lectra Special Award at International Lab of Mittelmoda - Fashion Award 2018

Image Source: Vogue Italia

HARPER'S BAZAAR ASIA NEW GENERATION FASHION DESIGNER AWARD 2018 - Singapore

Image Source: Harper's Bazaar

▲ **Raffles Fashion Designer,**
Andrew LOW
Malaysian
Raffles Singapore

Winner for Harper's Bazaar Asia New Generation Fashion Designer Award 2018 - Singapore

MAS/VICTORIAS SECRET AWARD
FOR CREATIVE EXCELLENCE

◀ **Raffles Fashion Designer,**
Uma Shankari RAVEENDRAN
Sri Lankan
Raffles Colombo

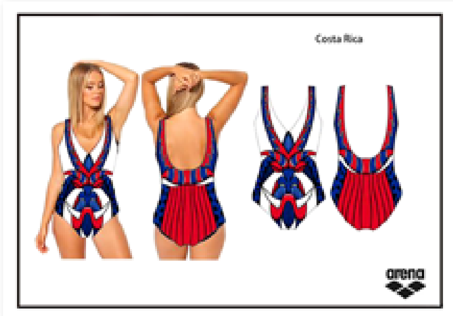
Winner for MAS/Victorias Secret Award (For Creative Excellence)

Raffles Fashion Designer, ▲
Zidhuna NASHID
Sri Lankan
Raffles Colombo

Winner for Saviskara Graduation Award 2018 (The Top Student Award)

Saviskara Graduation Award 2018
THE TOP STUDENT AWARD

ARENA SWIMSUIT DESIGN CONTEST 2018



Raffles Fashion Designer,
Kevin WANG
Chinese
Raffles Beijing

Most Popular Award

CHOKOLATTE MOTHER DAUGHTER FASHION DESIGNER 2018

GROUP DESIGNER SHOWCASE

Raffles Fashion Designer,
Promodi Kumarin JAYAWARDENA
Sri Lankan
Raffles Colombo

Contest Winner for Chokolatte Mother Daughter Fashion Designer 2018

HOTEL UNIFORM DESIGN COMPETITION
BY THE SUKHOTHAI HOTEL

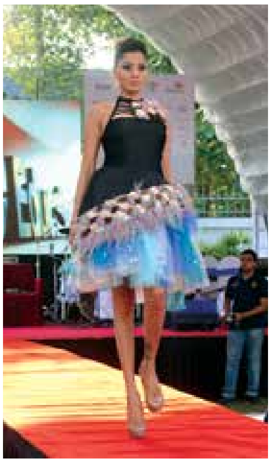
▲ **Raffles Fashion Designer,**
Nikole NIU
Chinese
Raffles Shanghai

Creativity in Design 2017 Grand Prize

▲ **Raffles Fashion Designer,**
Eylina CHEN
Chinese
Raffles Shanghai

Detail in Design 2017 Grand Prize

EDEX FASHION SHOWCASE



▲ Raffles Fashion Designers

- **Avishka De Fonseka**
- **B.k. Nimasha Deshapriya**
- **Dikkumbura Hasini Nimesha**
- **Eshani Wijesekera**
- **Mariana Ann Perera**
- **Nethini Kannangara**
- **Salome Vihara Rosanna Gunanda Waduge Silva**
- **Shalina Elizabeth Ruwesha Fernando**
- **Shammi Ayesha**
- **Shanthakumar Southamini**
- **Thanuri Nimaya De Silva**
- **Thiruni De Silva**
- **Uma Shankari Raveendran**
- **W. M. D. Hiruni Amanda**

Sri Lankans
Raffles Colombo

Raffles Wins

NEW TAIPEI CITY INTERNATIONAL METAL CRAFT COMPETITION 2018

Raffles Jewellery Designer,
LI Zhiyu
Chinese
Raffles Singapore

Finalist of New Taipei City International Metal Craft Competition 2018

Raffles Jewellery Designer,
QIN Meiyi
Chinese
Raffles Singapore

Finalist of New Taipei City International Metal Craft Competition 2018

Founder & Creative Director of Simone Jewellery, Simone NG speaking to Raffles Jewellery Designers

SIMONE JEWELLERY
AT SINGAPORE INTERNATIONAL JEWELLERY EXPO 2018

Back Row (Left to Right) Raffles Creative Practitioner, Sandra TJIA, Raffles Jewellery Designers, YU Jia Yin, Greta Joceline NAZARY, Chloe TAN, ZHU Ang, Founder & Creative Director of Simone Jewellery, Simone NG, Raffles Jewellery Designers, CHEN Zi Nan, ZOU Ming Jie
Front Row (Left to Right) Raffles Jewellery Designers, Mifuyu FUKAI, ZHAO Qiu Yi, MA Bao Yi, HUANG Hui Min

FLIGHT TO THE FANTASTICO

(Left) Singapore Minister of State, Mr Sam TAN, together with participating countries' Ambassadors and other VIPs

Back Row (Left to Right) Raffles Creative Practitioner, Federico FIORE, Raffles Jewellery Designers, ZOU Ming Jie, ZHU Ang, SHEN Yan Xin, ZENG Di Kai, MA Bao Yi, Singapore Minister of State, Mr Sam TAN, Senior Vice President of Raffles Singapore, ONG Kai How, Raffles Jewellery Designer, CHEN Zi Nan, Raffles Creative Practitioner, Hector SALAZAR

Front Row (Left to Right) Raffles Jewellery Designers, LI Mu Han, Mifuyu FUKAI, Greta Joceline NAZARY, YU Jia Yin, LU Qi Wuwei, Chloe TAN, ZHAO Qiu Yi, Raffles Creative Practitioner, Sandra TJIA, Raffles Jewellery Designer, HUANG Kai Lin

GLITTER
CHEN Zi Nan

IRIDESCENCE
HUANG Kai Lin

ORIGIN
Greta Joceline NAZARY

REFLECTION
MA Bao Yi

FAIRY TALE
Mifuyu FUKAI

SWIRL
SHEN Yan Xin & LI Mu Han

PLUMAGE
YU Jia Yin

SHOOTING STAR
ZENG Di Kai

LEGACY
ZHAO Qiu Yi

GUARDIAN
ZHU Ang

GAIA
ZOU Ming Jie & Chloe TAN

SUMMER
LU Qi Wuwei

SINGAPORE RIVER'S STREET FURNITURE DESIGN PROJECT

Panel of Judges: Mr. Rainer TENIUS, Board Member of SRO, Mr. Don LIM, Exco Member of Singapore Furniture Industries Council (SFIC), Mr. Jason CHEN, Director for Place Management, Urban Redevelopment Authority, and Ms. Janice WAN, Senior Manager for Marketing and Communications, Goldbell Group.

Raffles Interior Designer,
Vera GUO Bing Ling
Chinese
Raffles Singapore

Winner for Singapore River's Street Furniture Design Project

Raffles Interior Designer,
Thanakorn SENSATHIEN
Thai
Raffles Singapore

First Runner Up for Singapore River's Street Furniture Design Project

Raffles Interior Designer,
Trista Piaolei HUANG
Chinese
Raffles Singapore

Second Runner Up for Singapore River's Street Furniture Design Project

I LIGHT MARINA BAY 2018

URBAN RICE FIELD

Back Row (Left to Right) Raffles Digital Media Designers Reuben Rynjah GOH and SIWAT Bangthet, Raffles Product Designer CHOI Ikheon, Raffles Interior Designers Jurin Miranda WIJAYA, Adelyn KARTIKA, and Dennis Putra SURYA, Raffles Product Designer Dhruv PRASAD, Raffles Graphic Designer Margareth Riyanti SUDJONO
Front Row (Left to Right) Raffles Creative Practitioners, Mr Michael LOO Gim Hwei, Jasen CHIA, Terrence CHONG, and Emanuel MAIA

Mr Lawrence WONG, Minister of National Development at our light installation actively capturing the 3 hidden motifs to depict the urban development of Singapore, Rain – Flourish – Harvest.

DESIGN EXCELLENCE AWARD 2017

Raffles Interior Designer,
AUNG Naing Linn
Burmese
Raffles Singapore

Silver Award Winner in Best Hospitality Design & Bronze Award Winner in Best Retail Award for Design Excellence Award 2017

Raffles Interior Designer,
Eric TAY Yang Ming
Malaysian
Raffles Kuala Lumpur

Silver Award Winner in Best Hospitality Design for Design Excellence Award 2017

Raffles Interior Designer,
Jonathan WIJAYA
Indonesian
Raffles Singapore

Silver Award Winner in Best Residential Design for Design Excellence Award 2017

Raffles Interior Designer,
SAW Yu Mon
Burmese
Raffles Singapore

Gold Award Winner in Best Hospitality Design for Design Excellence Award 2017

Raffles Interior Designer,
TAN Hing Long
Malaysian
Raffles Kuala Lumpur

Bronze Award Winner in Best Hospitality Design & Bronze Award Winner in Best Sustainable Design for Design Excellence Award 2017

SAKURA EXCHANGE PROGRAMME IN SCIENCE
BY JAPAN SCIENCE AND TECHNOLOGY (JST)

Raffles Interior Designers,

- HOR Zit Xin
- LEE Kai Wen
- LYE Jia Wen
- Nandhiniey A/P S Karthikayan
- NG Jia Qi

Raffles Psychologists,

- CHEN Jing Shi
- ENG Bai Yan
- Khatiyayini A/P R Yoganathan
- Siti Fatimah Binti Mohd Anuar
- Wan Anita Binti Azlim

Malaysians
Raffles University Iskandar

PWA ASSOCIATES AWARD
BEST FINAL PROJECT IN INTERIOR DESIGN

Raffles Interior Designer,
Shereen BULNER
Sri Lankan
Raffles Colombo

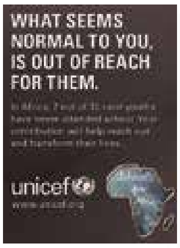
Winner for PWA Associates Award (Best Final Project in Interior Design)

SAATCHI & SAATCHI AWARD
BEST FINAL PROJECT IN GRAPHIC DESIGN

Raffles Graphic Designer,
Ahmed Yaman IBRAHIM
Sri Lankan
Raffles Colombo

Winner for Saatchi & Saatchi Award (Best Final Project in Graphic Design)

INDIGO DESIGN AWARD 2018



▲ **Raffles Graphic Designer,**
Monica HUTAMA
Indonesian
Raffles Singapore

4 Gold Awards Winner for
Indigo Design Award

SAFETY STARTS WITH ME 2018

▲ **Raffles Graphic Designer,**
Kezia Gianina HALIM
Indonesian
Raffles Singapore

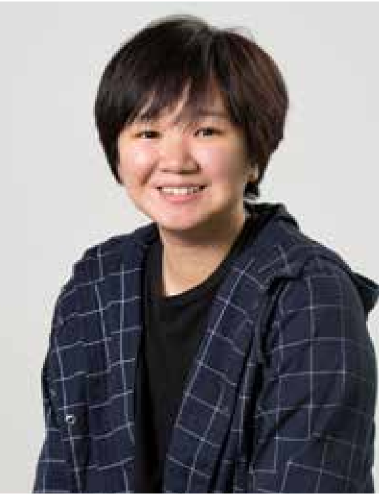
Bronze Award for Safety Starts With Me 2018
(Poster Drawing Category)

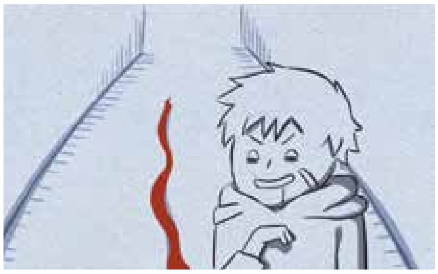
▲ **Raffles Graphic Designer,**
Regina KUA Siok Mei
Malaysian
Raffles Singapore

Merit Award for Safety Starts With Me 2018
(Poster Drawing Category)

Raffles Wins

19TH DIGICON6 2017
SINGAPORE AUDIENCE CHOICE AWARD





Raffles Animator,
Ceileen Syamriani TANDRA
Indonesian
Raffles Singapore

Finalist for 19TH DIGICON6 2017 (Singapore Choice Award)

DISCOVER NORTHERN MAGIC
A TALE OF FIVE FINNISH ARTISTS

MOTION SENSOR

AUGMENTED REALITY

Singapore's Ambassador to Finland Mrs Jayalekshmi MOHIDEEN and Finnish Ambassador to Singapore, Her Excellency Ms Paula PARVIAINEN with the Raffles Singapore team

Raffles Students Speak

Aaliyah ALBUSIRI
Saudi

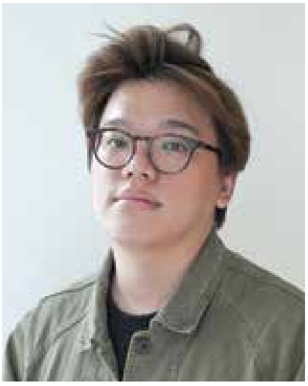
Raffles Riyadh
Visual Communication Design
Class of 2018

"Raffles helped give me the building blocks of how to become a successful and strong designer."

Even from when I first started my foundation term at Raffles Riyadh, I was highly motivated because from the very beginning I knew that this is what I wanted to be – a designer.

Raffles Riyadh taught me how to become confident as a designer. Coming from a visual arts background, I've always known that I wanted to pursue a degree in design. However, before Raffles, all what I wanted to do was paint all day. Raffles helped give me the building blocks of how to become a successful and strong designer.

My experience with Raffles Riyadh was a great one; I gained not only knowledge, but also time management skills, cooperative work ethic skills, perseverance, and the ability to be patient and push through stress. Along with the design conducive environment, Raffles provided passionate and loving mentors who pushed me to the limits and were always there to support me.



Andrew LOW
Malaysian

Raffles Singapore
Fashion Design
Class of 2018

"Raffles delivers on its promise to arm you with skills and knowledge, making sure that you are ready for the industry."

From a young age, I have always been curious about Fashion Design. As I grew older, that curiosity developed into a passion for creation. Specifically, I am fascinated by the idea of actualising my concepts from 2D sketches to fashion garments. Through this process of creation, I am able to express my individual point of view and contribute to society.

I first heard about Raffles through media coverage of various fashion competitions, and I was struck by the strong quality of the students' works. This led to my eventually studying at Raffles, and I was blown away. I am very proud to say that the academic quality is centred on practicality and is very on point. The Creative Practitioners from the Fashion Design department are knowledgeable and helpful; they make it a point to identify each student's design direction and, by so doing, uncover their potential.

Giuseppe (Joe) Spinelli taught me well and kept pushing me to think out of my comfort zone to explore the other creative possibilities within me during the Harper's BAZAAR Asia New Generation Fashion Award 2018 – Singapore competition. Under his guidance, I emerged as the winner.

In order to achieve your dreams, it is imperative that you have the requisite knowledge and skills. Without them, you are just a dreamer. Raffles delivers on its promise to arm you with skills and knowledge, making sure that you are ready for the industry.

Raffles Students Speak

Charlene BADILLES
Filipina

Raffles Shanghai
Interior Design
Class of 2019

"My learning journey at Raffles has been Enriching, Fulfilling, and Motivating."

I believe that Interior Designers have the power to affect how people feel in a space. Interior Designers have the power to create a functional workspace that will induce good workflow, or a retail space that can increase sales, or a home that feels exactly as a home should feel like. I was very interested in pursuing a course in Interior Design but I was worried because I had no experience in drawing or designing or even creating a portfolio; but I was assured that Raffles would start with the basics in all aspects, from drawings skills to budgeting. When they informed me of this, I knew Raffles would be a good school for me.

The Creative Practitioners at Raffles are very supportive of our learning and development. They always give their time to us to help us improve our design and constantly push us to do better. During my time at Raffles, my time management skills were tested every day. I learned to finish my work as soon as possible so I could show it to the Creative Practitioners to seek advice on how to improve, because in design, there is always something to improve and you need to make time to apply these improvements.

Daniel DEMENEZES
Indian

Raffles Mumbai
Multimedia Design
Class of 2013

"The resources and facilities that Raffles offered help me hone my skills as a creative person and channel my career towards filmmaking."

Studying at Raffles was one of the best decisions I've ever made. The resources and facilities that Raffles offered help me hone my skills as a creative person and channel my career towards filmmaking. The Multimedia Design course was well structured and was almost like it was tailored for my needs. The faculty was highly professional and encouraged me to take all of my projects to the next level, giving me that extra push and platform in my career. They were extremely approachable and were supportive of my every idea. I would highly recommend Raffles to anyone who wants to explore their creative side and be storytellers and creative designers.

Dennis Putra SURYA
Indonesian

Raffles Singapore
Interior Design
Class of 2017

"Creating an impact in the society through significant design is my relentless drive to pursue Interior Design and it was made possible by Raffles."

For me, making an innovative design is my ultimate passion. Not only creating a visual aesthetic, but also functional and significant. Creating an impact in the society through significant design is my relentless drive to pursue Interior Design and it was made possible by Raffles. I was introduced to Raffles through my study agent. From different choices of design school, Raffles stands out to me with their fast-paced learning duration, their global presence and their industry-relevant curriculum is the right choice. During my study, the Creative Practitioners helped me excel in my study as well as pushing me to think outside the box. Overall, my journey in Raffles has been nothing short of ordinary, it was a Creative, Unforgettable and Amazing journey. I will definitely recommend Raffles to students who are passionate in Design.

Eman ALSARI
Saudi

Raffles Riyadh
Visual Communication Design
Class of 2018

"The community at Raffles Riyadh is a loving and caring one, filled with inspiring people who build you up and push you to the limits."

When I was in high school, I was looking for a place that would allow me to achieve my goals academically, and after some research, I discovered Raffles Riyadh. My experience at Raffles Riyadh was an experience of knowledge and passion. At Raffles, we learned the optimal way to tackle our problems and solve them efficiently, leading us to develop an effective creative process.

My journey at Raffles was an unforgettable one. Even though we were put under pressure, the outcome of this hard work was extremely rewarding and satisfying, as we improved with every single assignment we worked on. I gained so many opportunities over the past 2.5 years, by meeting amazing people, and having excellent exposure for my work, along with the workshops and invited speakers that inspire and motivate us. Overall, the community at Raffles Riyadh is a loving and caring one, filled with inspiring people who build you up and push you to the limits.

Injung CHOI
South Korean

Raffles Singapore
Product Design
Class of 2018

"Raffles offered me the opportunity to explore and understand the design industry and its myriad intricacies."

As Raffles creates a global presence, they provide us with design knowledge and information virtually everywhere in the world. Furthermore, it has a multi-cultural student body, which is an excellent chance to share ideas with people you wouldn't otherwise meet.

One of the best examples I can cite of my favorable learning experience in Raffles is that when I faced difficulties in learning, Raffles provided valuable and unusual support, so I had a very fulfilling experience with the Creative Practitioners.

Raffles offered me the opportunity to explore and understand the design industry and its myriad intricacies. During the one year of Bachelor studies, I have gained a lot of knowledge and skills that will help me develop my future. So I am thankful to all the passionate Creative Practitioners and appreciate their sharing of knowledge and experience with us.

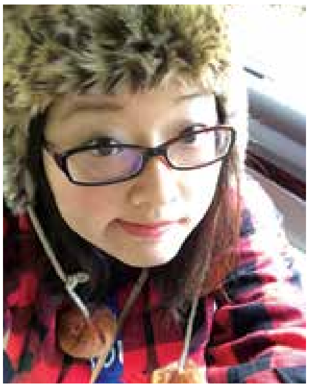
Jinal PAREKH
Indian

Raffles Mumbai
Fashion Marketing
Class of 2015

"During my program, I got the opportunity to do two internships, at "You me" and "We Media", which further broadened my career opportunities in the market."

I would like to thank Raffles Mumbai and Mr. Rex, who helped me with the internship placement. During my program, I got the opportunity to do two internships, at "You me" and "We Media", which further broadened my career opportunities in the market.

Raffles Students Speak



Kang YOUJA
South Korean

Raffles Shanghai
Fashion Design
Class of 2018

The reason I chose to study at Raffles is that I find the academic quality, multi-cultural students, and the courses all very attractive.

My passion is seeking a position as a fashion illustrator and designer within an environment where I can make good use of my creativity skills and experience for the company. I believe I can fulfil my goal by studying at Raffles.

I found Raffles online, and the reason I chose to study at Raffles is that I find the academic quality, multi-cultural students, and the courses all very attractive. And during the lessons, Creative Practitioners and students work together to get inspiration. It is something that I can't see anywhere else. Everyone has their own tastes and style and the collaboration helps me to improve and expand my creativity.

Raffles is Inspiring, Fun, and Creative. If I were to give advice to future students who were planning to attend the school, I would suggest to challenge and experience many things, and try to attend the school events often.

KIM Min Woo
South Korean

Raffles Singapore
International Fashion Business
Class of 2018

The biggest reason that I chose Raffles is their Creative Practitioners. They always lead us, encourage us, and help us to go further.

My passion is to express, show, and share my ideas with others; understanding others, analysing information, and creating new ideas to communicate with others.

The biggest reason that I chose Raffles is their Creative Practitioners. They always lead us, encourage us, and help us to go further. When I face difficulties or limitations, the Creative Practitioners will help me to realize that I can do better than what I thought. They will guide me to use my abilities to the fullest. I will describe Raffles as Dynamic, Exciting, and Passionate.

Kimberly TAN
Singaporean

Raffles Singapore
International Fashion Business
Class of 2017

My overall experience with Raffles has brought me great valuable networking opportunities.

I found out about Raffles when I went online to research my options in local institutions that offered Fashion Studies, specifically Fashion Marketing. That's how I found and concluded that Raffles would fit me perfectly. I was immediately taken by the fast-paced learning, international Creative Practitioners, and academic quality that was offered by the school, and decided to pursue Fashion Marketing with Raffles.

My overall experience with Raffles has brought me great valuable networking opportunities. As my main interest is in Marketing, I'm often reliant on the contacts I got via the industry-relevant curriculum, industry attachment, and the international multi-cultural student body. Having such contacts definitely gave me a head start and helped paved plenty of opportunities for me and my portfolio.

Lama ALHENAKY
Saudi

Raffles Riyadh
Fashion Design
Class of 2018

“Fashion is challenging but worth it. Be focused, and put time and energy into what you do.”

Ever since I was a little girl, I have had a passion for fashion and an early love for making mood-boards. I used to steal my sister’s magazines to make them based on texture, color, and theme. From that, I progressed to revamping my dolls’ clothing and haircuts, and to doing the same for myself. I found out about Raffles through my sister via Twitter. I wanted to pursue Fashion Design as a professional career.

There are two designers that inspired me the most because of the impact they had on fashion, in bringing out new fashion movements. The first one is Martin Margiela, with his innovative take on fashion by introducing the deconstructive structure of his designs. The second is Alexander McQueen, who brought darkness to high fashion.

Fashion is challenging but worth it. Be focused, and put time and energy into what you do.

LI Yi Ran
Chinese

Raffles Shanghai
Interior Design
Class of 2019

“All the knowledge we have received here has groomed me to be more professional.”

I love Raffles. All the Creative Practitioners and non-academic staff here are super friendly and helpful. We have access to all the books in the library, computer labs, and studio tools. At Raffles, I feel like I can be myself and I can see my future of being an Interior Designer. All the knowledge we have received here has groomed me to be more professional. I strongly recommend Raffles to those who want to be successful in the design area.

Pancheeva VATTANAARIYAKIT
Thai

Raffles Shanghai
Fashion Design
Class of 2018

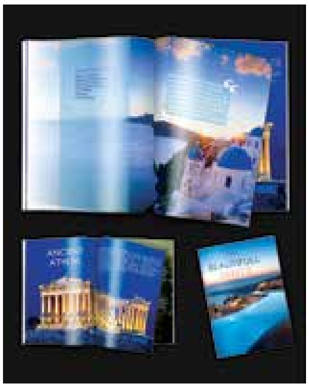
“I like how Raffles has many campuses across Asia.”

Since young, I have always known that I have passion in fashion as I love to play dress up or even try to make for myself the clothes like those of other girls. This passion has gotten stronger, as I grew up liking it even more. This has led me to study fashion.

I went to the talk show where the emcee was a senior from Raffles Singapore and he was really happy with the school, and that’s how I first got to know about Raffles. I like how it has many campuses across Asia. There is a lot of independent study in the curriculum, which I like it – in working on my own, I was trained to be hardworking in order to keep up with the classes.

My advice to future Raffles students is to always be patient with your hectic work schedule and remember why you chose to study this course in the first place, so that you won’t give up!

Raffles Students Speak



Muntaha ALQAHTANI
Saudi

Raffles Riyadh
Visual Communication Design
Class of 2018

“The community at Raffles is full of positive energy and supportive people, which push you towards becoming a successful designer.”

I have always known that I have a passion for art and production, and have wanted to follow this goal for a long time. After searching for a place that would support my passion, I have found Raffles Riyadh.

I was filled with motivation, thanks to the non-academic staff and the Creative Practitioners, who were excited to teach us, and help us grow and find the paths we love. The assignments were challenging and stressful, but with the great support from our Creative Practitioners and the environment full of creativity, we always managed to achieve our goals and deliver great projects that reflect our individual styles. The community at Raffles is full of positive energy and supportive people, which push you towards becoming a successful designer by building your own style and creative approach.

PAU Khek Tong
Malaysian

Raffles University Iskandar
Fashion Design
Class of 2018

“My Creative Practitioners have always supported my ideas and guided me throughout these years. They have high expectations and push us to excel at what we do.”

Raffles is a good place to begin your dreams. In my 3 years of studying Fashion Design in Raffles, I have learnt a lot. I was exposed to indoor and outdoor learning experiences such as attending fashion shows, visiting manufacturers, setting up an exhibition, and being behind the scenes of a fashion show.

My Creative Practitioners have always supported my ideas and guided me throughout these years. They have high expectations and push us to excel at what we do. They also expose us to the business and marketing industry to gain more experience and different perspectives. We have also had the opportunity to collaborate with prominent companies, which gave us the platform to enhance our artwork and designs.

Ma Renee Angela Esquillo DE GUZMAN
Filipina

Raffles Singapore
Fashion Design
Class of 2018

“Having the guidance of good Creative Practitioners is important – they molded me into the designer I am today.”

My passion is designing clothes and telling stories through the clothes, and being able to influence people through the art I make. Apart from that, I want to go out of my comfort zone and explore the world.

My Creative Practitioners inspired me through what they have taught me along the way, from our meetings for the collection, to their personal perspective towards it. I have learnt a lot and what they have done has really opened my eyes to what the design field is and how big it can be. Having the guidance of good Creative Practitioners is important – they molded me into the designer I am today: they pushed me so hard, they challenged me, they questioned my designs.

My overall experience with Raffles has truly made me realize how much Fashion Design means to me and how I want to keep improving and making a better version of myself.

Rohan MATHUR
Indian

Raffles Mumbai
Product Design
Class of 2007

“Those 3 years of my life really shaped me well and gave me a lot of confidence, not just as a designer but also as an individual.”

I am currently working as a Creative Manager in OTO (a Pioneer in Asia for Relaxation Products) in Singapore.

I was one of the first students to graduate from Raffles Mumbai almost 10 years ago. At Raffles, we were very fortunate to be given a lot of design freedom and that really helped us in boosting our hidden creativity. Those 3 years of my life really shaped me well and gave me a lot of confidence, not just as a designer but also as an individual.

The Creative Practitioners at Raffles were great at guiding us and giving us the practical design experience we needed. I still dearly cherish those 3 years in Raffles and always look forward to visiting Raffles and the new generation of Raffles Designers in Mumbai and Singapore.

SHUAI Sicheng
Chinese

Raffles Singapore
Jewellery Design
Class of 2018

“At Raffles, there is not only a diverse learning environment, we can also use advanced equipment.”

In the last few years, I have always felt that I was so lucky to be a student at Raffles and not at any other design schools. I finally found my passion for design. Throughout our study, whenever we encounter problems, our excellent Creative Practitioners will help us earnestly. I like the friendly atmosphere here and the fact that the Creative Practitioners are close to the students. We are like friends.

At Raffles, there is not only a diverse learning environment, we can also use advanced equipment. The fast-paced learning gives us a high-quality industry-relevant training. Diversified student groups have given me different opportunities for communication. It is truly an Exciting, Fun, Productive, and Inspiring journey of learning. I can positively say Raffles has made me a better person. It has helped me develop a positive attitude towards my design passion, and discover more about myself.

Sonia PARAKH
Indian

Raffles Mumbai
Interior Design
Class of 2015

“Raffles gave me the platform to turn my passion – something that I love and enjoy doing so much – into a career.”

Studying Bachelor of Arts in Interior Design at Raffles Mumbai has been a phenomenal and informative experience for me. It gave me the platform to turn my passion – something that I love and enjoy doing so much – into a career. This course has helped me see that beauty can be found and created everywhere. I plan to explore and expand my creativity using the knowledge and skills acquired from the course. Thank you, Raffles!

Soaad ALABIDIEN
Saudi

Raffles Riyadh
Visual Communication Design
Class of 2018

"I started my journey at Raffles Riyadh knowing that I would be experiencing something new and professional."

My experience at Raffles was one of a kind, with myriad experiences ranging from meeting interesting and talented Creative Practitioners to working in the flexible environment provided.

I started my journey at Raffles Riyadh knowing that I would be experiencing something new and professional. One of my favorite semesters was the first semester when I got to discover my style, learn how to use my drawing skills, as well as be introduced to the Adobe software. We gained a lot of support and knowledge in a very short time. We developed various skills and were able to recognize what is visually more suitable for our designs at a very early stage thanks to the critique sessions we had with our class at the end of every project. We learned to speak up and to accept criticism to build a stronger design and personality.

At Raffles Riyadh, we benefited from field trips and guest talks by very inspirational people, which gave us the exposure to various areas and helped us gain industry-relevant information.

ZHENG Dikai
Chinese

Raffles Singapore
Jewellery Design
Class of 2018

"Our Creative Practitioners often guide me in divergent thinking and provide me with invaluable advice from a different perspective."

My passion comes from Jewellery making and a thirst for new technology. I love the Chinese style. My goal is to combine Chinese jewellery with advanced production techniques. The determination to work towards my goal is the driving force of my continual progress.

I decided to pursue a course with Raffles because Raffles Education is the largest professional multinational education group in the Asia-Pacific region, offering top courses in a fast-paced learning environment.

Our Creative Practitioners often guide me in divergent thinking and provide me with invaluable advice from a different perspective. The Creative Practitioners have rich experience and knowledge, recommend industry-relevant research subjects to me, as well as help me find the right direction for my design. They have inspired me endlessly.

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 2018 and where there are deviations from the Code, appropriate explanation is 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 2018 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
No. of meetings held	5	4	2	3	1
No. of meetings attended by respective Directors					
Mr Chew Hua Seng	5	4*	2	2	1
Dr Tan Chin Nam	5	4*	2	3	0
Mr Teo Cheng Lok John	5	4	2*	3	1
Mr Lim How Teck (appointed w.e.f. 6/3/18)	1	1	1	N.A.	N.A.
Mdm Gan Hui Tin (appointed w.e.f. 25/4/18)	0	0	0	N.A.	N.A.
Mr Henry Tan Song Kok (resigned w.e.f. 6/3/18)	4	4	2	3	N.A.
Mr Lim Tien Lock, Christopher (resigned w.e.f. 1/12/17)	2	2	1	1	N.A.
Mr Chew Kok Chor (resigned w.e.f. 2/1/18)	2	2*	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 five 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 one being executive Director. 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 judgment 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, Remuneration and Risk Management Committees	25 November 1999	N.A.
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 and Risk Management Committees Member of Audit Committee	24 October 2008	13 October 2017
Mr Lim How Teck	Lead Independent Director Chairman of Audit Committee Member of Nomination Committee	6 March 2018	N.A.
Mdm Gan Hui Tin	Independent Director Member of Audit and Nomination Committees	25 April 2018	N.A.

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 and Mr Teo Cheng Lok John, have each served on the Board for a term of slightly under ten (10) years.

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.

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. 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 four members, of which three are non-executive and independent Directors:

1. Dr Tan Chin Nam, Chairman of NC (Independent Director)
2. Mr Lim How Teck (Independent Director)
3. Mdm Gan Hui Tin (Independent Director)
4. 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 Chew Hua Seng (Chairman and Chief Executive Officer)
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 any 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 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").

Executive Directors, non-executive Directors and employees of the Group have been granted share options under both the REC Scheme and REC ESOS Scheme . Share options to be granted to employees and Directors who are controlling shareholders of the Company are to be approved by independent shareholders.

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 nonfinancial, 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 year ended 30 June 2018 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

Name of Director	Fees %	Salary %	Others %	Total %
Below S$250,000				
Dr Tan Chin Nam	100	-	-	100
Mr Teo Cheng Lok John	100	-	-	100
Mr Lim How Teck	100	-	-	100
Mdm Gan Hui Tin	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, the majority of whom are 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 year ended 30 June 2018:

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$200,001 to S$250,000
Mr Chew Han Qiang	Second son of CEO	Between S$50,001 to S$100,000

III. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

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

Management currently provides annual budgets and business plans to members of the Board for endorsement. Executive Directors receive detailed management accounts of the Group on a monthly basis.

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 Teo Cheng Lok John, Chairman of RMC (Independent Director)
2. Dr Tan Chin Nam (Independent Director)
3. Mr Chew Hua Seng (Executive 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 2018:

(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 2018 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 judgment in decision-making, human error, fraud or other irregularities.

Related Party Transactions

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

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 FY2018 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[Note1])
Mr Chew Hua Seng	S$67,600,000 (being interest-free loans extended by Mr. Chew to the Company)

Note 1: 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 Lim How Teck, Chairman of AC (Lead Independent Director)
2. Mr Teo Cheng Lok John (Independent Director)
3. Mdm Gan Hui Tin (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 and 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.

PRINCIPLE 17: SUSTAINABILITY REPORTING

The Company is working towards the issuance of its Sustainability Report by 30 June 2019 and such Report will be made available to shareholders on SGXNet and the Company's website in due course.

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 2018 and the statement of financial position of the Company as at 30 June 2018.

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 2018 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	
Lim How Teck	(appointed on 6 March 2018)
Tan Chin Nam	
Teo Cheng Lok John	
Gan Hui Tin	(appointed on 25 April 2018)

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 date of appointment	At end of the year	At beginning of the year/ at date of appointment	At end of the year
(a) *Interests in Raffles Education Corporation Limited*				
		Number of ordinary shares		
Chew Hua Seng	329,895,853	428,864,605	26,187,046	34,043,159
Teo Cheng Lok John	278,125	361,562	-	-

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 2018 in the shares of the Company have not changed from those disclosed as at 30 June 2018.

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").

5. **Share options and performance shares** (Continued)

5.1 Share options (Continued)

(a) Options to take up unissued shares (Continued)

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

Teo Cheng Lok John (Chairman)
Chew Hua Seng
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 2018 were as follows:

Date of grant	At 1 July 2017 ('000)	Exercised ('000)	Expired/ cancelled ('000)	Balance as at 30 June 2018 ('000)	Exercise price $	Exercise period
REC Scheme						
31 January 2008	204	-	(204)	-	3.7050	31 January 2009 to 30 January 2018
2 February 2009	451	-	(214)	237	1.5900	2 February 2010 to 1 February 2019
9 February 2010	501	-	(268)	233	1.1100	9 February 2011 to 8 February 2020
REC ESOS Scheme						
24 March 2011	927	-	(760)	167	0.7800	24 March 2012 to 23 March 2021
	2,083	-	(1,446)	637		

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 2018 ('000)	Aggregate options granted since the commencement of the Schemes to 30 June 2018 ('000)	Aggregate options exercised/ cancelled since the commencement of the Schemes to 30 June 2018 ('000)	Aggregate options outstanding as at 30 June 2018 ('000)
Chew Hua Seng	-	1,500	(1,500)	-
Tan Chin Nam	-	209	(209)	-
Teo Cheng Lok John	-	209	(209)	-
Doris Chung Gim Lian*	-	300	(300)	-
	-	2,218	(2,218)	-

*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.

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:

Lim How Teck (Chairman)
Teo Cheng Lok John
Gan Hui Tin

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 2018, 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
Director

Lim How Teck
Director

Singapore
19 September 2018

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 80 to 170, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018;
- 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 2018, 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 2018, 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 revenue growth rates, terminal growth rates and discount rates used in the discounted cash flow forecasts prepared by management. In particular, for the Raffles College Pty Ltd ("RCDC") CGU, a key assumption made by management was the timing of obtaining the Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") approval by the relevant Australian authority, so as to allow the admission of foreign higher education students into the college. Based on management's assessment of RCDC CGU's recoverable amount, an impairment loss on goodwill of approximately $2,360,000 was recognised in the consolidated 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 revenue growth rates, terminal growth rates and discount rates; • Assessed the reasonableness of management's key assumptions and estimates applied by comparing growth rates against historical forecasts and performance, including performing sensitivity tests. This included obtaining an understanding of management's planned strategies around business expansion; • Evaluated the reasonableness of the discount rates used by engaging our internal valuation specialist to independently develop an expectation of the discount rates; • Obtained and perused the correspondences between RCDC and the Australian authority to understand the current status of the CRICOS approval and evaluate the reasonableness of management's estimated timing; and • Assessed the adequacy of the related disclosures in the financial statements.
Refer to Note 3.2(i) and Note 10 of the accompanying financial statements.	

KEY AUDIT MATTER	AUDIT RESPONSE
2 Valuation of investment properties	
As at 30 June 2018, the Group's investment properties amounted to $520.3 million and represented 41% 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 and fair value gain to the consolidated financial statements as a whole, combined with the significant judgements associated with the valuation. Refer to Note 3.2(ii) and Note 5 of the accompanying financial statements.	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 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, rental agreements and market data, as appropriate; and • Assessed the adequacy of the related disclosures in the financial statements.

KEY AUDIT MATTER	AUDIT RESPONSE
3 Recoverability of receivables from sale of investment properties	
As at 30 June 2018, the Group has significant balance of $55.3 million due from an unrelated third party for the disposal of investment properties in prior years. The legal titles to those investment properties are still held by the Group. 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. In making this assessment, management considered factors such as the Group's ability to exercise its legal rights as well as the current market values of those investment properties. 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 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. We also sighted to the legal titles for the properties and compared to the market price of similar properties; and • Assessed the adequacy of the related disclosures in the financial statements.

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
19 September 2018

Statements of Financial Position

As at 30 June 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Non-current assets					
Property, plant and equipment	4	441,604	418,119	-	-
Investment properties	5	520,311	459,097	-	-
Investments in subsidiaries	6	-	-	455,625	465,919
Investments in joint ventures	7	21,429	29,700	-	-
Investments in associates	8	6,704	7,122	-	-
Available-for-sale financial assets	9	620	612	-	-
Intangible assets	10	118,962	119,037	358	344
Deferred tax assets	15	2,883	2,510	-	-
Other receivables	11	-	-	32,326	30,230
Restricted bank balances	12	3,496	3,677	-	-
		1,116,009	1,039,874	488,309	496,493
Current assets					
Inventories		135	104	-	-
Trade and other receivables	11	97,822	114,166	213,479	214,383
Cash and bank balances	12	46,127	74,013	423	661
		144,084	188,283	213,902	215,044
Less:					
Current liabilities					
Bank overdrafts	12	3,269	-	-	-
Trade and other payables	13	57,916	76,980	216,181	149,026
Income tax payable		3,335	3,767	51	51
Borrowings	14	195,334	173,085	86,051	158,997
		259,854	253,832	302,283	308,074
Net current liabilities		(115,770)	(65,549)	(88,381)	(93,030)
Less:					
Non-current liabilities					
Trade and other payables	13	19,726	23,789	-	47,600
Borrowings	14	171,122	269,621	-	5,766
Deferred tax liabilities	15	81,661	60,684	-	-
		272,509	354,094	-	53,366
Net assets		727,730	620,231	399,928	350,097
Equity					
Share capital	16	554,337	481,785	554,337	481,785
Treasury shares	17	(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves	18	106,938	85,048	(114,726)	(92,005)
Equity attributable to equity holders of the Company		621,592	527,150	399,928	350,097
Non-controlling interests		106,138	93,081	-	-
Total equity		722,730	620,231	399,928	350,097

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

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	19	96,832	96,220
Other operating income	20	4,398	11,336
Personnel expenses	21	(43,070)	(40,449)
Depreciation and amortisation expenses	23	(12,394)	(10,900)
Other operating expenses		(49,393)	(51,995)
Impairment of goodwill	10	(2,360)	-
Fair value gain on investment properties, net	5	64,944	12,789
Reversal of provision for land restructuring cost		-	622
Reversal of government grant receivable for land restructuring		-	(30,713)
Finance costs	22	(15,508)	(12,746)
Share of results of joint ventures, net of tax		(2,717)	(2,263)
Share of results of associates, net of tax		1,689	1,018
Profit/(Loss) before income tax	23	42,421	(27,081)
Income tax expense	24	(19,779)	(3,486)
Reversal of tax payable for land restructuring	24	-	30,802
Profit after income tax		22,642	235
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on transfer of owner-occupied properties to investment properties		4,136	415
Items that may be reclassified subsequently to profit or loss:			
Currency exchange differences arising on translating foreign operations		8,523	1,902
Total comprehensive income for the financial year		35,301	2,552
Attributable to:			
Equity holders of the Company		10,667	(1,853)
Non-controlling interests		11,975	2,088
Net profit for the financial year		22,642	235
Attributable to:			
Equity holders of the Company		21,917	627
Non-controlling interests		13,384	1,925
Total comprehensive income for the financial year		35,301	2,552
Earnings per share (cents)			
- Basic	25	0.9	(0.17)*
- Diluted	25	0.9	(0.17)*

* Adjusted for rights issue.

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2018

	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 2017		481,785	(39,683)	7,435	(17,021)	2,453	92,181	527,150	93,081	620,231
Total comprehensive income		-	-	4,136	7,114	-	10,667	21,917	13,384	35,301
Issue of shares	16	72,552	-	-	-	-	-	72,552	-	72,552
Dividends		-	-	-	-	-	-	-	(691)	(691)
Contribution from non-controlling interests in subsidiary		-	-	-	-	-	-	-	337	337
Change of ownership interest without loss of control		-	-	-	51	-	(78)	(27)	27	-
Balance at 30 June 2018		554,337	(39,683)	11,571	(9,856)	2,453	102,770	621,592	106,138	727,730

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2018

	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	27	-	-	-	(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.

Statement of Changes in Equity

For the financial year ended 30 June 2018

	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 2017		481,785	(39,683)	2,453	(94,458)	350,097
Total comprehensive loss		-	-	-	(22,721)	(22,721)
Issue of shares	16	72,552	-	-	-	72,552
Balance at 30 June 2018		554,337	(39,683)	2,453	(117,179)	399,928
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

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Profit/(Loss) before income tax		42,421	(27,081)
Adjustments for:			
Depreciation for property, plant and equipment	4	11,821	10,258
Fair value gain on investment properties, net	5	(64,944)	(12,789)
Allowance for doubtful trade receivables	11	71	100
Impairment of goodwill	10	2,360	-
Amortisation of intangible assets	10	573	642
Bad trade receivables written off	23	155	131
Interest expense	22	15,508	12,746
Interest income	20	(1,178)	(963)
Gain on disposal of property, plant and equipment, net	23	(20)	(381)
Gain on disposal of investment properties, net	20	-	(4,558)
Property, plant and equipment written off	23	38	451
Intangible assets written off	23	49	423
Loss on derecognition of subsidiary	23	-	20
Reversal of provision for land restructuring cost		-	(622)
Reversal of government grant receivable for land restructuring		-	30,713
Share of results of joint ventures		2,717	2,263
Share of results of associates		(1,689)	(1,018)
Operating profit before working capital changes		7,882	10,335
Working capital changes:			
Inventories		(31)	(15)
Trade and other receivables		3,439	(3,068)
Course fees and education service deferred income		990	(846)
Trade and other payables		(6,546)	624
Cash generated from operations		5,734	7,030
Interest paid		(15,785)	(12,808)
Interest received		1,178	963
Income and withholding tax paid, net		(1,834)	(700)
Net cash used in operating activities		(10,707)	(5,515)

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Investing activities			
Additions of development costs and computer software	10	(526)	(1,276)
Additions of trademarks and licences	A	(18)	(1,305)
Payments for property, plant and equipment	B	(23,209)	(76,717)
Additions of investment properties	C	(7,943)	(4,132)
Net cash flow on derecognition of subsidiary	27	-	(111)
Proceeds from disposal of property, plant and equipment		111	3,620
Proceeds from disposal of investment properties		4,532	13,283
Capital distribution from joint venture		-	10,239
Capital distribution from associate		1,604	-
Refund of deposit for cancellation of purchase of land		10,315	-
Net cash used in investing activities		(15,134)	(56,399)
Financing activities			
Decrease/(Increase) in bank balances pledged		32,385	(36,484)
Net proceeds from issue of shares	16	72,552	-
Loan from a Director		1,193	10,941
Repayment of loan to a director of subsidiaries		(2,144)	(9,894)
Drawdown of bank borrowings	D	93,201	125,080
Repayment of bank borrowings	D	(172,896)	(50,666)
Repayment of advances from third party		(5,157)	-
Contribution from non-controlling interest		337	1,599
Payment for acquisition of non-controlling interest in subsidiary		(1,960)	(209)
Advances from joint venture		9,912	-
Dividends payments to non-controlling interests		(316)	(710)
Net cash generated from financing activities		27,107	39,657
Net change in cash and cash equivalents		1,266	(22,257)
Cash and cash equivalents at beginning of financial year		15,142	38,839
Effect of exchange rate changes on cash and cash equivalents		(972)	(1,440)
Cash and cash equivalents at end of financial year	12	15,436	15,142

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Note A			
Additions of trademarks and licences	10	10	81
Increase in other receivables in relation to trademarks and licences		8	1,224
Additions of trademarks and licences per consolidated statement of cash flows		18	1,305
Note B			
Additions of property, plant and equipment	4	12,864	62,099
Decrease in other payables in relation to property, plant and equipment		10,075	12,561
Increase in prepayments in relation to property, plant and equipment		270	2,057
Payments for property, plant and equipment per consolidated statement of cash flows		23,209	76,717
Note C			
Additions of investment properties	5	2,143	6,523
Increase/(Decrease) in prepayments in relation to investment properties		689	(11)
Decrease/(Increase) in other payables in relation to investment properties		5,111	(2,380)
Additions of investment properties per consolidated statement of cash flows		7,943	4,132

Note D: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2017 $'000	Cash flows $'000	Foreign currency realignment $'000	Amortisation of transaction costs $'000	2018 $'000
Borrowings	442,706	(79,695)	3,003	442	366,456

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 51 Merchant Road, Raffles Education Square, 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 2018 were authorised for issue by the Board of Directors of the Company on 19 September 2018.

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 2018, the Group's current liabilities exceeded its current assets by approximately $115.8 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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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.

During the current financial year beginning 1 July 2017, 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 except as detailed below.

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 adopted these amendments on 1 July 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

Singapore Financial Reporting Standards (International) ("SFRS(I)s") and Interpretations of SFRS(I) ("INT SFRS(I)") issued but not yet effective

Convergence with International Financial Reporting Standards ("IFRSs")

On 29 December 2017, Accounting Standards Council Singapore has issued SFRS(I)s, Singapore's equivalent of the IFRSs. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards.

Optional exemption - Cumulative translation differences

SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates requires an entity to recognise translation differences arising from the translation of foreign operations' results and financial position to the Group's presentation currency in other comprehensive income and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal. However, SFRS(I) 1 allows the Group (on initial adoption of the new framework on 1 July 2018) to be exempted from these requirements for cumulative translation differences that existed at the date of transition to SFRS(I)s (i.e. 1 July 2017).

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and INT SFRS(I) issued but not yet effective (Continued)

Convergence with IFRSs (Continued)

Optional exemption - Cumulative translation differences (Continued)

The Group will elect to apply this exemption in the financial year beginning on 1 July 2018. Accordingly, the negative foreign currency translation reserve of $17,021,000 as at 1 July 2017 will be deemed to be zero; and this amount will be reclassified to accumulated profits on the same date. In the event of a disposal of any foreign operation, the gain or loss on this subsequent disposal will exclude translation differences that arose before 1 July 2017.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and INT SFRS(I) are effective from the same date.

- SFRS(I) 15 Revenue from Contracts with Customers and Amendments to SFRS(I) 15 Clarifications to SFRS(I) 15;
- SFRS(I) 9 Financial Instruments;
- Classification and Measurement of Share-based Payment Transactions (Amendments to SFRS(I) 2);
- Transfers of Investment Property (Amendments to SFRS(I) 1-40);
- Deletion of short-term exemptions for first-time adopters (Amendments to SFRS(I) 1);
- Measuring an Associate or Joint Venture at Fair Value (Amendments to SFRS(I) 1-28);
- Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 9 and SFRS(I) 15 as disclosed below.

SFRS(I) 9 Financial Instruments

<u>Summary of the requirements</u>

SFRS(I) 9 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 July 2018.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and INT SFRS(I) issued but not yet effective (Continued)

Convergence with IFRSs (Continued)

SFRS(I) 9 Financial Instruments (Continued)

Potential impact on the financial statements

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 SFRS(I) 9, 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.

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 plans to adopt SFRS(I) 9 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 SFRS(I) 9 is adopted.

SFRS(I) 15 and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers

Summary of the requirements

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and INT SFRS(I) issued but not yet effective (Continued)

Convergence with IFRSs (Continued)

SFRS(I) 15 and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers (Continued)

Summary of the requirements (Continued)

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Clarifications to SFRS(I) 15 *Revenue Contracts with Customers* clarifies how to:

(i) Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
(ii) Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
(iii) Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.

Potential impact on the financial statements

During the financial year, the Group completed its initial assessment of the impact on its financial statements.

The Group does not expect significant changes based on its initial assessment of revenue recognition as disclosed in Note 2.13 to the financial statements.

The Group plans to adopt the standard in the financial year beginning on 1 July 2018 with full retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

Applicable to financial statements for the financial year ending 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning on 1 June 2019, and have not been early adopted:

- SFRS(I) 1-19 *Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement*
- SFRS(I) 9 *Prepayment Features with Negative Compensation*
- SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) 16 *Leases*
- SFRS(I) 17 *Insurance Contracts*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Annual improvements to SFRS(I) 2015-2017 cycle

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and INT SFRS(I) issued but not yet effective (Continued)

Convergence with IFRSs (Continued)

Applicable to financial statements for the financial year ending 2019 and thereafter (Continued)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

Management anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of the Group in the period of their initial adoption, except as disclosed below.

SFRS(I) 16 Leases

Summary of the requirements

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and INT SFRS(I) issued but not yet effective (Continued)

Convergence with IFRSs (Continued)

SFRS(I) 16 Leases (Continued)

Potential impact on the financial statements

On initial adoption of SFRS(I) 16, 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 SFRS(I) 16, 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.

2.2 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.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to consolidated statement of profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.3 Business combination

Business combination on or before 30 June 2009

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

2. Summary of significant accounting policies (Continued)

2.3 Business combination (Continued)

Business combination on or before 30 June 2009 (Continued)

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, accounted for in accordance with Note 2.7(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.

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. Summary of significant accounting policies (Continued)

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.

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 or 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.

2. Summary of significant accounting policies (Continued)

2.4 Associates and joint ventures (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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.

2.6 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 improvements 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. Summary of significant accounting policies (Continued)

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.

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 licences

Trademarks and licences 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.

2. Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(iii) Development costs (Continued)

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

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

(iv) Computer software

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

Computer software 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.

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets (Continued)

Non-financial assets other than goodwill (Continued)

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

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

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

Goodwill

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

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

2.9 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. Summary of significant accounting policies (Continued)

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.

Financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

Effective interest method

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

Loans and receivables

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

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 include bank overdrafts but exclude any pledged deposits and restricted bank balances.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

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

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

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

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

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.

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, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amounts initially recognised less the cumulative amounts of income recognised, the liability is recorded at the higher amount with the difference charged to profit or loss.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Other financial liabilities (Continued)

Derecognition of financial liabilities

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

Offsetting financial instruments

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

Equity instruments and treasury shares

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

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

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

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

2.11 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.

2. Summary of significant accounting policies (Continued)

2.11 Provisions (Continued)

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

2.12 Operating leases

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

When the Group is the lessee

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

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

When the Group is the lessor

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

2.13 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.

2. Summary of significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

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

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

2.14 Government grants

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

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

2.15 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 differences 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.

2. Summary of significant accounting policies (Continued)

2.15 Income tax expense (Continued)

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

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

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

2.16 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.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

Share-based payments

The Company operates the following equity-settled share-based payment plan:

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.

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.

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) 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.

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

3.2 Key sources of estimation uncertainty

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

(i) 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 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 2018 was approximately $116,243,000 (2017: $116,232,000).

For Raffles College Pty Ltd ("RCDC") as at 30 June 2018, based on the recoverable amount determined by management, the impairment loss on goodwill of approximately $2,360,000 was recognised in the Group's profit or loss. For more details refer to Note 10.

(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 2018 was approximately $520,311,000 (2017: $459,097,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(iii) 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 assumptions 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 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 2018 were approximately $21,429,000 and $6,704,000 (2017: $29,700,000 and $7,122,000) respectively. As at 30 June 2018, the Company's investment in subsidiaries is $455,625,000 (2017: $465,919,000).

(iv) 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 2018 are $3,335,000 (2017: $3,767,000), $2,883,000 (2017: $2,510,000) and $81,661,000 (2017: $60,684,000) respectively. As at 30 June 2018, the Company's income tax payable is $51,000 (2017: $51,000).

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								
2018								
Cost								
Balance at 1 July 2017	49,324	327,250	1,847	18,053	12,055	2,343	83,276	494,148
Additions	1,429	1,229	46	3,484	2,344	232	4,100	12,864
Disposals	-	(451)	-	(490)	(501)	(454)	-	(1,896)
Written off	-	(901)	-	(1,110)	(2,218)	-	-	(4,229)
Reclassifications	-	84,771	12	1,358	498	(1)	(86,638)	-
Transfer from investment properties (Note 5)	8,289	12,115	-	-	-	-	-	20,404
Transfer to investment properties (Note 5)	-	(6,314)	-	-	-	-	-	(6,314)
Transfer from intangible assets (Note 10)	-	-	-	-	15	-	-	15
Foreign currency realignment	1,746	4,519	29	199	94	53	2,321	8,961
Balance at 30 June 2018	60,788	422,218	1,934	21,494	12,287	2,173	3,059	523,953
Accumulated depreciation and impairment losses								
Balance at 1 July 2017	-	51,054	1,806	11,881	9,673	1,615	-	76,029
Depreciation charged	-	8,438	12	1,823	1,390	158	-	11,821
Disposals	-	(433)	-	(430)	(490)	(452)	-	(1,805)
Written off	-	(909)	-	(1,069)	(2,213)	-	-	(4,191)
Reclassifications	-	-	-	(12)	12	-	-	-
Transfer to investment properties (Note 5)	-	(425)	-	-	-	-	-	(425)
Foreign currency realignment	-	726	29	83	55	27	-	920
Balance at 30 June 2018	-	58,451	1,847	12,276	8,427	1,348	-	82,349
Carrying amounts								
Balance at 30 June 2018	60,788	363,767	87	9,218	3,860	825	3,059	441,604

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								
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)
Reclassifications	-	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)

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 2018, legal ownership and title deeds of certain properties of carrying amount $17.6 million (2017: $16.7 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 $264.1 million (2017: $159.3 million) were mortgaged to secure borrowings as referred to in Note 14 to the financial statements.

Borrowing costs of $3.8 million (2017: $3.0 million) which arose on the financing specifically for the construction in-progress were capitalised during the financial year.

5. Investment properties

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	459,097	437,028
Additions	2,143	6,523
Disposals	-	(11,401)
Fair value gain recognised in comprehensive income, net	64,944	12,789
Transfer from property, plant and equipment (Note 4)	5,889	27,051
Transfer to property, plant and equipment (Note 4)	(20,404)	(17,059)
Revaluation gain on transfer from owner-occupied property recognised in other comprehensive income	5,704	504
Foreign currency realignment	2,938	3,662
Balance at end of financial year	520,311	459,097

(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 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 2018. RAS has utilised part of the land for cafeteria and boarding facilities rental. RAA owns a commercial building and part of the building has been leased out. Siviez owns a commercial building. 4Vallees owns a hotel and facilities ("Hotel") and seven commercial units ("commercial units"), all of which are rented out.

Rental income from the Group's investment properties which are leased out under operating leases, amounted to $17.2 million (2017: $15.7 million). Direct operating expenses arising from rental and non-rental generating investment properties amounted to $4.6 million and $2.7 million (2017: $5.1 million and $3.0 million) respectively.

5. Investment properties (Continued)

(b) Investment properties are stated at fair value, determined based on professional valuation carried out by firms of independent valuation 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	2.93% - 8.50% per annum (2017: 2.93% - 8.50% per annum)	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	\$3.90 - \$39.40 per sqm (2017: \$3.50 - \$38.80 per sqm)	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre[1]	\$101 - \$1,534 per sqm (2017: \$98 - \$2,238 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) \$341.7 million (2017: \$284.0 million) of the Group's investment properties are held under remaining leasehold interests between 31 to 36 years (2017: 32 to 37 years). The remaining investment properties are freehold.

(d) Certain investment properties with carrying values totalling \$208.6 million (2017: \$199.6 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 \$8.3 million (2017: \$7.6 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 \$10.2 million (2017: \$9.9 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 2018 $'000	Company 2017 $'000
Quoted equity shares, at cost	68,736	68,736
Unquoted equity shares, at cost	409,853	407,833
Less: Allowance for impairment losses	(22,964)	(10,650)
	455,625	465,919

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

	Company 2018 $'000	Company 2017 $'000
Balance at beginning of financial year	10,650	70,241
Allowance made during the financial year	12,314	1,169
Allowance written off during the financial year	-	(60,760)
Balance at end of financial year	22,964	10,650

As at the end of the reporting period, the Company carried out a review of the recoverable amount of the investment in subsidiaries, resulting in the recognition of impairment losses of approximately $12,314,000 (2017: $1,169,000) for the financial year ended 30 June 2018, due to the losses reported by these subsidiaries. The recoverable amount has been determined on the basis of its underlying net assets amount.

Particulars of the significant subsidiaries are as follows:

Subsidiaries	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	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	70	Malaysia	Provision of training programmes and courses in various areas of design and management

6. Investments in subsidiaries (Continued)

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

Subsidiaries	Effective equity interest held by the Group 2018 %	2017 %	Country of incorporation/ principal place of business	Principal activities
Raffles K12 Sdn. Bhd.[(a)]	100	100	Malaysia	Operating an American system school
Raffles College of Higher Education 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	75*	75*	People's Republic of China	Provider of education supporting services
4 Vallees Pte. Ltd.	94	97	Singapore	Property investment
Raffles Assets (Singapore) Pte. Ltd.	100	100	Singapore	Property investment
Raffles Assets Australia Pty Limited[(b)]	100	100	Australia	Property investment

Notes on significant subsidiaries:

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

(a) Audited by overseas member firms of BDO
(b) Audited by other firms of auditors, RSM Australia Partners, Australia

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 subsidiaries, 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 2018 %	2017 %	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 subsidiaries ("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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	-	-	13,159	11,918
Profit before income tax	10,902	6	43,359	6,710
Income tax (expense)/credit	(3,144)	(547)	(11,177)	1,483
Profit/(Loss) after income tax	7,758	(541)	32,182	8,193
Profit/(Loss) allocated to NCI	3,802	(265)	8,046	2,048
Other comprehensive income allocated to NCI	-	-	639	(63)
Total comprehensive income allocated to NCI	3,802	(265)	8,685	1,985
Dividends paid to NCI	-	-	(316)	(645)
Cash flows from operating activities	-	-	6,242	6,358
Cash flows from investing activities	-	-	4,700	(11,857)
Cash flows from financing activities	-	-	(8,157)	7,423
Net cash inflows	-	-	2,785	1,924
Assets:				
Current assets	-	-	11,482	18,086
Non-current assets	95,202	82,955	244,477	206,659
Liabilities:				
Current liabilities	-	-	(4,770)	(7,630)
Non-current liabilities	(8,405)	(5,172)	(25,957)	(18,434)
Net assets	86,797	77,783	225,232	198,681
Accumulated non-controlling interests	42,530	38,114	56,308	49,670

7. Investments in joint ventures

	Group 2018 $'000	Group 2017 $'000
Unquoted equity shares, at cost	69,921	75,073
Share of post-acquisition reserves of joint ventures	(48,492)	(45,373)
	21,429	29,700

Particulars of the joint ventures as at 30 June 2018 are as follows:

Joint ventures	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current assets[1]	24,511	28,966	26,249	36,832
Non-current assets	14,619	16,771	-	-
Current liabilities	(32,742)	(34,676)	(10,562)	(10,394)
Net assets	6,388	11,061	15,687	26,438
[1]*Included in the above amounts are:*				
Cash and bank balances	1,384	1,483	1,018	25,109
Revenue	135	1,883	-	-
Loss after tax[2], representing total comprehensive income	(3,970)	(3,685)	(447)	(183)
[2]*Included in the above amounts are:*				
Depreciation and amortisation	(935)	(1,524)	-	-
Interest income	38	160	18	7
Interest expense	(43)	(121)	-	-
Capital distribution from joint venture	-	-	5,152	10,239

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

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Proportion of Group's interest	58%	58%	50%	50%
Group's share of net assets	3,705	6,415	7,844	13,219
Goodwill	10,780	10,780	-	-
Group's carrying amount of investment in joint ventures	14,485	17,195	7,844	13,219

8. Investments in associates

	Group 2018 $'000	Group 2017 $'000
Quoted equity shares, at cost	3,029	4,633
Unquoted equity shares, at cost	1,070	1,070
Share of post-acquisition results	2,605	1,419
	6,704	7,122

Details of associates as at 30 June 2018 are as follows:

Associates	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Country of incorporation/ principal place of business	Principal activities
KHID Co., Ltd[b][c]	50.0	50.0	Mongolia	Investment holding
Axiom Properties Limited ("Axiom")[a][d]	14.4	14.7	Australia	Property development and investment

Notes on associates:

(a) Audited by overseas member firm of BDO
(b) Audited by Gerelt Khukhiin Tentsver 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 2018, the fair value of the Group's investment in Axiom, which is listed on the Australian Securities Exchange, was $3,306,000 (2017: $4,158,000). The fair value measurement is classified within Level 1 of the fair value hierarchy.

8. Investments in associates (Continued)

Summarised financial information of Axiom is as follows:

	2018 $'000	2017 $'000
Current assets	12,439	2,453
Non-current assets	15,821	76,695
Current liabilities	(630)	(1,447)
Non-current liabilities	-	(48,349)
Net assets	27,630	29,352
Revenue	3,979	6,049
Profit after tax	8,811	5,301
Other comprehensive income	(3,131)	2,075
Total comprehensive income	5,680	7,376
Capital distribution received	1,604	-

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.

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:

	2018 $'000	2017 $'000
Share of net assets of Axiom	5,322	5,741
Goodwill	548	540
Carrying value of investment in Axiom	5,870	6,281
Add:		
Carrying value of individually immaterial associate	834	841
Carrying value of the Group's investments in associates	6,704	7,122

9. Available-for-sale financial assets

	Group	
	2018	**2017**
	$'000	**$'000**
Unquoted equity interest, at cost	620	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 licences $'000	Development costs $'000	Computer software and computer software under development $'000	Total $'000
Group					
2018					
Cost					
Balance at 1 July 2017	116,232	635	13,385	2,357	132,609
Additions	-	10	455	71	536
Written off	-	-	(10,297)	(49)	(10,346)
Transfer to property, plant and equipment	-	-	-	(15)	(15)
Foreign currency realignment	2,371	(14)	102	-	2,459
Balance at 30 June 2018	118,603	631	3,645	2,364	125,243
Accumulated amortisation and impairment losses					
Balance at 1 July 2017	-	137	11,768	1,667	13,572
Amortisation	-	36	381	156	573
Impairment	2,360	-	-	-	2,360
Written off	-	-	(10,297)	-	(10,297)
Foreign currency realignment	-	-	73	-	73
Balance at 30 June 2018	2,360	173	1,925	1,823	6,281
Carrying amounts					
As at 30 June 2018	116,243	458	1,720	541	118,962
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

10. Intangible assets (Continued)

	Trademarks $'000	Computer software under development $'000	Total $'000
Company			
2018			
Cost			
Balance at 1 July 2017	218	263	481
Additions	3	23	26
Balance at 30 June 2018	221	286	507
Accumulated amortisation			
Balance at 1 July 2017	137	-	137
Amortisation	12	-	12
Balance at 30 June 2018	149	-	149
Carrying amounts as at 30 June 2018	72	286	358
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

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 are made up of the various subsidiaries as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
China Education Limited ("CEL")	98,019	94,164
Raffles College Pty Ltd ("RCDC")[1]	6,333	10,481
Wanbo Technology Vocation Institute ("Wanbo")	8,041	7,791
Others[2]	3,850	3,796
	116,243	116,232

[1] RCDC is a registered higher education provider and vocational education provider.

In June 2015, the Tertiary Education Quality and Standards Agency ("TEQSA") did not renew the college's permit to offer higher education courses to foreign students. RCDC requires Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") approval for the admission of foreign higher education students into the college. Currently, RCDC only offers higher education courses to local students, and vocational education courses to local and foreign students.

In June 2016, RCDC submitted its application to TEQSA for the reinstatement of CRICOS to allow the college to admit foreign students into its higher education courses.

The carrying value of goodwill is subject to the timing of when the CRICOS reinstatement will occur.

The management is of the opinion that RCDC meets the standards and it is unlikely that such reinstatement will be refused.

[2] Individually insignificant

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

10. Intangible assets (Continued)

Goodwill on acquisition (Continued)

Impairment testing of goodwill

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

For value-in-use calculations, the recoverable amounts are determined by applying the discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by the management covering a period of up to five years, including terminal value.

The pre-tax discount rate applied to the cash flow projections is 7% (2017:7%) per annum except for RCDC which is based on 17% (2017:17%) 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. Other key assumptions used in measuring the value-in-use of RCDC included revenue growth rate of 65% (2017: 43%) and terminal growth rate of 2.5% (2017: Nil).

Consequently, total impairment loss of approximately $2,360,000 (2017: $Nil) relating to RCDC was recognised in the consolidated statement of comprehensive income arising from the impairment testing.

Sensitivity analysis

The management has estimated that even if the estimated growth rate reduced by 1% (2017: 1%) per annum, if the projected net cash flows had been 10% (2017: 10%) lower or if the estimated discount rate applied to the cash flows had been 8% instead of 7% (2017: 8% instead of 7%), there is no significant impact to the carrying amount of goodwill allocated to the significant CGUs, namely CEL and Wanbo.

In the event that the approval for reinstatement of CRICOS for RCDC is delayed by another year from the assumptions made by the management, and consequently delaying the intake of foreign students, the effect of this delay will give rise to further impairment of goodwill of approximately $1,947,000.

11. Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables:				
Third parties	2,314	2,721	-	-
Less:				
Allowance for doubtful trade receivables	(72)	-	-	-
	2,242	2,721	-	-
Other receivables:				
Third parties[(a)]	184	10,304	-	-
Receivables from sale of investment properties[(b)]	55,329	58,934	-	-
Deposits	9,925	8,411	-	-
Prepayments[(c)]	17,978	22,726	152	104
Receivable from former joint venture	153	338	-	-
Dividends receivable from a subsidiary	-	-	1,131	-
Subsidiaries[(d)]	-	-	232,444	221,563
Less: Allowance for doubtful other receivables	-	-	(20,863)	(7,880)
	-	-	211,581	213,683
Joint ventures[(d)]	8,813	8,347	550	555
Tax recoverable[(e)]	1,796	34	-	-
Others	1,402	2,351	65	41
	95,580	111,445	213,479	214,383
	97,822	114,166	213,479	214,383
Non-current other receivables:				
Subsidiaries[(d)]	-	-	32,326	30,230
	97,822	114,166	245,805	244,613

Trade receivables are non-interest bearing and are generally on 30 days credit term (2017: 30 days).

11. Trade and other receivables (Continued)

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

	Group	
	2018	**2017**
	$'000	**$'000**
Not past due and not impaired	1,011	1,133
Past due but not impaired	1,231	1,588
	2,242	2,721
Impaired receivables	72	-
Less: Allowance for impairment	(72)	-
	-	-
Total trade receivables, net	2,242	2,721

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 $1.2 million (2017: $1.6 million) which are past due at reporting date. The Group has assessed that the credit qualities of these unsecured amounts have not changed and the amounts are still considered recoverable. Accordingly, the Group believes that there is no further impairment required in excess of the allowance for doubtful trade receivables.

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

	Group	
	2018	**2017**
	$'000	**$'000**
0 - 30 days	86	76
31 - 60 days	15	7
Over 61 days	1,130	1,505
	1,231	1,588

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		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	-	-	7,880	3,065
Allowance made for the financial year (Note 23)	71	100	19,495	7,077
Allowance utilised	-	(100)	(6,512)	(2,262)
Foreign currency realignment	1	-	-	-
Balance at end of financial year	72	-	20,863	7,880

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 $Nil (2017: $10.2 million).

(b) Receivables from sale of investment properties relate to outstanding balances of $55.3 million (2017: $54.5 million) from disposal of 490mu land and properties in OUC and $Nil (2017: $4.5 million) from disposal of 27mu land and properties in OUC. Management has assessed the amount is recoverable after considered factors such as the Group's ability to exercise its legal rights as well as the current market values of those investment properties which have increased subsequently.

(c) Included prepayment for conversion rights in OUC of $Nil (2017: $4.0 million).

(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 $29.0 million (2017: $29.1 million) advanced to subsidiaries as at the end of the financial year which bears interest at 3% (2017: 3%) per annum. The carrying amount of these amounts approximates its fair value.

(e) Certain tax recoverable of $1.2 million (2017: $Nil) was pledged to secure borrowings as referred to in Note 14 to the financial statements.

12. Cash and bank balances

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Fixed deposits with banks	26,672	59,929	-	-
Cash and bank balances	19,455	14,084	423	661
	46,127	74,013	423	661
Non-current				
Restricted bank balances	3,496	3,677	-	-
Less:				
Current				
Bank overdrafts	(3,269)	-	-	-
	46,354	77,690	423	661
Less: Pledged fixed deposits and bank balances	(27,422)	(58,871)		
Less: Restricted bank balances	(3,496)	(3,677)		
Cash and cash equivalents for purpose of consolidated statement of cash flows	15,436	15,142		

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 14 months (2017: 4 months) from the end of the financial year with the following effective interest rates per annum:

	Group	
	2018	2017
Chinese Renminbi	1.85%	1.34% - 2.40%

Bank overdrafts are repayable on demand. Bank overdrafts are secured together with corresponding subsidiaries' bank loan. The effective interest rates of the bank overdrafts range from 6.5% to 7.7% per annum (2017: Nil).

13. Trade and other payables

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Current				
Trade payables	1,979	3,554	-	-
Subsidiaries	-	-	201,075	144,157
Joint ventures	9,912	5,152	-	-
Course fees received in advance	10,704	9,871	-	-
Education service received in advance	1,205	1,048	-	-
Other accruals	8,849	12,376	2,040	1,960
Accruals for property and land use tax	203	2,366	-	-
Accruals for business taxes	787	2,129	-	-
Accruals for capital expenditure	3,666	18,660	-	-
Amount due to a Director	13,066	10,941	13,066	765
Loan from a director of subsidiaries	-	2,144	-	2,144
Purchase from non-controlling interest of additional interest in subsidiary	-	1,960	-	-
Dividend payable to non-controlling interest	368	-	-	-
Payable to EISB[(a)]	2,519	2,399	-	-
Other payables	4,658	4,380	-	-
	57,916	76,980	216,181	149,026
Non-current other payables				
Subsidiary	-	-	-	47,600
Advance from third party	-	5,088	-	-
Payable to EISB[(a)]	19,390	18,464	-	-
Other payables	336	237	-	-
	19,726	23,789	-	47,600
	77,642	100,769	216,181	196,626

Current trade payables are non-interest bearing and are normally settled on 30 to 60 days' term (2017: 30 to 60 days' term).

The amounts due to subsidiaries, joint ventures and a Director are unsecured, interest-free and repayable on demand, except for the amount payable to a subsidiary of $47.6 million (2017: $47.6 million) as at the end of the financial year which bears interest at a range of 2.82% to 3.40% (2017: 2.63% to 2.83%) per annum and repayable in May 2019.

Loan from a director of subsidiaries is unsecured, interest-free, repayable on demand and is settled in cash during the financial year.

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] 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 2013, one of the subsidiary, Raffles K12 Sdn. Bhd. ("RAS") entered into Sale and Purchase Agreement ("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 non-interest bearing and is payable over a period of 5 years or upon mutual agreement.

At inception, the difference between fair value and the principal sum of the payable, $26,695,000 (RM67,039,000) 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Borrowings:				
- Secured bank borrowings[a]	354,583	343,570	74,178	70,715
- Unsecured bank borrowings[a]	11,873	19,463	11,873	14,375
- Unsecured Notes[b]	-	79,673	-	79,673
	366,456	442,706	86,051	164,763
Repayable:				
- within one financial year	195,334	173,085	86,051	158,997
- more than one financial year	171,122	269,621	-	5,766
	366,456	442,706	86,051	164,763
Secured borrowings repayable:				
- within one financial year	183,461	73,949	74,178	64,949
- more than one financial year	171,122	269,621	-	5,766
	354,583	343,570	74,178	70,715
Unsecured borrowings repayable:				
- within one financial year	11,873	99,136	11,873	94,048

14. Borrowings (Continued)

(a) Security for bank borrowings are as follows:

- bank borrowings of $6.3 million (2017: $20.5 million) of the Company are secured by letter of guarantee by a subsidiary;

- bank borrowings of $276.9 million (2017: $260.9 million) are secured by letter of guarantee by the Company;

- bank borrowings of $Nil (2017: $34.5 million) are secured by a standby letter of credit issued by a bank which is secured by a letter of guarantee from the Company. Standby letter of credit for $24.9 million (2017: $53.9 million) are secured by pledged bank deposits of $26.7 million (2017: $58.9 million) (Note 12); and

- certain property, plant and equipment (Note 4) with carrying amount of $264.1 million (2017: $159.3 million) and investment properties (Note 5) with carrying amount of $208.6 million (2017: $199.6 million).

- bank borrowings of $1.2 million (2017: $Nil) are secured by certain tax recoverable of $1.5 million (2017: $Nil) (Note 11).

The current bank borrowings have an average maturity of 9 months (2017: 7 months) from the end of the financial year. The non-current bank borrowings have an average maturity of 3.83 years (2017: 3.61 years) from the end of the financial year.

The effective interest rates of the bank borrowings range from 1.55% to 7.00% (2017: 1.53% to 7.00%) per annum. The carrying amount of the borrowings approximates its fair value due to frequent re-pricing.

(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 2018, there was no Notes outstanding.

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 2018 $'000	Group 2017 $'000
Deferred tax assets	2,883	2,510
Deferred tax liabilities	(81,661)	(60,684)

Deferred tax assets

	Other payables $'000	Tax losses $'000	Accelerated tax capital allowance $'000	Others $'000	Total $'000
Group					
Balance at 1 July 2017	1,289	1,178	36	7	2,510
Credited to profit or loss	58	400	-	-	458
Foreign currency realignment	(61)	(23)	-	(1)	(85)
Balance at 30 June 2018	1,286	1,555	36	6	2,883
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

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 2017	(638)	(28,302)	(31,729)	(15)	(60,684)
Credited/(Charged) to profit or loss	95	(18,927)	-	31	(18,801)
Charged to equity	-	(1,568)	-	-	(1,568)
Foreign currency realignment	(7)	(96)	(504)	(1)	(608)
Balance at 30 June 2018	(550)	(48,893)	(32,233)	15	(81,661)
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)

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 2018 and 2017, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled $166.7 million (2017: $181.3 million) as at 30 June 2018.

16. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
Balance at beginning of financial year	1,045,295,233	1,045,295,233	481,785	481,785
Placement of new ordinary shares	95,000,000	-	28,249	-
Shares issued pursuant to rights issue	318,151,539	-	44,303	-
Balance at end of financial year	1,458,446,772	1,045,295,233	554,337	481,785

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

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

During the financial year, the Company:

(a) Issued 95,000,000 new ordinary shares (share placement) at $0.30 each in October 2017 with net placement proceeds of $28.2 million fully utilised for:

- repayment of loans and borrowings of $21.1 million; and
- general working capital of $7.1 million.

(b) Issued and allotted 318,151,539 new ordinary shares at an issue price of $0.14 for each ordinary share pursuant to the renounceable non-underwritten rights issue on the basis of three rights share for every ten ordinary shares in the capital of the Company in April 2018, with the net proceeds of $44.3 million fully utilised for:

- repayment of loans and borrowings including the Notes due in May 2018 of $39.9 million; and
- general working capital of $4.4 million.

17. Treasury shares

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$'000	$'000
At beginning and 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".

18. Accumulated profits/(losses) and other reserves

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revaluation reserve[1]	11,571	7,435	-	-
Foreign currency translation reserve[2]	(9,856)	(17,021)	-	-
Share-based payments reserve[3]	2,453	2,453	2,453	2,453
Accumulated profits/(losses)	102,770	92,181	(117,179)	(94,458)
	106,938	85,048	(114,726)	(92,005)

[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	
	2018	2017
	$'000	$'000
Course fees	73,093	75,454
Rental income from investment properties	17,173	15,708
Utility income from investment properties	636	136
Registration fees	572	617
Canteen operation	203	157
Other fees	5,155	4,148
	96,832	96,220

20. Other operating income

	Group 2018 $'000	Group 2017 $'000
Interest income	1,178	963
Foreign exchange gain	2,745	4,422
Gain on disposal of investment properties	-	4,558
Gain on disposal of property, plant and equipment	65	406
Government grant	62	6
Others	348	981
	4,398	11,336

21. Personnel expenses

	Group 2018 $'000	Group 2017 $'000
Salaries, bonuses and allowances	37,017	34,611
Contributions to defined contribution plans	5,204	4,743
Other social expenses	849	1,095
	43,070	40,449

Personnel expenses include Directors' remuneration as shown in Note 30 of the financial statements.

22. Finance costs

	Group 2018 $'000	Group 2017 $'000
Interest expenses:		
- Bank borrowings	11,205	7,658
- Unsecured Notes	4,303	5,088
	15,508	12,746

23. Profit/(Loss) before income tax

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

	Group	
	2018	**2017**
	$'000	**$'000**
Allowance for doubtful trade receivables (Note 11)	71	100
Bad trade receivables written off	155	131
Depreciation and amortisation expenses	12,394	10,900
Audit fees paid to auditors:		
- Auditor of the Company	394	394
- Other auditors	503	537
Non-audit fees paid to auditors:		
- Auditor of the Company	28	27
- Other auditors	-	2
Foreign exchange loss	5,442	4,245
Gain on disposal of property, plant and equipment, net	(20)	(381)
Royalty, registration and administration fees	5,523	5,572
Operating lease expenses		
- Rental of premises	6,211	6,285
- Rental of equipment	138	130
Marketing and advertisement expenses	4,331	3,777
Property, plant and equipment written off	38	451
Intangible assets written off	49	423
Loss on derecognition of subsidiary (Note 27)	-	20
Utilities	3,656	3,125
Professional fees	4,121	5,865
Repair and maintenance	4,606	5,247

24. Income tax expense/(credit)

	Group	
	2018	2017
	$'000	$'000
Income tax		
- Current financial year	1,402	3,239
- Under/(over)provision in respect of prior financial years	34	(168)
	1,436	3,071
Deferred tax		
- Current financial year	18,437	1,197
- Overprovision in respect of prior financial years	(94)	(782)
	18,343	415
	19,779	3,486
Reversal of tax payable for land restructuring	-	(30,802)
Total income tax expense/(credit) reflected in profit or loss	19,779	(27,316)

Reconciliation of effective tax rate

Domestic income tax in Singapore is calculated at 17% (2017: 17%) of the estimated assessable profit/(loss) for the financial year. The income tax expense/(credit) varied from the amount of income tax expense/(credit) determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit/(loss) before income tax as a result of the following differences:

	Group	
	2018	2017
	$'000	$'000
Profit/(Loss) before income tax	42,421	(27,081)
Income tax calculated at Singapore statutory rate of 17% (2017: 17%)	7,212	(4,604)
Tax effect of income not subject to taxation	(1,970)	(1,945)
Tax exemption	(430)	(1,882)
Tax effect of non-allowable expenses	6,724	8,068
Deferred tax assets not recognised for current financial year	935	306
Effect of different tax rates of overseas operations	7,368	4,493
Under/(Over)provision of current income tax in respect of prior years	34	(168)
Overprovision of deferred tax in respect of prior years	(94)	(782)
Reversal of tax payable for land restructuring	-	(30,802)
Total income tax expense/(credit) recognised in profit or loss	19,779	(27,316)

Subject to the agreement by relevant tax authorities, at the reporting date, the Group has unutilised tax losses of $21.6 million (2017: $16.1 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	
	2018	**2017**
	$'000	**$'000**
Profit/(Loss) attributable to equity holders of the Company	10,667	(1,853)

Number of shares

	Group			
	2018		2017	
	Basic	**Diluted**	**Basic***	**Diluted***
			(Restated)	**(Restated)**
Weighted average number of ordinary shares in issue ('000)	1,181,946	1,181,946	1,068,235	1,068,235

637,639 (2017: 2,083,604) 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.

* Adjusted for the rights issue (Note 16). The rights share were offered at $0.14 per share and represented a discount to the fair value of existing shares. An adjustment factor of 1.1064 was applied.

26. Share-based payments

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

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

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

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

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

26. Share-based payments (Continued)

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

(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:

	2018		**2017**	
	Number of share options ('000)	**Weighted average exercise price $**	**Number of share options ('000)**	**Weighted average exercise price $**
Outstanding at beginning of financial year	2,083	1.321	2,429	1.236
Expired/cancelled	(1,446)	(1.374)	(346)	(0.726)
Outstanding at end of financial year	637	1.202	2,083	1.321
Exercisable as at end of financial year	637		2,083	

No share options were granted during the financial year.

26. Share-based payments (Continued)

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

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price* $	Share price at date of grant* $
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 share consolidation in financial year 2011.

27. 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)

27. 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")

In financial year 2016, 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).

During the financial year 2017, the Group completed acquiring the additional 21% equity interest in RKL in relation to the Second Tranche Acquisition 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

The consideration payable to non-controlling interests was settled in cash during the financial year.

28. 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 2018 and 2017, 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 2018, the Company has given guarantees amounting to $276.9 million (2017: $295.4 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 (2017: 12 months).

(d) As at 30 June 2018, the Company has given guarantees amounting to $21.9 million (2017: $20.9 million) to EISB in respect of the outstanding payable to the purchase of land (Note 13(a)).

(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 $37.0 million (2017: $34.3 million).

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

29. 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 2018 $'000	Group 2017 $'000
Capital commitments in respect of property, plant and equipment	34,706	103,654

(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 2018 $'000	Group 2017 $'000
Future minimum lease payments payable:		
Within one financial year	4,293	2,819
After one but within five financial years	11,061	1,593
After five financial years	3,262	-
	18,616	4,412

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 2018 $'000	Group 2017 $'000
Future minimum lease payments receivable:		
Within one financial year	6,462	5,384
After one but within five financial years	12,045	10,311
After five financial years	844	1,570
	19,351	17,265

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

30. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
With associate				
Capital distribution	1,604	-	-	-
With joint venture				
Capital distribution	5,152	10,239	-	-
With subsidiaries				
Settlement of liabilities on behalf (by)/for subsidiaries	-	-	(6,421)	11,769
Dividend income	-	-	2,060	13,596
Interest income	-	-	987	799
Management service fee income	-	-	1,785	1,734
Recharge of rental and utilities	-	-	(480)	(480)
Write-back/(Waiver) of inter-company balances, net	-	-	19,854	(7,001)
With related parties				
Rental to a director of subsidiaries and her related entity	-	149	-	-
Acquisition of the equity interest in a subsidiary from a director of subsidiaries	-	1,960	-	-
Loan from a Director	67,600	12,831	26,342	2,655

Key management personnel remuneration

	Group	
	2018	2017
	$'000	$'000
Directors' fees	244	265
Salaries and other short-term employee benefits	1,255	1,496
	1,499	1,761

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).

31. Report by segments

The Group has 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.

- 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.

31. Report by segments (Continued)

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.

31. Report by segments (Continued)

	Education $'000	Education Facilities Rental Service $'000	Real Estate Investment & Development $'000	Corporate & Others $'000	Total $'000
2018					
Revenue from external customers	79,006	13,159	4,649	18	96,832
Inter-segment revenue	510	726	1,841	11,950	15,027
Interest income	186	113	879	-	1,178
Net fair value gain on investment properties	1,655	34,474	28,131	684	64,944
Finance costs	(3,029)	(533)	(1,647)	(10,299)	(15,508)
Depreciation and amortisation	(8,024)	(341)	(1,408)	(2,621)	(12,394)
Impairment of goodwill	(2,360)	-	-	-	(2,360)
Share of results from joint ventures	-	-	-	(2,717)	(2,717)
Share of results from associates	(8)	1,697	-	-	1,689
Reportable segment profit/(loss) before income tax	5,317	42,633	24,055	(29,584)	42,421
Net profit/(loss) for the financial year	5,429	31,456	15,330	(29,573)	22,642
Other information:					
Additions to property, plant and equipment	12,452	389	23	-	12,864
Additions to investment properties	-	-	2,143	-	2,143
Additions to intangible assets	456	-	-	80	536
Investment in joint ventures	-	-	-	21,429	21,429
Investment in associates	834	5,870	-	-	6,704
Segment assets	361,958	244,597	360,788	93,149	1,060,492
Segment liabilities	(165,601)	(6,437)	(62,054)	(210,006)	(444,098)

31. 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)

31. Report by segments (Continued)

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

	2018 $'000	2017 $'000
Revenue		
Total revenues for reportable segments	111,859	126,789
Elimination of inter-segment revenues	(15,027)	(30,569)
Consolidated revenue	96,832	96,220
Assets		
Total assets for reportable segments	1,060,492	992,098
Investments in joint ventures	21,429	29,700
Investments in associates	6,704	7,122
Unallocated assets	171,468	199,237
Consolidated total assets	1,260,093	1,228,157
Liabilities		
Total liabilities for reportable segments	(444,098)	(543,475)
Unallocated liabilities	(88,265)	(64,451)
Consolidated total liabilities	(532,363)	(607,926)

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
2018						
Revenue from external customers	32,310	56,697	1,177	4,765	1,883	96,832
Non-current assets	353,499	609,147	10,663	63,069	72,632	1,109,010
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

Singapore and the People's Republic of China contributed revenue of $14,252,000 and $55,998,000 (2017: $18,192,000 and $56,241,000) respectively. Non-current assets in Singapore and the People's Republic of China amounted to $108,019,000 and $608,275,000 (2017: $119,441,000 and $546,462,000) respectively.

32. 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 (2017: 100 basis point), with all other variables held constant.

	2018		2017	
	Increase interest rate (basis point)	**Decrease in profit $'000**	**Increase interest rate (basis point)**	**Decrease in profit $'000**
Group				
Borrowings	100	(3,218)	100	(3,019)
Bank overdrafts	100	(33)	-	-
Company				
Borrowings	100	(861)	100	(851)
Amount due to a subsidiary	100	(476)	100	(476)

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

32. 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, Australasia 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 risk, 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 2018 and 30 June 2017 were as follows:

	Note	SGD	RMB	MYR	AUD	CHF	EUR	Others	Total in SGD equivalents
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2018									
Available-for-sale financial assets	9	-	620	-	-	-	-	-	620
Trade and other receivables		1,326	64,287	1,125	1,701	719	92	8,798	78,048
Intra-group balances, net		(300)	39,278	(186)	(1,820)	3,658	(192)	(40,438)	-
Cash and bank balances	12	5,726	36,366	1,057	335	24	1,075	1,544	46,127
Bank overdrafts	12	-	-	(3,187)	-	-	-	(82)	(3,269)
Restricted bank balancesBank overdrafts	12	-	-	-	-	3,496	-	-	3,496
Trade and other payables		(25,777)	(8,952)	(25,195)	(627)	(258)	(812)	(3,121)	(64,742)
Borrowings	14	(184,612)	-	(111,243)	(30,146)	(17,713)	(9,804)	(12,938)	(366,456)
		(203,637)	131,599	(137,629)	(30,557)	(10,074)	(9,641)	(46,237)	(306,176)
Less: net (assets)/ liabilities denominated in respective entities' functional currencies		171,202	(97,649)	133,727	23,623	10,995	18,865	16,930	277,693
Currency exposure		(32,435)	33,950	(3,902)	(6,934)	921	9,224	29,307	(28,483)

32. Financial risk management (Continued)

(c) Foreign currency risk (Continued)

	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)

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 $1,424,000 (2017: $6,287,000). 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 2018 and 30 June 2017 were as follows:

	Note	SGD	RMB	USD	AUD	Others	Total in SGD equivalents
		$'000	$'000	$'000	$'000	$'000	$'000
Company							
2018							
Trade and other receivables		197,586	24,660	-	3,329	20,078	245,653
Cash and bank balances	12	416	-	7	-	-	423
Trade and other payables		(86,936)	(73,642)	(39,990)	(9,812)	(5,801)	(216,181)
Borrowings	14	(86,051)	-	-	-	-	(86,051)
		25,015	(48,982)	(39,983)	(6,483)	14,277	(56,156)
Less: net liabilities denominated in functional currency		(25,015)	-	-	-	-	(25,015)
Currency exposure		-	(48,982)	(39,983)	(6,483)	14,277	(81,171)

32. 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							
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)

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 $4,059,000 (2017: $1,586,000). 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.

32. 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 one financial year $'000	More than one financial year $'000	Total $'000	Carrying amount $'000
Group				
2018				
Trade and other payables	45,028	19,775	64,803	64,743
Borrowings	201,089	219,358	420,447	366,456
Bank overdrafts	3,269	-	3,269	3,269
	249,386	239,133	488,519	434,468
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
Company				
2018				
Trade and other payables	217,543	-	217,543	216,181
Borrowings	86,666	-	86,666	86,051
	304,209	-	304,209	302,232
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

(e) Fair values

The carrying amounts of the Group's and Company's 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.

33. 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 can be used for issuing shares under a performance share plan if the Company establishes a plan in the future. 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	
	2018	**2017**
	$'000	**$'000**
Net debt	320,102	365,016
Total capital	621,592	527,150
Net gearing ratio	51%	69%

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 2018 and 30 June 2017.

Apart from the above, the Group's current overall strategy remains unchanged for financial years ended 30 June 2018 and 30 June 2017.

34. Events after the reporting period

The Group has a 58.18% joint venture stake in Educomp-Raffles Higher Education Limited ("ERHEL"), as disclosed in Note 7. Pursuant to enforcement action initiated by the Group, one of the other shareholders of ERHEL, Educomp Asia Pacific Pte Ltd ("EAPL"), was ordered to be wound up by the High Court of Singapore. Subsequent to the financial year end, the Group had acquired from the liquidator of EAPL, the shares of EAPL in ERHEL, representing 41.17% of the entire issued and fully paid up share capital of ERHEL. As such, ERHEL is now a 99.35% owned subsidiary of the Group.

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	25 - 48	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	48	283	-
(c) No. 28, Jinjing Road, Xiqing District, Tianjin City, the PRC	Education college	Education facilities and hostels	Leasehold	34	112	72
(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	48	1	2

35. Properties of the Group (Continued)

Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(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	31 - 36	914	561
(f) Raffles Education Square 51 Merchant Road Singapore	Commercial development of multi storey office block and conservation shophouses	Education facilities	Leasehold	74	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	American K12 school facilities	Freehold	-	186	77
(i) Lot 102-104, 106 Section 88A Kuala Lumpur, Malaysia	Education college	Education facilities	Leasehold	49 - 51	5	4
(j) Soi Bangna – Trat 37 Bangkaew Sub-district Bang Phli District Samut Prakarn Province, Thailand#	Education college	Education facilities	Freehold	-	45	18

35. Properties of the Group (Continued)

Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(k) Kadirana North Village Dunagaha Pattu of Aluthkorale @ Katana in Gampaha District Western Province of Sri Lanka#	University campus/ commercial development	Vacant	Freehold	-	101	-
(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	3

Valuation performed in financial years 2018 and 2017 by independent professional valuers, as referred to in Note 5 of the financial statements.

Statistics of Shareholdings

As at 24 September 2018

Issued and fully paid-up capital	1,458,446,772
Number of shares issued and paid-up shares (excluding treasury shares)	1,378,656,672
The number / percentage of treasury shares held against the total issued shares (excluding treasury shares)	79,790,100 / 5.79%
Class of shares	Ordinary
Voting rights	One vote per share

Based on information available to the Company as at 24 September 2018, approximately 53.49% 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.

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders	No. of Shares Held (excluding treasury shares)	Percentage of Shares
1 - 99	574	6.18	20,386	0.00
100 - 1,000	1,015	10.94	604,696	0.05
1,001 - 10,000	4,237	45.64	20,828,697	1.51
10,001 - 1,000,000	3,401	36.64	175,967,048	12.76
1,000,001 and above	56	0.60	1,181,235,845	85.68
	9,283	100.00	1,378,656,672	100.00

Top Twenty Shareholders As At 24 September 2018

S/No.	Name	No. of Shares	% of Shares
1	OEI HONG LEONG	134,565,569	9.76
2	DB NOMINEES (SINGAPORE) PTE LTD	112,070,002	8.13
3	CITIBANK NOMINEES SINGAPORE PTE LTD	108,308,778	7.86
4	SING INVESTMENT & FINANCE NOMINEES PTE LTD	91,650,000	6.65
5	RHB SECURITIES SINGAPORE PTE LTD	67,533,956	4.90
6	GUTHRIE VENTURE PTE LTD	61,750,000	4.48
7	SBS NOMINEES PTE LTD	51,427,998	3.73
8	CHEW HUA SENG OR DORIS CHUNG GIM LIAN	51,019,763	3.70
9	OEI HONG LEONG ART MUSEUM LIMITED	43,353,440	3.14
10	RAFFLES NOMINEES (PTE) LTD	40,714,748	2.95
11	HL BANK NOMINEES (SINGAPORE) PTE LTD	40,539,200	2.94
12	LIU YINGCHUN	39,099,800	2.84
13	DBS NOMINEES PTE LTD	37,644,369	2.73
14	OCBC SECURITIES PRIVATE LTD	34,183,843	2.48
15	DORIS CHUNG GIM LIAN	24,943,159	1.81
16	WATERWORTH PTE LTD	23,400,000	1.70
17	GOI SENG HUI	18,042,400	1.31
18	LIM & TAN SECURITIES PTE LTD	18,038,719	1.31
19	CHEW CHIEW SIANG STEVEN	17,848,130	1.29
20	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	17,728,452	1.29
		1,033,862,326	75.00

Statistics of Shareholdings

As at 24 September 2018

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares Direct Interest	No of Shares Deemed Interest
Chew Hua Seng[1][2]	428,864,605	34,043,159
Doris Chung Gim Lian[1][2]	170,992,922	291,914,842
Oei Hong Leong[3]	134,565,569	43,353,440

Notes: -

(1) Ms Chung Gim Lian, Doris is the spouse of Mr Chew Hua Seng. In this regards, Ms Chung Gim Lian is deemed to have an interest in the shareholdings of Mr Chew Hua Seng and vice versa.

(2) Includes 136,949,763 shares which are held jointly by Mr Chew Hua Seng and Ms Chung Gim Lian, Doris.

(3) Mr Oei Hong Leong is deemed to have an interest in the shares held by Oei Hong Leong Art Museum Limited ("OHLAM") due to his direct interests of 90% in the ultimate holding company of OHLAM.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Chew Hua Seng
(Chairman & CEO)

Mr Lim How Teck
(Lead Independent Non-Executive Director)

Mdm Gan Hui Tin
(Independent Non-Executive Director)

Dr Tan Chin Nam
(Independent Non-Executive Director)

Mr Teo Cheng Lok John
(Independent Non-Executive Director)

AUDIT COMMITTEE

Mr Lim How Teck
(Chairman)
Mdm Gan Hui Tin
Mr Teo Cheng Lok John

RISK MANAGEMENT COMMITTEE

Mr Teo Cheng Lok John
(Chairman)
Dr Tan Chin Nam
Mr Chew Hua Seng

NOMINATION COMMITTEE

Dr Tan Chin Nam
(Chairman)
Mr Lim How Teck
Mdm Gan Hui Tin
Mr Chew Hua Seng

REMUNERATION COMMITTEE

Mr Teo Cheng Lok John
(Chairman)
Dr Tan Chin Nam
Mr Chew Hua Seng

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

B.A.C.S Pte. Ltd.
8 Robinson Road
#03-00 ASO Building
Singapore 048544

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

RafflesEducation

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in Singapore)
Company Registration No. 199400712N

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles Education Corporation Limited (the “Company”) will be held on 29 October 2018 at 10.00 a.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Independent Auditor’s Report thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring pursuant to the Company’s Constitution:-

   (a) Mr Lim How Teck {retiring pursuant to Article 97} **[Resolution 2]**
   (b) Mdm Gan Hui Tin {retiring pursuant to Article 97} **[Resolution 3]**

   Notes:

   Mr Lim How Teck is the Lead Independent Director. Upon re-election, he will continue to serve as the Chairman of the Audit Committee and a member of the Nomination Committee.

   Mdm Gan Hui Tin is an Independent Director. Upon re-election, she will continue to serve as a member of the Audit and Nomination Committees.

   Please refer to section on “Board of Directors” in the Annual Report for key information on Mr Lim How Teck and Mdm Gan Hui Tin.

3. To note the retirement of Dr. Tan Chin Nam who has indicated that he does not wish to seek for re-election as a Director of the Company pursuant to Article 93 (b) of the Company’s Constitution.

4. To approve the proposed Directors’ fees of S$244,110/- for the financial year ended 30 June 2018. [2017: S$265,000/-] **[Resolution 4]**

5. To re-appoint Messrs. BDO LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**

6. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

7. Authority for Directors to issue shares and to make or grant instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), authority be and is hereby given to the Directors of the Company to:

   (a) issue and allot new shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

   provided that:

   (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);

   (ii) subject to such other manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

      (A) any new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

      (B) any subsequent bonus issue, consolidation or sub-division of shares;

   (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and

(iv) such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (i)] **[Resolution 6]**

8. Authority for Directors to offer and grant options, and to allot and issue shares pursuant to the Raffles Education Corporation Employees' Share Option Scheme (Year 2011).

THAT the Directors of the Company be and are hereby authorised to:

(a) offer and grant options to non-executive directors and employees who are eligible to participate in the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) (the "**Scheme**") in accordance with the Scheme; and

(b) allot and issue from time to time such number of fully paid shares in the capital of the Company as may be required to be issued pursuant to exercise of such options in accordance with the terms and conditions of the Scheme,

provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose.

[See Explanatory Note (ii)] **[Resolution 7]**

9. Renewal of the Share Purchase Mandate

THAT

(a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier.

In this Resolution:

"**Maximum Limit**" means that number of shares representing ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of shares shall be taken to be the number of the shares as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier; and

"**Maximum Price**", in relation to a share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(A) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price; and

(B) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price,

where:

(1) "**Average Closing Price**" means the average of the closing market price of a share over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the shares were recorded, before the day on which the purchase or acquisition of shares was made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

(2) "**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **[Resolution 8]**

10. Proposed Disposal

THAT pursuant to Chapter 10 of the Listing Manual of the SGX-ST, approval be and is hereby given for:

(a) the Proposed Disposal (as defined in the letter to shareholders dated 12 October 2018 accompanying this Notice of Annual General Meeting (the "**Letter**")), on the terms and conditions of the asset sale and purchase agreement dated 29 August 2018 entered into between the Company, Oriental University City Education Consultancy Co., Ltd, Langfang Tonghui Education Consultancy Co., Ltd and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd, the principal terms of which are set out in the Letter; and

(b) the Directors or any one of them to complete and do any and all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alterations or modifications to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Disposal.

[See Explanatory Note (iv)] **[Resolution 9]**

BY ORDER OF THE BOARD

Keloth Raj Kumar (Mr)
Company Secretary

12 October 2018

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

(i) The proposed **Resolution 6**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution to the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to allot and issue shares and to grant instruments (such as warrants, debentures or other securities) convertible into shares, and to issue shares in pursuance of such instruments, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The aggregate number of shares which the Directors may issue (including shares to be issued pursuant to convertibles) under this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares). For issue of shares other than on a *pro rata* basis, the aggregate number of shares to be issued (including shares to be issued pursuant to convertibles) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares).

(ii) The proposed **Resolution 7**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to offer and grant options to eligible non-executive directors and employees of the Company under the Scheme, and to allot and issue shares from time to time pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

(iii) The proposed **Resolution 8**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) as at the date of passing of the Resolution on the terms of the Share Purchase Mandate as set out in the Letter, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on, inter alia, the aggregate number of shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the shares purchased or acquired are cancelled or held as treasury shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of [66,054,577] shares, at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2018 and certain assumptions, are set out in paragraph [2.8] of the Letter.

(iv) The proposed **Resolution 9**, relates to the proposed disposal by Langfang Tonghui Education Consultancy Co., Ltd ("**Tonghui**"), a subsidiary that is 99% owned by the Company, of three (3) parcels of land and two (2) buildings owned by Tonghui (the "**Properties**") to Oriental University City Holdings (H.K.) Limited. ("**OUCHK**"), pursuant to an asset sale and purchase agreement entered into on 29 August 2018 between the Company, OUCHK, Tonghui, and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd, where OUCHK agreed to purchase and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S$50,413,000). Based on the computations of the relative figures on the bases set out in Rule 1006 of Listing Manual, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders. Please refer to paragraph 3 of the Letter for more details relating to the Proposed Disposal.

Notes:

(1) A member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote on his behalf. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(2) A member who is not a Relevant Intermediary* is entitled to appoint not more than two proxies to attend and vote at AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(3) A member who is a Relevant Intermediary* is entitled to appoint more than two proxies to attend and vote at AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

*A **Relevant Intermediary** is either:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(4) The instrument appointing a proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) If a proxy is to be appointed, the duly executed instrument appointing a proxy must be duly deposited at the registered office of the Company at **51 Merchant Road, Raffles Education Square, Singapore 058283** not later than 48 hours before the time appointed for the holding of the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LETTER DATED 12 OCTOBER 2018

This letter to shareholders of the Company is circulated to the shareholders of Raffles Education Corporation Limited (the "**Company**") together with the Annual Report 2018 (as defined herein). Its purpose is to provide the shareholders of the Company with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate (as defined herein) and the Proposed Disposal (as defined herein), to be tabled at the annual general meeting of the Company to be held on 29 October 2018 at 10am at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 (the "**AGM**").

If you are in any doubt in relation to this letter to shareholders of the Company or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Ordinary Resolutions (as defined herein) proposed to be passed in respect of the proposed renewal of the Share Purchase Mandate and the Proposed Disposal, is set out in the Notice of AGM (as defined herein).

Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

RafflesEducation

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199400712N)

LETTER TO SHAREHOLDERS IN RELATION TO:

(1) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND

(2) PROPOSED DISPOSAL OF THREE PARCELS OF LAND AND TWO BUILDINGS IN LANGFANG CITY, HEBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

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DEFINITIONS

In this Letter, the following definitions apply throughout unless the context requires or otherwise stated:

"**AGM**"	:	The annual general meeting of the Company to be held on 29 October 2018 at 10 a.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031, notice of which is enclosed with the Annual Report 2018
"**Annual Report 2018**"	:	The annual report of the Company for the financial year ended 30 June 2018
"**ASPA**"	:	The asset sale and purchase agreement entered into between Company, OUCHK, Tonghui and Kaifaqu on 29 August 2018 in relation to the Proposed Disposal
"**associate**"	:	(a) In relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"**Board**"	:	The board of Directors
"**Call Option**"	:	A call option granted by the Company to OUCHK pursuant to a Deed of Non-Competition and Call Option entered into between the Company and OUCHK on 22 December 2014 where, *inter alia*, the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option to purchase the whole or any part of the Zhuyun Education Land

"**CDP**"	:	The Central Depository (Pte) Limited
"**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
"**Company**"	:	Raffles Education Corporation Limited
"**Completion**"	:	Completion of the Proposed Disposal under the ASPA
"**Completion Date**"	:	Date of completion of the Proposed Disposal, being the 10th Business Day after the fulfilment (or waiver) of the conditions under the ASPA, or such other date as the Parties may mutually agree in writing
"**Consideration**"	:	RMB252,370,000 (approximately S$50,413,000), being the aggregate consideration for the Proposed Disposal
"**Constitution**"	:	The constitution of the Company for the time being
"**controlling shareholder**"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder; or (b) in fact exercises control over the Company.
"**Conversion Price**"	:	HK$2.30 per conversion share, representing the average closing price of the shares of OUCHK for the five (5) business days immediately preceding the date of the ASPA
"**conversion share**"	:	Each new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the convertible note issued by OUCHK
"**Deed**"	:	The Deed of Non-Competition and Call Option entered into between the Company and OUCHK on 22 December 2014 where, *inter alia*, the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option to purchase the whole or any part of the Zhuyun Education Land
"**Deposit**"	:	RMB25,237,000, representing 10% of the Consideration
"**Directors**"	:	The directors of the Company as at the date of this Letter

"**EPS**"	:	Earnings per Share
"**FY2018**"	:	The financial year ended 30 June 2018
"**FY2018 Financial Statements**"	:	The unaudited consolidated financial statements of the Group for FY2018
"**GEM**"	:	Growth Enterprise Market
"**Group**"	:	The Company and its subsidiaries
"**HKSE**"	:	The Stock Exchange of Hong Kong Limited
"**Kaifaqu**"	:	Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd, a wholly-owned subsidiary of OUCHK
"**Latest Practicable Date**"	:	The latest practicable date prior to the printing of this Letter, being 9 October 2018
"**Letter**"	:	This letter to Shareholders dated 12 October 2018
"**Listing Manual**"	:	The listing manual of the SGX-ST as may be amended, supplemented or modified from time to time
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Maturity Date**"	:	29 August 2028, being 10 years from the date of the ASPA
"**NAV**"	:	Net asset value
"**Notice of AGM**"	:	The notice of the AGM, as enclosed with the Annual Report 2018
"OHLAM"		Oei Hong Leong Art Museum Limited
"**Ordinary Resolutions**"	:	The ordinary resolutions relating to the renewal of the Share Purchase Mandate and the Proposed Disposal, and each, an "Ordinary Resolution"
"**OUCHK**"	:	Oriental University City Holdings (H.K.) Limited
"**OUCHK Group**"	:	OUCHK and its subsidiaries
"**Parties**"	:	The Company, OUCHK, Tonghui and Kaifaqu

"**<u>PRC</u>**"	:	People's Republic of China
"**<u>Properties</u>**"	:	Comprises three (3) parcels of land and two (2) buildings owned by Tonghui which are part of the Zhuyun Education Land, further particulars of which are set out in paragraph 3.3.1 of this Letter
"**<u>Proposed Disposal</u>**"	:	The proposed disposal by Tonghui of the Properties to OUCHK for a total consideration of RMB252,370,000 (approximately S$50,413,000) pursuant to the ASPA
"**<u>Proxy Form</u>**"	:	The proxy form in respect of the AGM as sent with the Notice of AGM
"**<u>public</u>**"	:	persons other than: (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the issuer or its subsidiary companies; and (b) associates of the persons in paragraph (a)
"**<u>REC ESOS 2001</u>**"	:	The employee share option scheme of the Company known as "Raffles Education Corp Employees' Share Option Scheme (Year 2001)" which was approved on 28 August 2000.
"**<u>REC ESOS 2011</u>**"	:	The employee share option scheme of the Company known as "Raffles Education Corporation Employees' Share Option Scheme (Year 2011)" which was approved on 23 March 2011
"**<u>Register</u>**"	:	The register maintained by the Company setting out details of the Shareholders and their respective shareholdings
"**<u>Relevant Period</u>**"	:	The period commencing from the date of the AGM, being the date on which the Share Purchase Mandate Ordinary Resolution is passed (if approved by Shareholders), and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier
"**<u>Securities Account</u>**"	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
"**<u>SGX-ST</u>**"	:	Singapore Exchange Securities Trading Limited

"**Shareholders**"	:	Registered holders of Shares in the Register, except that where the registered holder is CDP, the term "**Shareholders**" shall, where the context admits, means the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
"**Share Options**"	:	Options to subscribe for new Shares granted pursuant to the REC ESOS 2001 or the REC ESOS 2011
"**Share Purchase Mandate**"	:	General and unconditional mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in the Share Purchase Mandate Ordinary Resolution, as more particularly described in this Letter, and in accordance with the rules and regulations set forth in the Companies Act and the Listing Manual
"**Share Purchase Mandate Ordinary Resolution**"	:	The ordinary resolution relating to the renewal of the Share Purchase Mandate
"**Shares**"	:	Ordinary shares in the capital of the Company
"**SIC**"	:	Securities Industry Council of Singapore
"**Spin-off Listing**"	:	The spin-off and listing of OUCHK on the GEM of HKSE
"**subsidiary holdings**"	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
"**Take-over Code**"	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
"**Tonghui**"	:	Langfang Tonghui Education Consultancy Co., Ltd, a subsidiary that is 99% owned by the Company.
"**Valuation Report**"	:	The final valuation report issued by Cushman & Wakefield Limited, as the independent professional valuer, on 27 September 2018
"**Zhuyun Education Land**"	:	Land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang City in 2011, with a total site area of approximately 418 mu (approximately 278,666.67 square meters)
"**HK$**"	:	Hong Kong dollars, being the lawful currency of Hong Kong

"**RMB**"	:	Renminbi, being the lawful currency of the PRC
"**S$**" and "**cents**"	:	Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore
"**%**"	:	Percentage

The terms "**depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in the Securities and Futures Act (Chapter 289 of Singapore) in force as at the Latest Practicable Date.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include individuals, firms and corporations.

Any reference to a time of day and to dates in this Letter is made by reference to Singapore time and dates unless otherwise stated.

Any reference in this Letter to any statute or enactment is a reference to any statute or enactment as for the time being amended or re-enacted. Any term defined under the Companies Act, the Listing Manual, the Take-over Code or any modification thereof and used in this Letter shall have the meaning assigned to it under the Companies Act, the Listing Manual, the Take-over Code or any modification thereof, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Take-over Code and the Listing Manual) contained in this Letter are of such laws and regulations (including the Take-over Code and the Listing Manual) as at the Latest Practicable Date.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

Directors	**Registered Office**
Mr Chew Hua Seng *(Chairman and Chief Executive Officer)* Mr Lim How Teck *(Lead Independent Director)* Dr Tan Chin Nam *(Independent Director)* Mr Teo Cheng Lok John *(Independent Director)* Mdm. Gan Hui Tin *(Independent Director)*	51 Merchant Road Raffles Education Square Singapore 058283

12 October 2018

To: The Shareholders of Raffles Education Corporation Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 The Directors have issued the Notice of AGM convening the AGM. The following items appear under the heading "As Special Business" in the Notice of AGM:

(a) the Ordinary Resolution 8 for the renewal of the Share Purchase Mandate;

(b) the Ordinary Resolution 9 for the proposed disposal by Langfang Tonghui Education Consultancy Co., Ltd ("**Tonghui**"), a subsidiary that is 99% owned by the Company, of three (3) parcels of land and two (2) buildings owned by Tonghui (the "**Properties**") which are part of the land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang City in 2011 with a total site area of approximately 418 mu owned by Tonghui (the "**Zhuyun Education Land**"), to Oriental University City Holdings (H.K.) Limited. ("**OUCHK**", and together with its subsidiaries, the "**OUCHK Group**"), pursuant to an asset sale and purchase agreement ("**ASPA**") entered into on 29 August 2018 between the Company, OUCHK, Tonghui, and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd ("**Kaifaqu**"), where OUCHK agreed to purchase and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S$50,413,000) (the "**Proposed Disposal**").

1.2 The purpose of this Letter is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate and the Proposed Disposal to be tabled at the AGM and to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate and the Proposed Disposal at the AGM.

1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The Proposed Renewal of the Share Purchase Mandate

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Listing Manual that an issuer who wishes to purchase its own shares has to obtain approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the Share Purchase Mandate was first approved at the extraordinary general meeting of the Company held on 5 March 2008 and last renewed at the annual general meeting held on 13 October 2017.

Unless renewed again, the Share Purchase Mandate will expire on the date of the AGM. In this regard, it is proposed that the Share Purchase Mandate be tabled to Shareholders for renewal and approval at the AGM.

2.2 Rationale for the Proposed Renewal of the Share Purchase Mandate

The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit as described in paragraph 2.3.1 below, at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

(a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase may be considered as one of the ways through which the return on equity of the Group may be enhanced;

(b) the Share Purchase Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit during the period when the Share Purchase Mandate is in force. The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of the financial and possible investment needs of the Group to its Shareholders, taking into account its growth and expansion plans. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and dividend policy;

(c) the purchase or acquisition of Shares under the Share Purchase Mandate may help to mitigate short-term share price volatility (by way of stabilising the supply and demand of issued Shares) and off-set the effects of short-term share price speculation, supporting the fundamental value of the issued Shares, thereby boosting Shareholders' confidence and employees' morale; and

(d) under the REC ESOS 2011, subject to prevailing legislation, the Constitution and the Listing Manual, the Company has the discretion whether to issue new Shares, deemed fully paid upon issuance and allotment or transfer existing Shares (whether held as treasury shares or otherwise) to such participants who have exercised their Share Options under the REC ESOS 2011. Shares bought back under the Share Purchase Mandate can therefore be held by the Company as treasury shares to satisfy the Company's obligation to furnish Shares to participants under the REC ESOS 2011, thus giving the Company greater flexibility to select the method of providing Shares to employees most beneficial to the Company and its Shareholders. In the event that the Company with the approval of Shareholders introduces another share option scheme or share scheme subsequently, in compliance with prevailing legislation, the Constitution and the Listing Manual, the Company may also utilise such Shares bought back under the Share Purchase Mandate and held by the Company as treasury shares, to satisfy the Company's obligation to furnish Shares to participants thereunder.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial condition of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on Share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM at which the renewal of the Share Purchase Mandate is approved, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not have any subsidiary holdings.

For illustrative purposes only, based on the general rule in the foregoing paragraph, on the basis of 1,378,656,672 Shares in issue (excluding treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, not more than 137,865,667 Shares (representing 10% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the Relevant Period.

As at the Latest Practicable Date, there are 3,832,639 outstanding Share Options under the REC ESOS 2001 and the REC ESOS 2011, of which Share Options comprising 637,639 Shares are exercisable as at the Latest Practicable Date. In the event that the Company issues 637,639 new Shares pursuant to the exercise of the exercisable Share Options, the total number of issued Shares (excluding treasury shares) as at the date of the AGM will be 1,379,294,311, and not more than 137,929,431 Shares (representing 10% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the period when the Share Purchase Mandate is in force.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase or acquire Shares may be renewed by the Shareholders in a general meeting of the Company, such as at the next annual general meeting or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next annual general meeting. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) an on-market purchase ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose, in accordance with Section 76E of the Companies Act; and/or

(b) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme[1] in accordance with Section 76C of the Companies Act.

[1] With effect from 1 July 2015, a selective off-market purchase or acquisition of shares may be undertaken by a Singapore company that is listed on a securities exchange in accordance with the provisions of the Companies Act. However, Rule 882 of the Listing Manual provides that an off-market purchase or acquisition of shares may only be made in accordance with an equal access scheme as defined in the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and the Constitution as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must however satisfy all of the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:

    (A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

    (B) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and

    (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase, it must issue an offer document to all Shareholders containing at least the following information:

(1) the terms and conditions of the offer;

(2) the period and procedures for acceptances;

(3) the reasons for the proposed purchase or acquisition of Shares;

(4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(5) whether the purchases or acquisitions of Shares, if made, could affect the listing of the Shares on the SGX-ST;

(6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and

(7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by a committee of Directors constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the purposes of determining the Maximum Price:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition unless such Share is held by the Company as a treasury share. The Shares purchased or acquired under the Share Purchase Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time. On a cancellation, all rights and privileges attached to that Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. It is presently intended by the Company that all or most of the Shares which are purchased or acquired by the Company under the Share Purchase Mandate will be held as treasury shares, up to the maximum number of treasury shares permitted by law to be held by the Company.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

2.5 Treasury Shares

Under the Companies Act, the Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of, or pursuant to, any share scheme, whether for employees, directors or other persons;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.6 Reporting Requirements

The Company shall notify the Accounting and Corporate Regulatory Authority within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases or acquisitions including the date of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, and such other information as required by the Companies Act. Within 30 days of the passing of a

Shareholders' resolution to approve or renew the Share Purchase Mandate, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority.

The Listing Manual states that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and

(b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.7 Sources of Funds

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NAV per Share and EPS as the resultant effect would depend on, *inter alia,* the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The repurchased Shares may be cancelled or held as treasury shares. If the Shares are cancelled, the Company's total number of issued Shares will be diminished by the total number of the Shares purchased by the Company. The NAV of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares cancelled (including any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits). If the Shares are held as treasury shares, the issued share capital of the Company will not be affected.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the EPS and/or the NAV per Share of the Group.

As at the Latest Practicable Date, the total number of issued Shares is 1,458,446,772, of which 79,790,100 Shares are held in treasury (the Company does not have any subsidiary holdings). On this basis, for illustrative purposes only, as the Company can only hold 10% of its Shares in treasury pursuant to Section 76I(1) of the Companies Act, it can only hold 145,844,677 Shares in treasury. As such, even though the Share Purchase Mandate provides for potentially up to 137,865,667 Shares to be purchased or acquired by the Company, the maximum number of Shares that the Company can purchase or acquire and hold in treasury is 66,054,577 Shares. Accordingly, the exercise in full of the Share Purchase Mandate would result in the purchase or acquisition of 66,054,577 Shares if all the Shares so purchased or acquired were to be held in treasury.

For the purposes of illustration and comparison only, the Company has assumed that pursuant to the Share Purchase Mandate, it will purchase or acquire the smaller number of Shares, i.e. 66,054,577 Shares, instead of the entire 10% of the total number of issued Shares (excluding treasury shares), i.e. 137,865,667 Shares.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Group and the Company, based on the audited financial statements of the Group for the financial year ended 30 June 2018 are based on the assumptions set out below:

(a) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 66,054,577 Shares at the Maximum Price of S$0.17 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 66,054,577 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$11,229,278; and

(b) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 66,054,577 Shares at the Maximum Price of S$0.19 for one (1) Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 66,054,577 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$12,550,370.

For illustrative purposes only, and based on the assumptions set out in the foregoing two paragraphs and assuming that:

(i) such purchase or acquisition of Shares is financed solely by borrowings; and

(ii) the Share Purchase Mandate been effective on 1 July 2017 and the Company had purchased or acquired 66,054,577 Shares on 1 July 2017,

the financial effects of the:

(A) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and held as treasury shares; and

(B) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and cancelled,

on the audited financial accounts of the Company and the Group for the financial year ended 30 June 2018 are set out below:

(1) Purchases made out of capital and profits and held as treasury shares

(A) Market Purchases

	Group		Company	
	Before Share Purchase S$'000	After Share Purchase S$'000	Before Share Purchase S$'000	After Share Purchase S$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	554,337	554,337	554,337
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	661,275	439,611	439,611
Treasury shares	(39,683)	(50,912)	(39,683)	(50,912)
Shareholders' funds	621,592	610,363	399,928	388,699
NAV	621,592	610,363	399,928	388,699
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	377,685	86,051	97,280
Number of issued Shares ('000)	1,458,447	1,458,447	1,458,447	1,458,447
Treasury shares ('000)	79,790	145,845	79,790	145,845
<u>Financial Ratios</u>				
NAV per Share (cents)	45.09	46.50	29.01	29.61
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase S$'000	After Share Purchase S$'000	Before Share Purchase S$'000	After Share Purchase S$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	554,337	554,337	554,337
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	661,275	439,611	439,611
Treasury shares	(39,683)	(52,233)	(39,683)	(52,233)
Shareholders' funds	621,592	609,042	399,928	387,378
NAV	621,592	609,042	399,928	387,378
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	379,006	86,051	98,601
Number of issued Shares ('000)	1,458,447	1,458,447	1,458,447	1,458,447
Treasury shares ('000)	79,790	145,845	79,790	145,845
Financial Ratios				
NAV per Share (cents)	45.09	46.40	29.01	29.51
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(2) Purchases made out of capital and profits and cancelled

(A) Market Purchases

	Group		Company	
	Before Share Purchase S$'000	**After Share Purchase S$'000**	**Before Share Purchase S$'000**	**After Share Purchase S$'000**
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	543,108	554,337	543,108
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	650,046	439,611	428,382
Treasury shares	(39,683)	(39,683)	(39,683)	(39,683)
Shareholders' funds	621,592	610,363	399,928	388,699
NAV	621,592	610,363	399,928	388,699
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	377,685	86,051	97,280
Number of issued Shares ('000)	1,458,447	1,392,392	1,458,447	1,392,392
Treasury shares ('000)	79,790	79,790	79,790	79,790
<u>Financial Ratios</u>				
NAV per Share (cents)	45.09	46.50	29.01	29.61
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	541,787	554,337	541,787
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	648,725	439,611	427,061
Treasury shares	(39,683)	(39,683)	(39,683)	(39,683)
Shareholders' funds	621,592	609,042	399,928	387,378
NAV	621,592	609,042	399,928	387,378
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	379,006	86,051	98,601
Number of issued Shares ('000)	1,458,447	1,392,392	1,458,447	1,392,392
Treasury shares ('000)	79,790	79,790	79,790	79,790
Financial Ratios				
NAV per Share (cents)	45.09	46.40	29.01	29.51
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and are based only on the assumptions set out above. Although the proposed renewal of the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), or purchase or be able to purchase up to the maximum number of its issued Shares that it can hold in treasury as illustrated above. The Company may, subject to the requirements of the Companies Act, cancel all or part of the Shares repurchased and/or hold all or part of the Shares repurchased in treasury, at its discretion.

2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The takeover implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the percentage of voting rights in the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia,* will be presumed to be acting in concert, namely:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and their concert parties respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and their concert parties will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the notifications received by the Company, as at the Latest Practicable Date, as set out in paragraph 4 below, save for Mr Chew Hua Seng and Ms Doris Chung Gim Lian, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

2.9.4 Effect of the Share Purchase Mandate on Mr Chew Hua Seng and Ms Doris Chung Gim Lian

As at the Latest Practicable Date, each of Mr Chew Hua Seng and his spouse, Ms Doris Chung Gim Lian held, directly and indirectly, 33.58% of the total number of Shares (excluding treasury shares).

Assuming that there is no change in the number of Shares held or deemed to be held by each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, the purchase or acquisition by the Company of the maximum amount of 10% of the total number of issued Shares (excluding treasury shares) (the Company does not have any subsidiary holdings as at the Latest Practicable Date) will result in an increase in the shareholding interests of each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian from the present 33.58% to 37.31%

Accordingly, each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian may *prima facie* be required to make a take-over offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code.

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, are exempted from the requirement to make a take-over offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code as a result of the Company purchasing or acquiring the Shares pursuant to the Share Purchase Mandate, subject to the following conditions:

(a) this Letter in relation to the Share Purchase Mandate Ordinary Resolution contains advice to the effect that by voting for the renewal of the Share Purchase Mandate, Shareholders are waiving their right to a general offer at the required price from Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, who, as a result of the Company buying back its Shares, would increase their voting rights by more than 1% in any period of six (6) months;

(b) this Letter discloses the names of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, their voting rights at the time of the Share Purchase Mandate Ordinary Resolution and after the proposed purchase or acquisition of Shares by the Company under the Share Purchase Mandate;

(c) the Share Purchase Mandate Ordinary Resolution is approved by a majority of those Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer for the Company as a result of the Company purchasing or acquiring Shares under the Share Purchase Mandate;

(d) Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, shall abstain from voting for, and Mr Chew Hua Seng shall abstain from recommending Shareholders to vote in favour of, the Share Purchase Mandate Ordinary Resolution; and

(e) within seven (7) days after the passing of the Share Purchase Mandate Ordinary Resolution, Mr Chew Hua Seng shall submit to the SIC a duly signed form as prescribed by the SIC; and

(f) Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposal for the renewal of the Share Purchase Mandate is imminent and the earlier of:

    (i) the date on which the authority of the Share Purchase Mandate expires; and

    (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the AGM or it has decided to cease buying back its Shares, as the case may be,

    if such acquisitions, taken together with those purchased or acquisition of Shares by the Company under the Share Purchase Mandate, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

If the Company ceases to buy back its Shares and the increase in the aggregate voting rights held by Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, as a result of the purchase or acquisition of Shares at such time is less than 1%, Mr Chew Hua Seng and Ms Doris Chung Gim Lian will be allowed to acquire voting shares in the Company. However, any increase in their percentage voting rights in the Company as a result of the Company buying back its Shares under the Share Purchase Mandate will be taken into account together with any Shares acquired by Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties (by whatever means) in determining whether Mr Chew Hua Seng and Ms Doris Chung Gim Lian have increased their aggregate voting rights in the Company by more than 1% in any six (6) month period.

2.9.5 Waiver of Rights to General Offer

Shareholders should note that by voting in favour of the Share Purchase Mandate Ordinary Resolution in relation to the renewal of the Share Purchase Mandate to be tabled at the AGM, Shareholders are waiving their rights to a general offer at the required price from Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.10 Taxation

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

2.11 Listing Manual

While the Listing Manual does not expressly prohibit purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such information has been publicly announced. In particular, in line with the best practices on securities dealings as reflected under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares (excluding treasury shares) are in the hands of the public.

Based on the Register of Directors' shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 737,468,337 Shares, representing 53.49% of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Assuming that (a) the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public, and (b) all Shares purchased by the Company are held as treasury shares, the number of Shares in the hands of the public would be reduced to 599,602,670 Shares, representing 48.32% of the total number of issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.12 Previous Share Purchases

The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

3. THE PROPOSED DISPOSAL OF THE PROPERTIES

3.1 Introduction

3.1.1 Background

The Company had on October 2014, 3 December 2014, 26 December 2014, 31 December 2014, 8 January 2015, 15 January 2015 and 16 January 2015 made announcements on SGXNET in relation to the spin-off and listing (the "**Spin-off Listing**") of its subsidiary, OUCHK, on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited ("**HKSE**").

In connection with the Spin-off Listing, the Company and OUCHK had entered into a Deed of Non-Competition and Call Option on 22 December 2014 (the "**Deed**"), where the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option (the "**Call Option**") to purchase the whole or any part of the Zhuyun Education Land. The terms of the Deed provide that the Call Option may be exercised separately, and at different times, in respect of the whole or a part of the Zhuyun Education Land. The Deed provided that the purchase price would be fair and reasonable and negotiated in good faith and agreed between OUCHK and the Company or Tonghui as soon as practicable following the giving of the relevant option notice by OUCHK to the Company or Tonghui to exercise the Call Option. The entry into the Deed was intended to help reduce the possibility of any overlaps between the core businesses and assets of the OUCHK Group and the Group after the Spin-off Listing, and to maintain a clear business delineation between OUCHK Group's businesses and assets (being the leasing of education facilities) and those retained by the Group (being the operation of schools/ colleges and provision of education services).

OUCHK exercised the Call Option on 29 August 2018 to purchase the Properties, and that following negotiations between OUCHK and the Company on the purchase price of the Properties, on 29 August 2018, the Company, OUCHK, Tonghui and Kaifaqu, a wholly-owned subsidiary of OUCHK that is incorporated in the People's Republic of China ("**PRC**") (collectively, the "**Parties**") entered into the ASPA.

The exercise of the Call Option is conditional upon the fulfilment or waiver of the following conditions:

(a) the approval by the majority of the directors of OUCHK who are, from time to time, determined to be independent non-executive directors within the meaning of the GEM listing rules;

(b) all necessary regulatory and governmental approvals and consents in respect of the Call Option having been obtained to the reasonable satisfaction of OUCHK; and

(c) completion of requirements of all applicable laws, including, if required, the approval of OUCHK's shareholders or independent shareholders (as the case may be) for the transaction.

Under the terms of the Deed, upon the completion of the Proposed Disposal, the Call Option will continue to apply in respect of the rest of the Zhuyun Education Land other than the Properties, and will remain outstanding and effective until the earliest of: (i) the date on which the Group, directly or indirectly, ceases to hold or otherwise be interested in, beneficially in aggregate 30% or more of the issued share capital of OUCHK; (ii) the date on which the OUCHK shares cease to be listed on the HKSE (provided that such delisting is voluntary and at the instigation of OUCHK); and (iii) the date on which the Group (including Tonghui) ceases to hold any part of the Zhuyun Education Land. In the event that the Proposed Disposal does not proceed to completion, the terms of the Deed provide that such failure to complete shall not preclude OUCHK from any further exercise of the Call Option in respect of the remaining portions of the Zhuyun Education Land.

Please also refer to the Company's announcements on 29 August 2018 and 4 September 2018 in relation to the Proposed Disposal, and OUCHK's announcement dated 29 August 2018, which has been disclosed together with the Company's announcement on 29 August 2018 in relation to the Proposed Disposal.

3.1.2 Particulars of OUCHK

The Company presently holds 75% of the total issued share capital of OUCHK and OUCHK is therefore a subsidiary of the Company. OUCHK is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on GEM (stock code: 8067). OUCHK is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC.

For the avoidance of doubt, the Proposed Disposal does not constitute an interested person transaction for the purposes of Chapter 9 of the Listing Manual. Rule 915(3) of the Listing Manual provides that where a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%, that transaction is not required to comply with Listing Rules 905, 906 and 907. As no Director, chief executive officer or controlling shareholder of the Company or any of their respective associates holds any interest in OUCHK other than through the Company, the exemption in Rule 915(3) will apply to the Proposed Disposal.

3.1.3 Particulars of the Properties

The Properties are part of the Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC. The Properties comprise three (3) parcels of land for education use with a total site area of approximately 57,501.40 square meters, and two (2) buildings with a total gross floor area of approximately 58,385.86 square meters.

The key details of the land use rights of the three (3) parcels of land are as follows:

No.	Certificate No.	Date of issue	Land use	Approximate site area (sq.m.)
1	(2012) 023	15 June 2012	Education	40,861.40
2	(2016) 00080	10 November 2016	Education	6,937.20
3	(2017)0007965	1 July 2016	Education	9,702.80
			Total:	**57,501.40**

The key details of the building ownership rights of the two (2) buildings are as follows:

No.	Certificate No.	Date of issue	No. of stories	Approximate site area (sq.m.)
1	H6427	29 June 2016	13	51,576.55
2	H6423	29 June 2016	3	6,809.31
			Total:	**58,385.86**

A total of approximately 6,921.27 square meters of the gross floor area of the two (2) buildings is currently being leased out to 22 tenants (all of which are third parties that are not related to the Group) for terms ranging from September 2015 to August 2022. Pursuant to the relevant tenancy agreements, the aggregate annual rent for these areas is approximately RMB1,728,354 (approximately S$345,256)(exclusive of government rates and service charges).

The aggregate historical investment costs paid by the Company as at 19 March 2008 for the three (3) parcels of land and two (2) buildings was approximately RMB21,338,051 (approximately S$4,262,489) and RMB167,269,798 (approximately S$33,413,815) respectively.

As at 30 June 2018, Tonghui holds approximately 101 mu (approximately 67,333.33 square meters) of the Zhuyun Education Land, as approximately 317 mu (approximately 211,333.33 square meters) of the Zhuyun Education Land had been disposed to various third parties prior to this date. After the Proposed Disposal, the remaining Zhuyun Education Land that Tonghui will continue to hold will comprise land with a total site area of approximately 9,768.55 square meters and buildings with total gross floor area of 9,571.21 square meters.

3.2 Details of the Proposed Disposal

3.2.1 Consideration

The Consideration for the Proposed Disposal is RMB252,370,000 (approximately S$50,413,000) (the "**Consideration**"). The Consideration was arrived at on a "willing seller, willing buyer" basis after taking into account arm's length negotiations between the Company and OUCHK under normal commercial terms and with reference to, among others, the preliminary valuation of the Properties at RMB252,370,000 as on 29 August 2018, which provided an indicative value of the Properties. The final valuation report, which similarly values the Properties at RMB252,370,000, has been issued on 27 September 2018 (the "**Valuation Report**"). The valuations were commissioned by OUCHK and the Company jointly and carried out by an independent professional valuer, Cushman & Wakefield Limited[2]. In valuing the Properties, the valuer adopted approaches on the basis of capitalisation of the rental derived from the existing tenancies with due allowance for reversionary rental potential of the Properties, and by making reference to comparable sales evidence as available in the relevant property market. The valuations were prepared in compliance with the HKIS Valuation Standards 2017 issued by the Hong Kong Institute of Surveyors, which follow the International Valuation Standards 2017.

The Consideration shall be satisfied in the following manner:

(a) upon the signing of the ASPA, RMB25,237,000, representing 10% of the Consideration (the "**Deposit**") payable by Kaifaqu to Tonghui, shall be settled in cash;

(b) on the date of the completion of the Proposed Disposal under the ASPA (the "**Completion**"), at the election of OUCHK, OUCHK shall either:

   (i) make a cash payment of RMB50,474,000 representing 20% of the Consideration and issue a convertible note in the value of RMB176,659,000 (equivalent to approximately HK$203,700,202 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 70% of the Consideration and bearing interest at a rate of 2.48% per annum, entitling the Company (or its nominee) to convert at the price of HK$2.30 (representing the average closing price of the shares of OUCHK for the five (5) business days immediately preceding the date of the ASPA) (the "**Conversion Price**") per new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the said convertible note (each a "**conversion share**"), into a maximum of 88,565,306 conversion shares[3]; or

   (ii) issue a convertible note in the value of RMB227,133,000 (equivalent to approximately HK$261,900,259 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 90% of the

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[2] Based on publicly available information, Cushman & Wakefield Limited is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. For two consecutive years in 2017 and 2018, Cushman & Wakefield Limited has won top awards from the Euromoney Survey across a variety of categories, including Overall, Agency Letting/Sales, Valuation and Research in China. In 2017, the firm had revenue of $6.9 billion across core services of property, facilities and project management, leasing, capital markets, advisory and other services. Cushman & Wakefield Limited is a company recognised by the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors.

[3] For illustrative purposes only, the 88,565,306 conversion shares will represent 33.0% of the enlarged share capital of OUCHK, if converted as at 30 June 2018.

Consideration and bearing interest at a rate of 2.48% per annum, entitling the Company (or its nominee) to convert at the Conversion Price per conversion share, into a maximum of 113,869,678 conversion shares[4].

As stated in paragraph 3.1.2 above, the Company presently holds 75.0% of the total issued share capital of OUCHK. The Company further understands that under the GEM listing rules, OUCHK is required to ensure that at least 25% of its total issued share capital of OUCHK is held in the hands of the public[5]. As disclosed in paragraph 3.2.2(c)(iv) below, the Company undertakes not to exercise its conversion right in relation to the convertible note, if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE. Shareholders should note that the Company will only be able to exercise the conversion right under the convertible note as described in paragraphs 3.2.1(b)(i) or 3.2.1(b)(ii) above, if the total issued share capital of OUCHK increases or if the Company disposes of part of the OUCHK shares that it currently holds. In light of the holding company-subsidiary relationship between the Company and OUCHK, the Company also benefits indirectly through OUCHK as OUCHK's holding company. In addition, as OUCHK's holding company and through its nominee directors on OUCHK's board of directors, the Company will be in a position to exercise some control and influence over OUCHK, subject to restrictions imposed by applicable laws and regulations. In view of the above, the Board has assessed the terms of the Proposed Disposal and is of the view that the Proposed Disposal is in the interests of the Company and its Shareholders.

3.2.2 Principal Terms and Conditions of the ASPA

The following are some of the salient terms and conditions of the ASPA:

(a) Conditions Precedent

Completion is conditional upon the fulfilment or waiver of the following conditions by the relevant party:

(i) the warranties provided by the Company and OUCHK under the ASPA remaining true, and accurate in all respects and not misleading in any respect on the date of the Completion;

(ii) the passing of an ordinary resolution by the shareholders of OUCHK (other than the Company) at a general meeting to approve the acquisition of the Properties and to approve the grant of a specific mandate to the board of directors of OUCHK to allot and issue the conversion shares;

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4 For illustrative purposes only, the 113,869,678 conversion shares will represent 38.7% of the enlarged share capital of OUCHK, if converted as at 30 June 2018. Assuming that the conversion had taken place on 30 June 2018, the Group's shareholding in OUCHK will increase from 75.0% to 84.7% after the conversion. However, as the GEM listing rules require a public float of 25%, the Company will not exercise the conversion right if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below 25%, or such percentage as prescribed under the GEM listing rules from time to time.

5 "Public" as defined under the GEM listing rules refers to any person but for the connected persons of OUCHK. This extends to the persons not being financially assisted by the connected persons nor taking instructions from the connected persons. The term "connected persons" as defined under the GEM listing rules includes (i) a director, chief executive or substantial shareholder of OUCHK or any of its subsidiaries; (ii) a person who was a director of OUCHK or any of its subsidiaries in the last 12 months; (iii) an associate (as defined in the GEM listing rules) of any of the above persons; (iv) a connected subsidiary (as defined in the GEM listing rules); or (v) a person deemed to be connected (as defined in the GEM listing rules) by the HKSE.

(iii) the passing of a resolution by the Shareholders to approve the Proposed Disposal under the ASPA and in accordance with the applicable Singapore listing rules;

(iv) the Listing Committee of the HKSE granting approval for the listing of, and the permission to deal in, the conversion shares and such approval not having been revoked;

(v) OUCHK having obtained a legal opinion on, among others, the title certificate of the Properties, issued by a PRC legal adviser, in form and substance satisfactory to OUCHK in its absolute discretion;

(vi) no material adverse change having occurred between the date of the ASPA and Completion; and

(vii) approval by the majority of the independent directors of OUCHK;

(viii) grant of waivers of taxation by the relevant PRC tax authorities in relation to the Proposed Disposal (if required as advised by the PRC legal adviser to OUCHK); and

(ix) approval by the State Administration of Foreign Exchange of the PRC or its competent local counterpart for the settlement of 70% or 90% (as the case may be) of the Consideration by the issuance of the convertible note to the Company (if required as advised by the PRC legal adviser to OUCHK).

If any of the above conditions are not fulfilled by 31 December 2018 or any such later date as the Parties may mutually agree, or if, before Completion, an event of material adverse effect has occurred or a material breach of the warranties of the Company has occurred, which in each case has not be satisfactorily cured in OUCHK's opinion, within the relevant period specified in the ASPA, the ASPA may be terminated in accordance with the terms of the ASPA. In the former case, Tonghui shall repay the Deposit (interest-free) to Kaifaqu within five (5) business days from the date of termination of the ASPA.

(b) Company's Undertakings

The Company undertakes to inform OUCHK if an internal restructuring relating to Tonghui is necessary in order to optimise any PRC tax obligations relating to the Proposed Disposal. In the event that a new entity (which will be wholly-owned by the Company and/or Tonghui) is set up to hold the Properties prior to the transfer to OUCHK under the ASPA, the Company will procure that such new entity complies with the terms and conditions of the transfer of the Properties to OUCHK as set out in the ASPA.

(c) Principal Terms of the Convertible Note

The principal terms of the convertible note are as follows:

(i) The aggregate principal amount of the convertible note will be HK$203,700,202 or HK$261,900,259 (at the option of OUCHK as set out in paragraph 3.2.1(b) above) (the "**Outstanding Principal Amount**"), with the maturity date as 29 August 2028, being 10 years from the date of the ASPA (the "**Maturity Date**");

(ii) The convertible note will bear interest on the Outstanding Principal Amount from and including the Completion Date up to (and including) the earlier of (A) the Maturity Date; or (B) the date at which OUCHK has pre-paid the Outstanding Principal Amount in accordance with the terms of the convertible note, at a rate of 2.48% per annum, payable semi-annually in arrears every six (6) calendar months after the Completion Date;

(iii) Between the date of issue and the Maturity Date, the holder of the convertible note will be able to convert the Outstanding Principal Amount in whole or in part into a specified number of conversion shares based on the Conversion Price, and in accordance with the terms of the convertible note. The conversion shares will rank *pari passu* in all respects with all other existing ordinary shares in the share capital of OUCHK and shall include rights to participate in all dividends and other distributions, the record date of which falls on or after the date of conversion;

(iv) The noteholder undertakes not to exercise its conversion right if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE. As at the Latest Practicable Date, the Company understands that under the GEM listing rules of the HKSE, OUCHK is required to maintain a 25% public float; and

(v) Any part of the convertible note that has not been converted in accordance with the terms of the convertible note as at the Maturity Date shall mature and shall be automatically converted into conversion shares at the Conversion Price on the Maturity Date. In the event that the automatic conversion will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE, the Company can choose to dispose of the ordinary shares in OUCHK that it holds or OUCHK will apply to the HKSE for a waiver, with such waiver explaining the event the reason for OUCHK's public float falling below the minimum prescribed percentage, and how OUCHK intends to restore its public float. OUCHK may also opt to pay an amount equal to the outstanding amount of the convertible note as at the Maturity Date. The terms of the convertible note provide that there will be an event of default if OUCHK is not able to pay the Company for the amount due in respect of the convertible note within ten business days from the Maturity Date.

Upon the occurrence of an event of default under the convertible note or at any time while the same is still continuing, the Company or its affiliate will have the right (which can be exercised in its sole discretion) to demand OUCHK to forthwith redeem the convertible note in full in cash.

(d) Completion

Completion will take place on the 10th Business Day after the fulfilment (or waiver) of the Conditions, or such other date as the Parties may mutually agree in writing.

Upon satisfaction of the delivery conditions for the Properties under the ASPA, the Company or Tonghui shall notify OUCHK in writing to commence the procedures for delivery of the Properties. Where both parties have carried out the inspection and acceptance procedures for the Properties, the Company or Tonghui shall produce the acceptance certificate, including all material documentation pursuant to which the Properties are owned, used or occupied by Tonghui and sign the delivery document. In the event that the Company or Tonghui does not produce the aforesaid certificate and material documents, OUCHK has the right to refuse the delivery and the liability of delayed delivery resulting therefrom shall be assumed by the Company.

The ASPA also contains other customary terms and conditions.

3.3 Relative Figures under Chapter 10 of the Listing Manual

3.3.1 Rule 1014(1) of the Listing Manual states that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, a transaction is classified as a major transaction. Rule 1014(2) of the Listing Manual further states that such a major transaction must be made conditional upon approval by Shareholders in general meeting.

3.3.2 Based on the FY2018 Financial Statements, the relative figures computed in respect of the Proposed Disposal on the bases set out in Rule 1006 of Listing Manual are as follows:

(a) Rule 1006(a) – the net asset value of the Properties of approximately S$47,093,000 as at 30 June 2018 represents approximately 6.5% of the Group's net asset value of S$722,730,000 as at 30 June 2018;

(b) Rule 1006(b) – the aggregate net losses of approximately S$251,000[6] attributable to the Properties to be disposed of for FY2018 represents approximately negative 0.6% of the Group's net profits of approximately S$42,421,000 for FY2018;

(c) Rule 1006(c) – the Consideration of RMB252,370,000 (approximately S$50,413,000) represents approximately 23.9% of the Company's market capitalisation of approximately S$210,934,000[7] as at 28 August 2018, being the market day immediately preceding the date of the ASPA;

(d) Rule 1006(d) – not applicable as no Shares will be issued by the Company pursuant to Proposed Disposal; and

(e) Rule 1006(e) – not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

3.3.3 Based on the relative figures above, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders.

3.4 Financial Effects of the Proposed Disposal

3.4.1 Based on the FY2018 Financial Statements:

(a) the book value and net tangible asset value of the Properties as at 30 June 2018 was approximately S$47,093,000 and S$47,093,000 respectively;

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6 Calculated based on the difference between the property expenses of S$608,000 and the rental income of S$357,000, attributable to the Properties for FY2018.

7 Calculated based on the last transaction price of S$0.153 per Share and 1,378,656,672 shares excluding treasury shares.

(b) As this is a transaction within the Group, there will be no gain/loss from this transaction for the Group except for the effect on tax and non-controlling interest[8]. The Group intends to use the sale proceeds from the Proposed Disposal for its working capital.

3.4.2 Based on the latest FY2018 Financial Statements, the financial effects of the Proposed Disposal would be as follows:

(a) the net tangible assets per share of the Company as at 30 June 2018 would increase from 36.46 Singapore cents to 36.84 Singapore cents, assuming that the Proposed Disposal had been completed on 30 June 2018; and

(b) the earnings per share of the Company for FY2018 would increase from 0.9 Singapore cents to 1.3 Singapore cents, assuming that the Proposed Disposal had been completed on 1 July 2017.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

4.1 The interest of the directors of the Company in the Shares, as extracted from the Register of Directors' shareholdings, as at the Latest Practicable Date is set out below:

	Number of Shares			% of the total number of issued Shares[(1)]
	Direct Interest	**Deemed Interest**	**Total Interest**	
Chew Hua Seng[(2)]	428,864,605	34,043,159	462,907,764	33.58
Lim How Teck	-	-	-	-
Tan Chin Nam	-	-	-	-
Teo Cheng Lok John	361,562	-	361,562	0.03
Mdm. Gan Hui Tin	-	-	-	-

Notes:

(1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,378,656,672.

(2) Mr Chew Hua Seng's direct interest in the Shares comprises 291,914,842 Shares held in his sole name and 136,949,763 Shares held jointly with his spouse, Ms Doris Chung Gim Lian. Ms Doris Chung Gim Lian also holds 34,043,159 Shares in her sole name. Mr Chew Hua Seng is deemed to be interested in the 34,043,159 Shares held by Ms Doris Chung Gim Lian. Assuming the purchase or acquisition of Shares pursuant to the Share Purchase Mandate is carried out to the full 10% limit, Mr Chew Hua Seng's percentage shareholding in the Company will increase from 33.58% to 37.31%.

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8 As this is a transaction between two (2) subsidiaries of the Company, there is also no gain/loss from this transaction at the Company level. For illustrative purposes only, if the Proposed Disposal was entered into with a third party instead of OUCHK, the gain on disposal would be approximately RMB24,600,000 (approximately S$4,913,600) (being the difference between the Consideration of RMB252,370,000 (approximately S$50,413,000) and the cost as at 30 June 2018 of RMB227,770,000 (approximately S$45,499,400)).

The interests of the Substantial Shareholders (other than Directors) in the Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date are set out below:

	Number of Shares			% of the total number of issued Shares[1]
	Direct Interest	Deemed Interest	Total Interest	
Doris Chung Gim Lian[2]	170,992,922	291,914,842	462,907,764	33.58
Oei Hong Leong[3]	134,565,569	43,353,440	177,919,009	12.91

Notes:

(1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,378,656,672.

(2) Ms Doris Chung Gim Lian is the spouse of Mr Chew Hua Seng. In this respect, Ms Doris Chung Gim Lian is deemed to have an interest in the shareholdings of Mr Chew Hua Seng and *vice versa*.

(3) Mr Oei Hong Leong is deemed to have an interest in the shares held by Oei Hong Leong Art Museum Limited ("**OHLAM**") due to his direct interest of 90% in the ultimate holding company of OHLAM.

4.2 Interests in the Proposed Disposal

As at the date of this Letter, none of the Directors or controlling shareholders of the Disposal has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholdings in the Company. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal or any other transaction contemplated in relation to the Proposed Disposal.

5. DIRECTORS' RECOMMENDATIONS

5.1 Proposed Renewal of the Share Purchase Mandate

The Directors (other than Mr Chew Hua Seng, who has abstained from making any recommendations in respect of the Share Purchase Mandate Ordinary Resolution) are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Share Purchase Mandate Ordinary Resolution at the AGM.

5.2 Proposed Disposal

The Directors are of the opinion that the Proposed Disposal is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Disposal at the AGM.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is circulated with this Letter, will be held on 29 October 2018 at 10am at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 for the purpose of considering and, if thought fit, passing, with or without modifications, the Ordinary Resolutions set out in the Notice of AGM.

7. ABSTENTION FROM VOTING

Proposed Renewal of Share Purchase Mandate

Each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties (if any), is required to abstain from voting on the Share Purchase Mandate Ordinary Resolution at the AGM. Each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian shall not, and shall procure that their concert parties shall not, accept appointment as proxies for voting on the Share Purchase Mandate Ordinary Resolution unless specific instructions have been given on the Proxy Form(s) on how the votes are to be cast in respect of the Share Purchase Mandate Ordinary Resolution and that they inform their concert parties accordingly. Please refer to paragraph 2.9 for a definition of their concert parties.

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Purchase Mandate and the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Letter in its proper form and context.

9. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 51 Merchant Road, Raffles Education Square, Singapore 058283 during normal business hours from the date hereof up to and including the date of the AGM:

(a) the Constitution;

(b) the ASPA;

(c) the Valuation Report; and

(d) the Annual Report 2018.

Yours faithfully
For and on behalf of the Board of Directors of
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman and Chief Executive Officer