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RAFFLES EDUCATION CORPORATION LIMITED

Securities

ANNUAL REPORTS AND RELATED DOCUMENTS::

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No

Announcement Details

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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 refer to the following attachments:
1. Annual Report 2020
2. Notice of AGM
3. Proxy Form

Additional Details

Period Ended

30/06/2020

Attachments

REC - AR 2020.pdf

REC - Notice of AGM - 30 Oct 2020.pdf

REC - AGM 30 Oct 2020 - Proxy Form - By way of electronic means.pdf

Total size =25261K MB

RafflesEducation

30 YEARS OF DESIGN EDUCATION

ANNUAL REPORT 2020

Contents

30 Years of Humble Beginning

RafflesEducation commemorates 30 years in the private education sector and have many milestones to celebrate. Established in 1990, RafflesEducation began with the flagship design-centric Raffles Design Institute in Singapore. The corporation has since begun expanding its horizons to neighboring countries, parts of India, China, and Italy. RafflesEducation now boast of having 18 colleges, in 16 different cities across 10 different countries. In 2020, RafflesEducation celebrates its 30th milestone despite the global pandemic and have adoption of technologies in education delivery. Raffles continues to provide a boutique, exclusive and personalized education service to students across the globe.

> *"We believe that our experience and capabilities in the education will help us ride out any challenging times ahead."*

Through the Formative 90s

RafflesEducation first established itself with the first education campus, Raffles Design Institute Singapore at its initial campus located at Marina Square. Raffles Design Institute was the first private institute in Singapore to offer Fashion Design and Fashion related courses. Subsequently, the institute continued to build upon its core curriculum strength to include new courses in Interactive Media Design, Visual Communication, Product Design, Jewellery Design, Games Design and Animation design.

RafflesEducation at Sophia Road

RafflesEducation at 11 Beach Road

Growth Through the 21st Century

In this next decade, RafflesEducation continues to expand its education efforts and establishes more design institutes overseas to bring design education across the region. In 2002, RafflesEducation was listed on Singapore Stock Exchange. The organization continues to expand into China, and India. In May 2008, RafflesEducation officially acquires Tianjin University of Commerce Boustead College and gain share into the education landscape in Tianjin. Another significant milestone is the acquisition of the Oriental University City in Langfang, China in 2009.

Excellence Through 2010s

In February 2010, RafflesEducation reorganised its local subsidiaries, Raffles Design Institute, Raffles Merchandising Institute and Raffles School of Business to Raffles College of Higher Education. In 2012, Raffles College of Higher Education Singapore was awarded a four-year Edutrust Certification by the council for Private education.

RafflesEducation at 99 Beach Road

The Future Towards
Success by Design.

In 2013, RafflesEducation's headquarters and Raffles College of Higher Education moved into a new home after 23 years, at Raffles Education Square, located at 51 Merchant Road. The campus facilities is equipped with the state-of-the-art technology that created an ideal environment to create an engaging and interactive learning experience for students. At Raffles Singapore, our students benefit from a quality education with a well-rounded hands-on experience relevant to the industry. The 2010s was very eventful for RafflesEducation and had seen the organization grow tremendously.

Ever Transforming,
Modern Design Education Pedagogy

In 2020, RafflesEducation sees the celebration of its 30th anniversary amid tough times. Having learnt through its experience and achievements, Raffles now looks ahead with confidence.

Speed-Up the Process with 3D Print

3D Projection for Realistic Visualisation

Stay Connected through Home Based Learning

Be Engaged in Real-Time Interaction

Experiential Transcendence
In Design Education

Keep Shinning
in the Spotlight

Lessons Taught
Beyond the Classroom

Rerentless Efforts in
Delivering the Education

Our Vision

Our vision is to be the premier education Group.

Our Mission

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

Our Values & Culture

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

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

Corporate Profile

RafflesEducation is a premier education Group.

Since establishing its first college in Singapore in 1990, RafflesEducation has grown to provide a full spectrum of education services through a vast network of 18 colleges and universities across 10 countries in Asia Pacific and Europe: Cambodia, India, Indonesia, Italy, Malaysia, Mongolia, Saudi Arabia, Singapore, Thailand and the People's Republic of China.

More than 18,784 students enrolled in RafflesEducation's programmes benefit from a quality education that provides graduates with a well-rounded hands-on experience that is relevant to the industry.

The Group through its Hong Kong Stock Exchange listed subsidiary, Oriental University City (H.K.) Ltd., leases education facilities to 12 vocational and technical colleges offering a wide variety of vocational and technical courses catering to a student population of 16,000.

Letter To Shareholders

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the Annual Report and Audited Accounts of Raffles Education Corporation Limited (the "Company", and together with its subsidiaries, the "Group") for the financial year ended 30 June 2020 ("FY2020").

Uncertainties around the evolution of the COVID-19 pandemic will continue to persist, and the business environment is expected to remain extremely challenging.

The restricted border movements in the locations of all the colleges we operate in, which rely on foreign student intake, is impacting our recruitment and retention of foreign students.

That being said, the People's Republic of China ("PRC") remains the key bright spot in our business. Owing to tensions between China and the West – even before the coronavirus pandemic – middle-class parents in China had become increasingly concerned about the safety of, and possible discrimination against, their children abroad and would prefer their children to study in domestic universities, which translates into a positive impact on the education sector in the PRC.

We are taking actions to seize the tremendous opportunities in the PRC and will make sure our business remains strong throughout this period. We are cautiously confident that we will emerge from this crisis in a position to deliver our long-term growth strategy.

I believe long-term thinking has never been more critical than it is today. And I believe companies and investors with a strong sense of purpose and a long-term approach will be better able to navigate this crisis and its aftermath.

Operational Highlights

The Group's revenue increased by $2.6 million to $100.5 million for FY2020 compared to $97.9 million in the previous financial year, FY2019. The increase was partially due to the ASEAN revenue increased by $4.3 million to $38.8 million in FY2020 from $34.5 million in FY2019.

We will continue to take efforts to make timely adjustments to our strategies, improve internal operational efficiency, adopt measures to reduce costs and manage our cash flows to ensure the sustainability of our businesses during the COVID-19 crisis and beyond.

Appreciation

To conclude, I would like to thank the Board of Directors and all staff members for their unwavering dedication, their consummate professionalism, and their invaluable contributions to the Group throughout an incredibly challenging period.

Please stay healthy and safe.

Mr Chew Hua Seng
Chairman and CEO

Company Highlights & Awards

Founded
in Singapore in 1990

Over 18,784
Student Enrolment per Year

Established Brand
Name and a Leader in Design Education

Broad Presence
18 Colleges & Universities in
16 Cities across
10 Countries

Listed On SGX
January 24, 2002

Top Brand 2018 Award
(The Most Influential Brand Award)

The Golden Bull Award 2018
(Super Golden Bull)

International Quality Crown Award 2018
(Platinum Category)

Globalising Raffles

Asia

Bangkok ▫
Bangkok ▫▫
Iskandar ^
Iskandar ^^
Jakarta
Kuala Lumpur
Phnom Penh
Singapore
Ulaanbaatar

Europe

Milan
Nendaz

▫ K-12
▫▫ College
^ K-12
^^ University

The People's Republic Of China

Guangzhou
Hefei Wanbo
Hong Kong
Shanghai
Suzhou
Tianjin

Middle East

Riyadh

India

Greater Noida *
Mumbai

* Pending approval

18 Colleges/ Universities

16 Cities

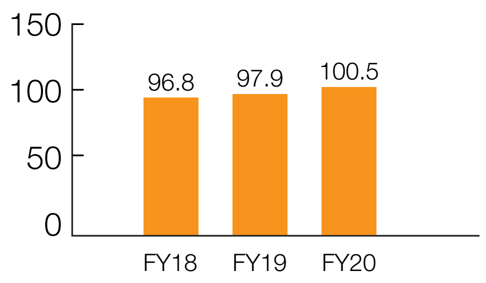
10 Countries

Financial Highlights

For the year ended 30 June (S$'000)	2018	2019	2020
Operating Results			
Revenue	96,832	97,854	100,477
Profit/(loss)			
Adjusted EBITDA~	76,364	25,852	31,150
Operating	(3,627)	40,082	9,643
Before Tax	42,421	28,056	(7,370)
After Tax	22,642	41,107	(14,337)
Attributable to shareholders	10,667	40,213	(16,426)
Operating Cashflow	(10,707)	16,438	8,847
Earnings per Share (cents) - Basic	0.90	2.92	(1.19)
- Diluted	0.90	2.92	(1.19)
Shares used in calculating EPS (millions) - Basic	1,182	1,379	1,379
- Diluted	1,182	1,379	1,379
Financial Position			
Issued Share Capital**	514,654	514,654	514,654
Shareholders Funds	621,592	634,805	617,811
Non-current Assets	1,116,009	1,162,614	1,036,406
Current Assets	144,084	79,224	137,383
Current Liabilities	259,854	194,268	234,326
Non-current Liabilities	272,509	351,512	257,881
Net Asset Value per Share (cents)	45.09	46.05	44.81
Return On Shareholders Funds			
Return on Equity (%)	1.7%	6.3%	(2.7%)
Net Profit/(Loss) Margin (%)	11.0%	41.1%	(16.3%)

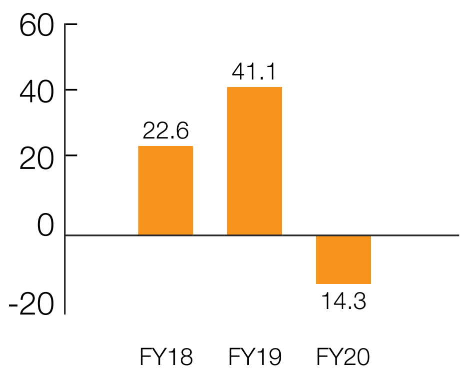
Revenue

S$ millions



Net Profit/(Loss) 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)	2019	2020	Change
Operating Results			
Revenue	97,854	100,477	2.6%
Profit			
Adjusted EBITDA~	25,852	31,150	20.5%
Operating	40,082	9,643	-75.9%
Before Tax	28,056	(7,370)	NM
After Tax	41,107	(14,337)	NM
Attributable to shareholders	40,213	(16,426)	NM
Operating Cashflow	16,438	8,847	NM
Earnings per Share (cents) - Basic	2.92	(1.19)	NM
- Diluted	2.92	(1.19)	NM
Shares used in calculating EPS (millions) - Basic	1,379	1,379	-
- Diluted	1,379	1,379	-
Financial Position			
Issued Share Capital**	514,654	514,654	0.0%
Shareholders Funds	634,805	617,811	-2.7%
Non-current Assets	1,162,614	1,036,406	-10.9%
Current Assets	79,224	137,383	73.4%
Current Liabilities	194,268	234,326	20.6%
Non-current Liabilities	351,512	257,881	-26.6%
Net Asset Value per Share (cents)	46.05	44.81	-2.7%

As at 30 June	2019	2020
Revenue Contribution by Regions		
Asean	35.2%	38.6%
North Asia	57.1%	55.1%
Australasia	3.7%	2.0%
South Asia	1.2%	1.0%
Europe	2.8%	3.3%
Total	100%	100%

Revenue Contribution by Segments

(S$'000)	2019	2020
Education	77,944	81,858
Education Facilities Rental Service	14,590	14,758
Corporate & Others	11	43
Real Estate Investment & Development	5,309	3,818
Total	97,854	100,477

Earnings Contribution by Segments

(S$'000)	2019	2020
Education	(7,021)	(2,706)
Education Facilities Rental Service	5,227	8,917
Corporate & Others	(16,494)	(22,158)
Real Estate Investment & Development	59,395	1,610
Total	41,107	(14,337)

Notes:

~ 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.

** Net of treasury shares

NM Not meaningful

FY2020 Financial Review

(1) Group revenue increased from $97.9 million for FY2019 to $100.5 million for FY2020 was mainly due to:

(a) ASEAN revenue increased by $4.3 million from $34.5 in FY2019 to $38.8 million in FY2020; offset by
(b) Australasia revenue decreased by $1.7 million from $3.7 in FY2019 to $2.0 million in FY2020 due to the disposal of investment property in Parramatta, New South Wales, Australia on 29 November 2019.

(2) Other operating income decreased from $45.1 million for FY2019 to $12.0 million for FY2020 was mainly due to:

(a) The gain on disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. of $37.4 million in FY2019; offset by
(b) Interest income increased from $0.6 million for FY2019 to $4.0 million for FY2020 mainly due to unwinding effect for discount of receivable of $2.8 million for the disposal of subsidiary, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd.
(c) The gain on disposal of investment property in Parramatta, New South Wales, Australia of $2.0 million on 29 November 2019.

(3) Depreciation and amortisation expenses increased from $13.8 million for FY2019 to $15.9 million for FY2020 mainly due to recognition of depreciation charge of $2.1 million for right-of-use assets following the adoption of SFRS(I) 16 on 1 July 2019.

(4) Net fair value gain on investment properties of $3.2 million was recognised in FY2020 mainly due to:

(a) Fair value gain on investment properties of $2.5 million arising from the revaluation of the property in Bangkok, Thailand, was a result of the property being used by our school during FY2020 and transferred from investment property to property, plant and equipment at the date of change where a valuation was performed by an independent professional valuation specialist giving rise to this fair value gain; and
(b) Fair value gain on investment properties of $2.0 million in Oriental University of City Holdings (H.K) and Oriental University Limited; offset by
(c) Fair value loss on investment properties of $1.3 million in Nendaz, Switzerland.

(5) FY2020 income tax expense of $7.0 million was mainly provision for deferred tax liabilities in accordance with tax requirements in PRC.

(6) FY2020 Group net loss was $14.3 million and net asset value per share was 44.81cents.

(7) Net cash from operating activities amounted to $8.8 million. There is a net change of $11.5 million from the net cash from operating activities of $20.3 million stated in the unaudited results announcement mainly due to the reclassification of 3 items from operating activities to investing activities consisting of $16.6 million, ($0.4 million) and ($4.7 million) mentioned in (8)(b), (9)(a) and (9)(b) below. The reclassifications have no impact on the cash and cash equivalent at the end of the FY2020 in the consolidated statement of cash flow of the Group.

(8) Major contributors of cash inflows were:

(a) Proceeds from disposal of investment properties of $71.4 million;
(b) Net cashflow on disposal of subsidiaries of $16.6 million which was reclassified from operating activities; and
(c) Drawdown of borrowings of $31.6 million.

(9) Major cash outflows were:

(a) Additions of investment properties ("IP") of $15.2 million which has increased by $0.4 million in relation to payments of IP reclassified from operating activities;
(b) Payments for property, plant and equipment ("PPE") of $19.5 million which has increased by $4.7 million mainly in relation to purchase of PPE reclassified from operating activities;
(c) Repayment of borrowings of $77.2 million;
(d) Repayment of loan to a director of $9.9 million; and
(e) Payment for assignment of the dividend from non-controlling interests in a subsidiary of $6.6 million.

(10) The Group's cash position was $8.2 million at the end of FY2020 (FY2019: $ 7.7 million).

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. Chew has been appointed as a non-executive director and chairman of Sitra Holdings (International) Limited, a company listed on the SGX-ST, with effect from 21 October 2019. Sitra Holdings (International) Limited is an international distributor of high-quality wood-based products and premium lifestyle outdoor furniture that serves a network of over 290 corporate customers in 58 countries spanning North America, Europe, Australia/New Zealand and the Asia.

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 LOGOS Logistics Trust and Boogle Group Limited. He is also a Board Director of CSE Global Limited, Mizuho Securities (Singapore) Pte. Ltd., Heliconia Holdings Pte. Ltd., Yang Kee Logistics (Singapore) Pte. Ltd., Singapore DTT Corporation Pte. Ltd. and Nexusun International Pte. Ltd. He is a Senior Adviser to 3DOM Inc, Special Advisor to Titanium Pte. Ltd. and Omni Sharing Private Limited. He is also an Advisor to KPISOFT Pte. Ltd., IMCSE Limited (International Monetary Crypto Securities Exchange), Skyfy Technology Pte. Ltd., SCash Technologies Pte. Ltd., Pixie Pitch Pte. Ltd., Singularity Pte. Ltd., Helicap Pte. Ltd., 33 Ventures Pte. Ltd., Propease Technologies Pte. Ltd., Food United Holding (S) Pte. Ltd., TNP Fitness Pte. Ltd. and OnetoOne Interactive Pte. Ltd.

Mr Lim was awarded The Public Service Medal (PBM) National Day Award in 1999 and the Public Service Star (BBM) National Day Award in 2014.

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.

Mr Joseph He Jun
Non-Independent Non-Executive Director

Joseph HE Jun is the Head of the China Practice and a Partner in the Mergers & Acquisitions Practice at WongPartnership LLP. His main practice areas are corporate finance, equity capital markets, foreign investment, mergers and acquisitions and property development in the People's Republic of China ("PRC").

Joseph presents and participates in panel discussions at regional and local conferences on PRC-related topics. Joseph is a member of Business China and the Advisory Board of Singapore Management University (SMU)'s Law School. He is also a member of The Law Society of Singapore's Inquiry Panel and sits on the Advisory Committee for the China-Ready Programme for Singapore's Legal Industry organised by the Ministry of Law Singapore.

Joseph is recommended as a foreign expert based abroad in Singapore with expertise in the PRC by Chambers Global – The World's Leading Lawyers for Business since 2012, with clients giving feedback that "he is excellent in Singapore and China".

He has been listed as a leading lawyer in Singapore by Expert Guides – Guide to the World's Leading Practitioners: China, in the area of Corporate/M&A. He was also recommended by Chambers Asia Pacific – Asia Pacific's Leading Lawyers for Business and The Legal 500: Asia Pacific – The Client's Guide to the Asia Pacific Legal Profession for real estate work in the PRC.

Joseph is recognised by Best Lawyers as a leading lawyer in Singapore in the areas of corporate law and capital markets, and in the PRC by China Law & Practice's Annual Review 2015 in the areas of capital markets and corporate/M&A. Joseph is also recommended as a leading corporate/M&A lawyer in the PRC by Asialaw Leading Lawyers – The Guide to Asia-Pacific's Leading Lawyers and Asialaw Profiles – The Guide to Asia-Pacific's Leading Domestic Law Firms since 2014. A client praised him for being "very responsive and efficient, he answers directly to the point and provides specific and full responses to the issues raised".

Mr Liu Ying Chun
Non-Independent Non-Executive Director

Mr Liu Ying Chun is the chief executive officer of Oriental University City Holdings (HK) Limited group of companies ("OUCHK") (a company listed on the Hong Kong Stock Exchange and a subsidiary of RafflesEducation) and an executive Director. He joined OUCHK in June 2010 and was appointed as an executive director on 16 January 2014. He is also a member of its' risk management committee. Mr Liu is primarily responsible for managing the overall operations of OUCHK.

Mr Liu has served as director of Langfang Education Consultancy, a subsidiary of OUCHK since 2011, OUC Malaysia Sdn Bhd since May 2016, OUC (Spain) Pte Limited and OUC (Italy) Pte Limited since October 2016, Campus Residence S.r.l. since May 2017, OUC (Inodnesia) Pte Ltd, PT OUC Jakarta Indo and PT OUC Thamrin Indo since February 2020 respectively, all of which are wholly owned by OUCHK.

Mr Liu was appointed as a non-executive Director of Axiom Properties Limited, a company listed on the Australian Stock Exchange, since November 2015. He also served as the chairman of Langfang Huaxi Construction Consultancy Company Limited (廊坊市華璽建設工程諮詢有限公司) from September 2000 to June 2010. He worked in the Langfang Audit Office (廊坊市審計局) as the vice head, and as the head of Construction Centre Department from December 1991 to September 2000. Mr Liu also worked in the Wenan County Audit Office (文安縣審計局) from July 1983 to November 1991. Mr Liu obtained an executive master of business administration degree from University of Science and Technology Beijing (北京科技大學) in January 2019 and a diploma in business economics from the Renmin University of China (中國人民大學) in June 1988. Mr Liu is registered as a valuer with the China Appraisal Society (中國資產評估協會). He is a qualified auditor accredited by the National Audit Office of the People's Republic of China (the "PRC") (中華人民共和國審計署), and is also an engineer in the PRC.

Mdm Gan Hui Tin
Independent Non-Executive Director

Mdm Gan Hui Tin joined BNP Paribas in June 2018. Her current appointment with the bank is Managing Director/Advisor, Business Development, South-East Asia. Prior to this, she was with the Hong Leong Group, Malaysia from 1996 to 2016. She was the Country Head for the Group's HL Bank, Singapore when she retired in 2016.

Mdm Gan also held senior positions in Chase Manhattan Bank NA and Bank Brussels Lambert. In total, Mdm Gan has more than 36 years of experience in the banking industry.

Mdm Gan graduated with a Bachelor's degree in Business Administration from the University of Singapore. She holds directorship in Ethan Investments Pte. Ltd, Eluzai Pte. Ltd. and Elizur Pte. Ltd.

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 18 colleges/universities in 16 cities across 10 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 is Committed to ***Provide Quality Education and Education-Related Services*** *Through its Network of Institutions."*

RafflesEducation

Design Colleges	Universities & Vocational Institute	K-12	Oriential University City
• Bangkok, Thailand	• Iskandar, Malaysia	• Suzhou Kindergarten, Suzhou, China	• 12 Educational Institutions, China
• Kuala Lumpur, Malaysia	• Greater Noida, India	• Raffles American School, Iskandar, Malaysia	
• Phnom Penh, Cambodia	• Tianjin University of Commerce Boustead College, China	• Raffles American School, Bangkok, Thailand	
• Singapore	• Hefei Wanbo College, China		
• Ulaanbaatar, Mongolia			
• Jakarta, Indonesia			
• Mumbai, India			
• Riyadh, Saudi Arabia			
• Guangzhou, China			
• Shanghai, China			
• Milan, Italy			
11 Cities	4 Cities	3 Cities	1 City

Strategy

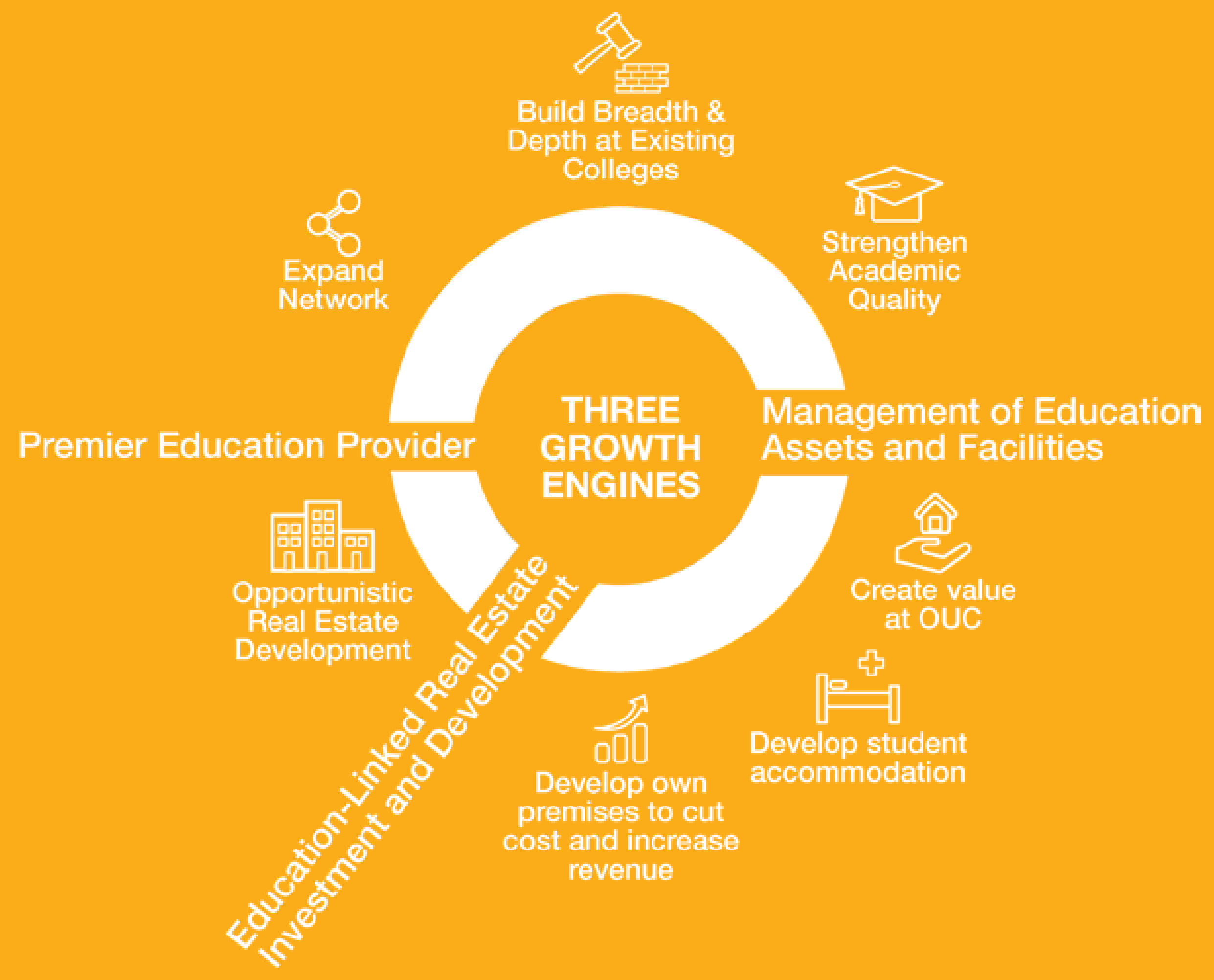
Our journey to success was a corporate journey crafted with great foresight and a well-designed roadmap.

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.

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

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.

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

SAKURA COLLECTION ASIA STUDENT AWARDS IN MALAYSIA 2020

Raffles Fashion Designer,
AU Jie Min
Malaysian
Raffles University

Fourth Prize for the
Sakura Collection Asia Student
Awards in Malaysia 2020

SAKURA COLLECTION ASIA STUDENT AWARDS IN SINGAPORE 2020

Raffles Fashion Designer,
Onwaree SUKJUMROEN
Thai
Raffles Singapore

Winner for the
Sakura Collection Asia Student
Awards in Singapore 2020

SAKURA COLLECTION ASIA STUDENTS AWARD IN INDONESIA 2019

Raffles Fashion Designer,
Gracelyn LIAUW
Indonesian
Raffles Jakarta

First Runner-Up for the
Sakura Collection Asia
Students Award in
Indonesia 2019

HARPER'S BAZAAR ASIA NEWGENERATION FASHION AWARD 2020 (INDONESIA)

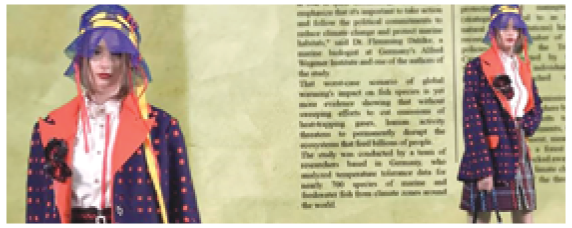
Raffles Fashion Designer,
Gracelyn LIAUW
Indonesian
Raffles Jakarta

Finalist for the
Harper's BAZAAR Asia NewGeneration
Fashion Award 2020 (Indonesia)

HARPER'S BAZAAR ASIA NEWGENERATION FASHION AWARD 2020 (INDONESIA)

Raffles Fashion Designer,
Clara Valicia CHOW
Indonesian
Raffles Singapore

Finalist for the
Harper's BAZAAR Asia NewGeneration
Fashion Award 2020 (Indonesia)



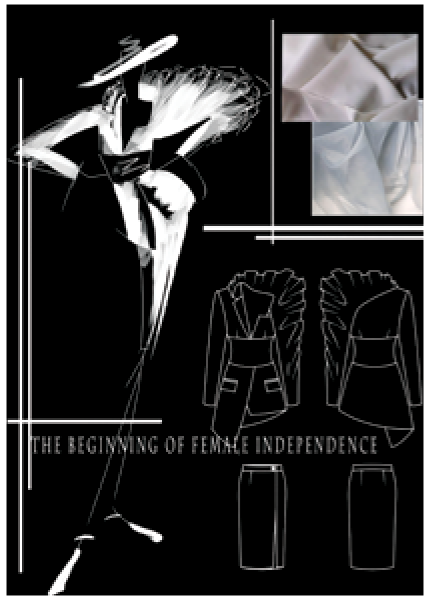
REDRESS DESIGN AWARDS 2020

Raffles Fashion Designer,
Nicole Kim ANG
Filipino
Raffles Singapore

Semi-Finalist for the
Redress Design Awards 2020
(People's Choice)

RAFFLES WINS

FRANKFURT STYLE AWARDS 2020



Raffles Fashion Designer,
FAN Xin Tian
Chinese
Raffles Singapore

Second Runner-Up for the Frankfurt Style Awards 2020

A' DESIGN AWARD & COMPETITION 2019

Raffles Jewellery Designer,
Tina Winness WONG
Malaysian
Raffles Kuala Lumpur

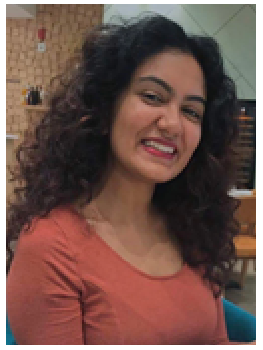
Winner for the A' Design Award & Competition 2019

JAPAN JEWELLERY COMPETITION 2020

Raffles Jewellery Designer,
MA Bao Yi
Chinese
Raffles Singapore

Featured Design for the Japan Jewellery Competition 2020 (Overseas Division)

MBT MARKETING DESIGN AWARD 2020



Raffles Fashion Marketer,
Iyer Ashwini GANESH
Indian
Raffles Singapore

Winner for the MBT Marketing Design Award 2020

BIRKENSTOCK EMPATHY MARKETING CONTEST 2020

Raffles Fashion Marketer,
YONG Le Yee Alex
Singaporean
Raffles Singapore

First Prize for the Birkenstock Empathy Marketing Contest 2020

Raffles Fashion Marketer,
Cindde SUSANTO
Indonesian
Raffles Singapore

Second Prize for the Birkenstock Empathy Marketing Contest 2020

Raffles Fashion Marketer,
Natalie NG
Singaporean
Raffles Singapore

Third Prize for the Birkenstock Empathy Marketing Contest 2020

RAFFLES WINS

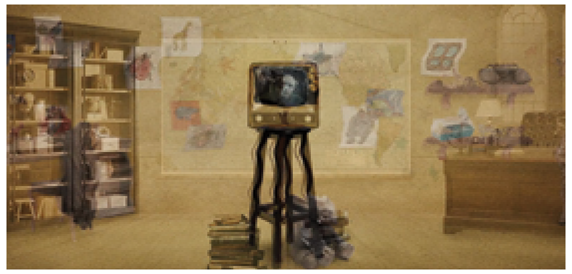
INDIGO DESIGN AWARDS 2020

Raffles Graphic Designer,
Nasha SAMALA
Filipino
Raffles Jakarta

Gold & Silver Awards for the
Indigo Design Award 2020
(Packaging Design Category)

Raffles Graphic Designer,
Gabriella AMANDA
Indonesian
Raffles Jakarta

Silver Award for the
Indigo Design Award 2020
(Packaging Design Category)

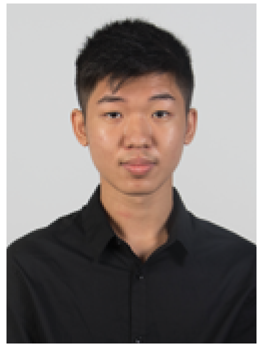


Raffles Graphic Designer,
Cindy KURNIAWAN
Indonesian
Raffles Jakarta

Gold & Silver Awards for the
Indigo Design Award 2020
(Main Title Design & Mixed Media/
Moving Image Category)

Raffles Graphic Designer,
Elizabeth Olivia TANIA
Indonesian
Raffles Jakarta

Silver & Bronze Awards for the
Indigo Design Award 2020
(Main Title Design & Mobile Apps
Design Category)



Raffles Graphic Designer,
Enrico Putra WIDJAJA
Indonesian
Raffles Singapore

Gold & Silver Awards for the
Indigo Design Award 2020
(Book Design & Typography Category)

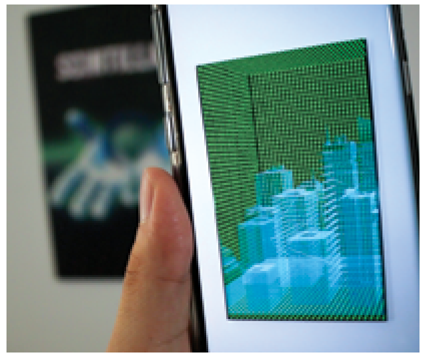
Raffles Graphic Designer,
Margareth Riyanti SUDJUNO
Indonesian
Raffles Singapore

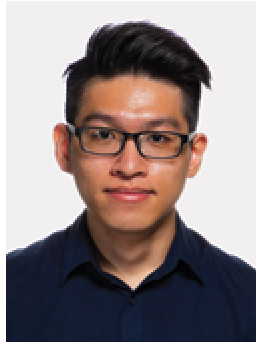
3 Silver Awards for the
Indigo Design Award 2020
(Branding, Packaging Design &
Promotional Materials Category)

RAFFLES WINS

Raffles Digital Media Designer,
Nur Insyirah Ayub KHAN
Malaysian
Raffles Singapore

3 Silver Awards for the
Indigo Design Award 2020
(Interactive Design, PC Games &
UX/UI & Navigation Category)





Raffles Digital Media Designer,
KONG Jun Lok Calvin
Malaysian
Raffles Singapore

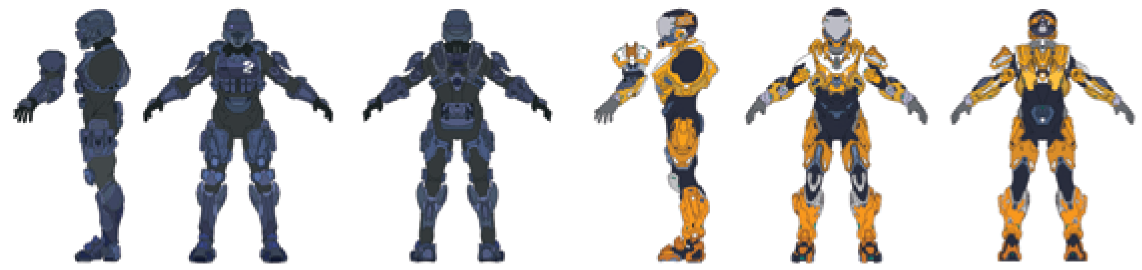
Silver Award for the
Indigo Design Award 2020
(Integrated Graphic Design Category)

Raffles Digital Media Designer,
NGEW Sea Ching
Singaporean
Raffles Singapore

Silver Award for the
Indigo Design Award 2020
(Integrated Graphic Design Category)

Raffles Animator,
XU Jiang Rong Kevin
Chinese
Raffles Singapore

Silver & Bronze Awards for the
Indigo Design Award 2020
(Character Design &
Illustration Category)



Raffles Animators,
Pratik Jose COTTA, YEO Ying Siu
& Yura JEONG
Indian, Bruneian & South Korean
Raffles Singapore

Silver & Bronze Awards for the
Indigo Design Award 2020
(Storyboarding & Computer
Animations Category)

ASPAC DESIGN AWARDS 2019

Raffles Graphic Designer,
Gabriella AMANDA
Indonesian
Raffles Jakarta

Winner & Special Ajinomoto
Award for the
ASPaC Design Awards 2019
(Tokyo, Japan)

WOOD PENCIL AWARD, A&AD NEW BLOOD UK

Raffles Graphic Designer,
SONG Chan Hee
South Korean
Raffles Singapore

Winner for the
Wood Pencil Award,
A&AD New Blood UK

SPADE SPATIAL DESIGN AWARDS 2020

Raffles Interior Designer,
HUANG Piaolei
Chinese
Raffles Singapore

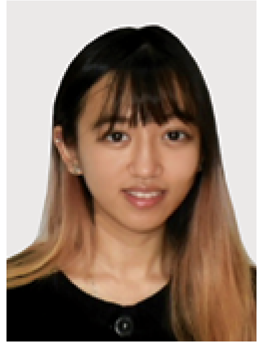
Silver Award for the
SPADE Spatial Design Awards 2020
(Best in Hospitality Design Category)

Raffles Interior Designer,
GUO Bingling
Chinese
Raffles Singapore

Bronze Award for the
SPADE Spatial Design Awards 2020
(Best in Public Design Category)

Raffles Interior Designer,
Lavinia SIMA
Romanian
Raffles Singapore

Bronze Award for the
SPADE Spatial Design Awards 2020
(Best in Residential Design Category)



Raffles Interior Designer,
Cheris DENESHA
Indonesian
Raffles Singapore

Bronze Award for the
SPADE Spatial Design Awards 2020
(Best in Residential Design Category)

FESTIVAL OF ARCHITECTURE AND INTERIOR DESIGNING 2019

Raffles Interior Designer,
Jannat VASI
Indian
Raffles Mumbai

Award for Excellence in Architecture
& Design by FOAID 2019

LINBAQ F&B BUSINESS MODEL TRANSFORMATION PROPOSAL COMPETITION

Raffles Entrepreneurs,
GOH Chin Peng, CHAN Jia Minh,
CHEAH Min Qi & LIM Miao Ling
Malaysians
Raffles University

First Prize for the
LINBAQ F&B Business Model
Transformation Proposal Competition

Aarthi RAMAKRISHNAN
Indian

Raffles Mumbai
Fashion Design
Class of 2019

Raffles has immensely helped me in making sure I have my own creation to advertise. As a person who loves looking good and helping others do the same, I chose fashion design. Raffles became my topmost choice due to its international presence, industry level equipment and great faculty that gave sincere attention to each student.

My experience at Raffles was a very happy and pleasant one. Immense & cognisant learning under Corné Coetzee, Seema Singh, Anamika Banerjee, Deepshika Garg, Archana Nagpal and Anthony Alphonso. They and other faculty guided me through the fashion design process from learning the history, fabrics, design development, couture, marketing to finally creating and presenting the garment.

The industry level equipment in the campus has helped me understand how things work in the real world. The college's industrial attachment program gave me a hands on understanding of how start-ups work and how the design process works. It gave me full rounded education in the field of fashion design.

My journey at Raffles has helped me and gave me the confidence to start my own business. I am very grateful to Raffles for giving me an amazing experience that will always stay with me.

Anushta Gheetha A/P MANNAN MARKANDAN
Malaysian

Raffles University
Fashion Design
Class of 2019

In Raffles, each Fashion Design module prepares and shapes me to be the future fashion designer. The course was thought from ground zero onwards and they were key educational lessons that helped us. I was thought by many skilled lectures that not only sparked my passion but also pushed me to reach even higher than I thought I could ever go.

All and all, I'm truly grateful for my experiences in Raffles University, all the good and the bad as it has all made me a stronger and wiser person thus far.

Thank you Raffles.

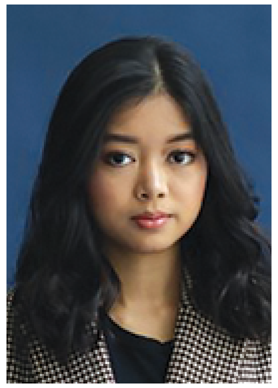
Cindy KURNIAWAN
Indonesian

Raffles Jakarta
Graphic Design
Class of 2020

When I first came to know of Graphic Design, I expected it as everyone did: creating beautiful things. Yet when I experience the course myself in Raffles, it's not about that at all. Design is a creative problem-solving skill, with a mix of elaborative thinking and imaginative innovation. Thus, I'm passionate about changing society's perception towards the design field from a "passion career" to the future game-changer on how the industry works, so in the future, graphic designers are playing their significant role in the technology era.

During my bachelor course, I received guidance from by Mr Lee Kin Keong, Mr Christo Wahyudi, Ms Ferra Deviana, and some others. One thing that I love about how the lecturers trained me here is they didn't spoonfeed their students. They challenge us to think for ourselves, to be brave to defend our own opinion, and have confidence in the concept that we present.

If you are looking for a place where you can develop not only your design skill but also your personal growth, Raffles is the place for you.



Dewi Retno SUARI
Indonesian

Raffles Jakarta
Fashion Marketing
Class of 2020

The first time I heard about Raffles was from a friend of mine who was also a student in Raffles. I decided to do my own research and found out that Raffles offers a fast-paced learning, which is the kind of education I've been searching for. With its fast-paced learning, I can finish my degrees faster and graduate in a younger age. As a fashion marketing student I find the courses relevant, useful, beneficial and worthwhile. The courses developed my skills, knowledge and growth on the subject of product development, business management, marketing, communication, the fashion industry, finance, design, visual merchandising. The international environment gave the students in Raffles to reach out with international colleges, universities, students and practitioners.

My lecturers have taught me new things that I have never knew before especially regarding management, marketing, finance and the in-depth learning of the fashion industry. Not merely do they provide knowledge but also assist the students to understand and practice them.

Focus in class and do your best in completing the assignments as it is your practice for what you will face within your future career world.

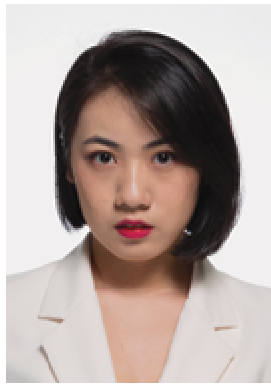
Elizabeth Olivia TANIA
Indonesian

Raffles Jakarta
Graphic Design
Class of 2020

I've always been playing with colours, paints, papers since I was a child. It grew from a mere hobby into something that I like. And without a doubt, I knew I will be studying graphic design later in college. Now that I've learned about design, I realize, that design isn't just aesthetic. It's a new way of communication, feels like learning a new language. And I also realize that design isn't just about aesthetics, but also the experience. I hope in the future, people will see design as essential, not just an accompaniment.

I stumbled upon Raffles Indonesia on the internet, and I decided to check this place out. Coincidentally, Raffles was just about to do an Open House, where we can visit the campus and try to learn some stuff from the lecturers. The workshop was fun, it made me realize that this place and this course is for me. I love the way Raffles only allow a small number of students in the class. That way, we can easily discuss with the lecturers and get inspired by them.

If you want to experience a hands-on project, with a real-life brief from practitioners, you should consider Raffles.



Emma ZHAO Qiuyi
Chinese

Raffles Singapore
Jewellery Design
Class of 2020

I am a student of a school at the beginning, but I am interested in business is not, I since the childhood to study painting at the same time, on the recommendation of a friend, I came to the raffles design institute, they provides an introduction to the different major to me here. Because there are diverse student community, the internationalization of the teaching team, and advanced facilities and abundant practical courses. I finally choose to study Jewellery Design in Raffles Design Institute. My professional teachers are very good. They constantly encourage and guide me in my learning process, and let me gradually find my own style in my learning and creation. And also my teacher has always encouraged me to apply for a master's degree in a British university, and gave me a lot of advice and guidance during the preparation of my portfolio If i need sum up my learning journey at raffles in three words, I will be use "Inspiring", "Amazing" and "Memorable ". In the end i want advice to future students "enjoy your time at raffles design institute, it's will be the best time of your life".

RAFFLES STUDENTS SPEAK

Evelyn PATRICIA
Indonesian

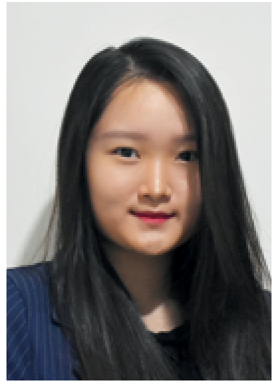
Raffles Jakarta
Fashion Design
Class of 2020

I am passionate in the art of creating. I want to express myself and show the world of what I can offer. I like drawing and dressing up, and fashion design is a good mix of all of the things I enjoy.

I knew about Raffles from my big sister, then I went to their open house workshop. I like the facilities and the big space they provide for us. I also like the fact that they have fast-paced learning, which means it will only take 3 years for me to obtain a bachelor degree, compared to other place which can take longer time.

My lecturers are very knowledgeable and they genuinely want to help us grow to our highest potential. They inspire me to try new things, to be brave, and to be more business-minded.

Always be true to yourself and be open to all possibilities.



Gabriella AMANDA
Indonesian

Raffles Jakarta
Graphic Design
Class of 2020

I've always passionate about art and interested in creating designs. Since high school, I've been making logo design, layout design, and lots of graphic designs work. For me, doing all of that is very entertaining and whenever I got some free time, I would use it to draw or create new designs. That made me realize that I want to study visual communication design and be a graphic designer.

I found out Raffles through a university fair, Raffles' representative came to my school and did a seminar that made me interested and wanted to find out more about Raffles. I decided to pursue a course with Raffles because of their fast-pace learning, international creative practitioners, and networking opportunities. I have always wanted to study abroad but still hesitate and scared to go there straight away. Therefore, I chose Raffles so that I can study Graphic Design within 2-years in Jakarta and 1-year in Singapore.

Always believe in yourself, do your best, don't stress out about the deadlines, enjoy the process of learning and have fun while doing the assignments.

Geraldine Clariesta ANTONIA
Indonesian

Raffles Jakarta
Fashion Design
Class of 2020

First, I want to thank Raffles for giving me the chance to share my testimonial during this past two years I studied at Raffles Jakarta. It's been a great two years as I learned a lot from this institute.

Passion is all about something a person has. It is something that a person love to do the most. As a person who raised in a business and health family background, Art is never been a part of it. But my passion is all about art since the beginning. I always take art courses back at school, even get the highest score in my art class. I always enjoy doing art because I can express myself. I never thought to take fashion design courses in the first place, but I started to love fashion since I was 15 and decided to take fashion design as my major.

All of Raffles' creative practitioners have a lot of experience and willing to share their knowledge. For example, I have a hard time drawing human body , or having difficulties to finish my assignment. My lecturers will guide and help me until I understand and finish my work. They never got angry when I reach them for help after class because they want me and all of their student became the best of ourselves.

Gracelyn LIAUW
Indonesian

Raffles Jakarta
Fashion Design
Class of 2019

I have always been passionate about fashion since I was in grade 7. Mainly, the graphic prints, construction and inspiration behind it was what made me interested in it in the first place.

I found Raffles through a friend of mine who is in Digital Media Design. I chose Raffles because of its international connections, curriculum and because they support entry through IGCSE certificate. Their major is also 80% practical based and 20% theory based which was interesting.

You'll find out early on that they are very knowledgeable in their field and have a lot of inspiring opinions and commentaries to offer to help you improve. If you get to know them more, they all come from different backgrounds in life, which really helped me see an inspiration from a different perspective. It adds color into life.

It's going to be hard and there will be ups and downs but persevere, don't be afraid to ask questions, learn more than what you were taught and it will be worth it in the end.

JANG Soyoung
South Korean

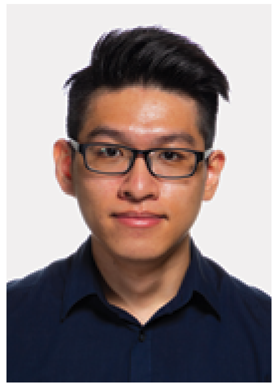
Raffles Singapore
Fashion Design
Class of 2020

I have sincere interest and passion in Fashion. I grew my passion by creating Fashion Design Club during high school, working on Fashion Show as a group leader. I became to more immerse in a fashion after I learn a fashion professionally in Raffles.

I was preparing to study in USA at the first time but I changed plan to study in Singapore due to safety reason. And an academy director suggested me to study in Raffles because a class is consisted of not too many students so that I can learn more information compared with other art schools.

My Principal Giuseppe Joe Spinelli always showed me many books and visual documents so I was inspired from them alot. Also he provided direction how I complete my project and helped me to figure out my own style.

Art assignments does not have fixed answer so they cannot be completed. That is why time management is the most important and hardest to me. If you are too much focus on one assignment, you do not have time to spend in other assignments. It will be helpful to make and balance a schedule in Raffles.



KONG Juan Lok Calvin
Malaysian

Raffles Singapore
Digital Media Design
Class of 2020

My passion is exploring the digital technology combining with design which is Digital Media.

Raffles was introduced to me by an agent from Malaysia. The reason of me studying in Raffles because of the course is attractive and can be done in short period of time.

For instance, when I faced challenges, they will help me by giving their kind suggestion.

Finding a 3 years course with degree cert and international environment? Here you go.

RAFFLES STUDENTS SPEAK

LOH Jun Ming
Malaysian

Raffles University
Psychology
Class of 2019

I like studying Psychology in Raffles University because I have the opportunity to learn practical knowledge delivered by lecturers who have immense work experience. I am also able to improve myself by socializing with my fellow university mates and picking up critical thinking skills through my classes.

With the professional knowledge and experiences gained in Raffles University, I believe that I will be well prepared for my future career.

Nasha SAMALA
Filipino

Raffles Jakarta
Graphic Design
Class of 2020

What made me initially choose to pursue Raffles is the fast-paced curriculum, it's like having crash course classes that at the same time trains us for the working industry. I came to Raffles with the bare minimum skills and knowledge, unexpectedly by Semester 4 I had my first ever freelance project and everything skyrocketed from there as doors were opening one after another. I didn't imagine myself working with big companies in that short period.

Another aspect is the international creative practitioners, when I first set foot on campus I was beyond pleased to see the number of different ethnicities that secured me of getting to experience top-quality education. And I can attest to that as it was certainly eye-opening to be taught by people from different parts of the world.

Lastly, I was intrigued by the global presence and networking opportunities Raffles had to offer. As I walked on the halls seeing my seniors' work and the awards they have won, I saw the potential within myself in participating international competitions that would not only strengthen my portfolio but also expand my network. We had the freedom to participate in any events and Raffles would fully support us all the way through.

OH Sing Tin
Malaysian

Raffles University
Business Administration
Class of 2019

During this four years in Raffles University, I am very grateful to everyone in Raffles University.

Studying Busines in Raffles is professional and interacting. We are not only being taught with the knowledge in textbook, we learnt how we could bridge and apply the knowledge in academic and real working industry. With this, I have learnt the hard skill and soft skill that are necessary for the future career. I feel great honoured to be able to become a student of Raffles University.

Ranesh MANOKARAN
Malaysian

Raffles University
Supply Chain Management
Class of 2019

The Supply Chain Management touches and influences everything, it is the heart international trades and economics and I did not expect how deep it went until I have enrolled into this program.

The lecturers at Raffles University are highly experienced and veterans in the industry. They challenge the status quo and challenge us to dive deep when solving problems which allowed us to practice our skills and prepare us to navigate in the working industry.

Sakshi FATNANI
Indian

Raffles Mumbai
Interior Design
Class of 2020

I always had a strong desire to pursue a career as an interior designer. Raffles has helped me in broadening my perspective, making me open to innovation, thus pushing my boundaries further from the conventional design choices and trends. The design professors have always focused on building my foundations of approaching interiors and functional designs which in turn helped me convey my client's personality.

Knowledgeable, helpful, optimistic, hardworking, bold, punctual, and whatnot. I think raffles hire the best faculty who help students to learn the facts of designing appropriately. Professors are immensely cooperative and have always helped me in sharpening my skills using structure, material, form and function. It was a great experience discovering about various aspects of design from such creative practitioners who inspire students to utilize their time in learning about conceptual and sustainable designs.

It has been a wonderful journey for me. Raffles opened and made me explore a new and productive side of my personality and it has prepared and guided me on how to attend new challenges with the changing time and how to incorporate suitable changes in the design field. As we know design is a very vast field and dynamic too, raffles has made sure that we get appropriate knowledge about the dynamics of the design field.

SCHALKEN Laura Johanna
German

Raffles Singapore
Fashion Marketing
Class of 2020

I want to thank my lecturers for preparing us for the real world. I have learned so much about the fashion industry and sustainability which I could put into practice.

My 3-year journey at Raffles has been a very valuable learning experience.

It challenged my creativity and gave me freedom to use my own ideas.

Having the opportunity to create our own business plans was truly exciting.

Suresh RIYA
Indian

Raffles Singapore
Fashion Design
Class of 2020

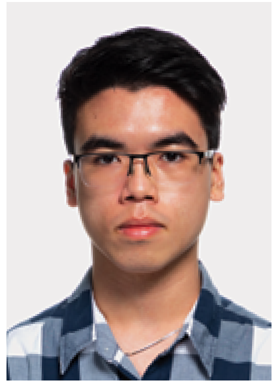
Fashion is my passion however the thought of learning the skillset of the fashion design industry was not exactly my cup of tea. As I grew older and continued dabbling into other courses, Fashion Marketing become a clear cause to my role contribution in Fashion.

Raffles is one of the known Fashion Colleges in Kuala Lumpur where I attained my advanced Diploma than I continued my degree in Raffles Singapore. The level of experience from both schools were so different but rewarding till the very end.

The fast-paced learning built in with industry collaborative project and outcomes of the Coventry University programme has been extremely fulfilling when I saw the outcomes from my portfolio of work.

A big shout out to Ms Grace and Ms Joyce who have both given me fantastic down to earth criticisms when I needed it most. The depth of work dedication from the teachers were amazing and yet constantly allowing me to find my own identify in fashion.

Take Risks. School is when you can take on the craziest ideas and make them work. Time manage and do not procrastinate on your assignments.



TRAN Hieu Nguyen Gordon
Vietnamese

Raffles Singapore
Interior Design
Class of 2020

I've always had an artistic and a technical side to myself. Since a young age, I've had the passion for creating and designing. As I grow up that passion slowly develop into a deep understanding and love for architecture and Interior design. Now I'm pursuing that love in hopes that I can share my passion and create spaces for others.

What attracted me to Raffles is their connection to a wide variety of countries around the globe, their facility, sense of community within the campus. And the industry attachment opportunity.

Throughout my study there have been many Creative Practitioners that has inspired me. A clear example can be seen in lecturer Rosa where she has pushed each and every one of her student to their full potential, and even making herself available during the weekend to help out her student.

Use as many opportunity the school provides you as you can. Have fun and explore your design style early on, then learn the technical aspects well when it comes. Join as many competitions as you can, you never know.

YEAP Jin Hao
Malaysian

Raffles University
Graphic Design
Class of 2019

Firstly, I would like to thank Raffles University for giving me a great university life. 3 years in Raffles made me able to start and advance my career.

Raffles University is a great place for the student to have their learning journey here, and I would recommend this program to others. Next, I am grateful to have the creative practitioners who helped me and give me support during the study journey in Raffles University. They always share their knowledge and experience with me.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") 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 provisions of the Code of Corporate Governance 2018 (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 principles and provisions of the Code during the financial year ended 30 June 2020 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 2020 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
No. of meetings held	4	4	1	3	1
No. of meetings attended by respective Directors					
Mr Chew Hua Seng	4	*4	1	3 (resigned as member w.e.f. 15/11/19)	*1 (resigned as member w.e.f. 15/11/19)
Mr Lim How Teck	4	4	1	*1	0
Mr Teo Cheng Lok John	3	3	*1	3	1
Mdm Gan Hui Tin	4	3	1	2	1
Mr Joseph He Jun	4	*3	*1	2 (appointed as member w.e.f. 15/11/19)	0
Mr Liu Ying Chun (appointed w.e.f. 15/11/19)	2	*1	0	0	1 (appointed as member w.e.f. 15/11/19)

* Attendance at invitation of the Committees.

Board Induction

New Director are appointed by the Board upon recommendation of the Nomination Committee. The newly appointed Director were 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 Director is 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, as and when required, 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.

To facilitate the further development of the competencies of the members of the Board, all Directors are also updated regularly on key accounting and other regulatory changes that have a significant impact on the Group either during Board meetings or via electronic mail.

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.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Independence of Judgement

The present Board comprises of six members who are business leaders and professionals with financial and other technical backgrounds. Amongst them are three non-executive and independent Directors, two non-executive and non-independent Directors, and with the other one being executive Director. There is a strong and independent element on the Board as the majority of the four Board Committees are formed by non-executive and independent Directors.

An "independent Director" is defined in the Code as one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in 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 Nomination Committee assesses and determines the independence of a Director upon appointment and on an annual basis. Please refer to the section on "Board of Directors" in the Annual Report for key information on each director.

Annual Review of Director's Independence

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

Name of Director	Appointment	Date of Initial Appointment	Last Re-election
Mr Chew Hua Seng	Chairman and Chief Executive Officer Member of Nomination Committee	25 November 1999	N.A.
Mr Lim How Teck	Lead Independent and Non-Executive Director Chairman of Audit Committee Member of Nomination Committee	6 March 2018	29 October 2018
Mr Teo Cheng Lok John	Independent and Non-Executive Director Chairman of Remuneration and Risk Management Committees Member of Audit Committee	24 October 2008	31 October 2019
Mdm Gan Hui Tin	Independent and Non-Executive Director Chairman of Nomination Committee Member of Audit, Remuneration and Risk Management Committees	25 April 2018	29 October 2018
Mr Joseph He Jun	Non-Independent and Non-Executive Director Member of Remuneration Committee	05 November 2018	31 October 2019
Mr Liu Ying Chun	Non-Independent and Non-Executive Director Member of Risk Management Committee	15 November 2019	N.A.

CORPORATE GOVERNANCE STATEMENT

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 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 Director, namely, Mr Teo Cheng Lok John, have served on the Board for a term more than ten 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, together with the non-executive and non-independent Director, 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 Provision 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.

CORPORATE GOVERNANCE STATEMENT

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 terms of reference of the NC provides that the NC shall comprise three members, of which two are non-executive and independent Directors:

1. Mdm Gan Hui Tin, Chairman of NC (Independent Director)
2. Mr Lim How Teck (Independent Director)
3. Mr Chew Hua Seng (Chairman and Chief Executive Officer)

The NC's responsibilities include, but are not limited to, the following:

- 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 carried out an evaluation and review of the contributions of each Directors at meetings of the Board and Board Committees and Directors' participation in the affairs of the Company, including a review of matters such as the independence of Directors, their individual skills, experience and time commitment, in particular for Directors who served on multiple boards as well as overall Board size and compositions.

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.

CORPORATE GOVERNANCE STATEMENT

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.

II. REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee (the "**RC**") comprises three members which two are non-executive and independent Directors and one non-executive and non-independent Director:

1) Mr Teo Cheng Lok John, Chairman of RC (Independent Director)
2) Mdm Gan Hui Tin (Independent Director)
3) Mr Joseph He Jun (Non-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 7: LEVEL AND MIX OF REMUNERATION

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

Remuneration of Executive Director

The Chairman and CEO's remuneration package has a variable bonus as well as share option elements, which are performance-related and subject to RC's approval. The Chairman and CEO entered into a three-year service agreement with the Company on 1 July 2008. The service agreement is renewable every three years.

In FY2015, the RC undertook a review of the CEO's remuneration with the assistance of independent consultants, Hay Group. Following the review, the RC proposed a revision of the CEO's remuneration package which was approved by the Board on 27 August 2015. The new remuneration package took effect from 1 July 2015 and the new service agreement is similarly subject to renewal every three years. The service agreement was renewed on 1 July 2018. 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 and non-executive and non-independent Director, except Mr Liu Ying Chun, received Director's fees and fees for serving on the various Board Committees. These fees are subject to shareholders' approval at the Company's AGM.

All non-executive and independent Directors and non-executive and non-independent Director, except Mr Liu Ying Chun, do not have service contracts with the Company and their terms of appointment are as specified in the Constitution of the Company.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8: 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 2020 in bands of S$250,000 is set out below:

Name of Director	Fees %	Salary %	Others %	Total %
Between S$1,000,000 to S$1,500,000				
Mr Chew Hua Seng	-	100	-	100

Name of Director	Fees%	Salary%	Others%	Total%
Below S$250,000				
Mr Lim How Teck	100	-	-	100
Mr Teo Cheng Lok John	100	-	-	100
Mdm Gan Hui Tin	100	-	-	100
Mr Joseph He Jun	100	-	-	100
Mr Liu Ying Chun	-	100	-	100

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

Although the Code and the Guidelines also recommend that the remuneration of at least the top five key management personnel (who are not Directors or the CEO) be disclosed in aggregate, the Board is of the view that disclosing the total remuneration paid in aggregate to the lean key management team would compromise confidentiality and may affect the retention of competent personnel. The non-disclosure does not compromise the ability of the Company to meet the Code on good corporate governance as the RC, comprising of two non-executive and independent Directors and one non-executive and non-independent Director, 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 2020:

Name	Relationship	Aggregate Remuneration
Ms Doris Chung Gim Lian	Spouse of CEO	Between S$350,001 to S$400,000
Mr Chew Han Wei	Eldest son of CEO	Between S$150,001 to S$200,000
Mr Chew Han Qiang	Second son of CEO	Between S$100,001 to S$150,000

III. ACCOUNTABILITY AND AUDIT

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. The Chairman and CEO receives detailed management accounts of the Group on a quarterly 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 9: 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 Audit Committee (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 two members are non-executive and independent Directors and one non-executive and non-independent Director:

1. Mr Teo Cheng Lok John, Chairman of RMC (Independent Director)
2. Mdm Gan Hui Tin (Independent Director)
3. Mr Liu Ying Chun (Non-Independent Director)

The principal functions of the RMC are, amongst others, to:

- review and recommend to the Board the type and level of business risks that the Group undertakes on an integrated basis to achieve its business objectives.
- 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 2020:

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 2020 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 FY2020 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$7,142,000

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 10: 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 two years 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.

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.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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 https://raffles.education/.

The Company ensures that shareholders have the opportunity to participate and vote at general meetings of shareholders and be informed of the rules, including voting procedures that govern such meetings. Shareholders may download the Annual Report and notice of the general meeting from the Company's website at https://raffles.education and SGXNet. The notice of general meeting is also advertised in Business Times and announced on SGXNet.

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.

In view of the COVID-19 pandemic, the General Meeting (AGM 2020) to be held on 30 October 2020 will be held via electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM 2020 via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM 2020, addressing of substantial and relevant questions at the AGM 2020 and voting by appointing the chairman of the meeting as proxy at the AGM 2020, are set out in the advertisement in the Business Times on 8 October 2020 and in the Company's announcement on SGXNet dated 7 October 2020 and 8 October 2020 respectively.

The Minutes of the AGM to be held on 30 October 2020 will be published on SGXNet and the Company's website at https://raffles.education.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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 https://raffles.education/ and at SGXNET website.

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

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.

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.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Company's material stakeholders are its shareholders, employees and the communities in which its subsidiary companies and institutions of learning operate in. The Company sets the direction for the growth of the organization but it does so in the knowledge of stakeholders' requirements and needs.

The Company regularly seeks its stakeholders' views and expectations through conversations, collaboration and research. By taking an inclusive approach, the Company hopes the stakeholders in turn will have a deeper understanding of the Company's purpose, practices and performance.

The environmental, social and governance factors that are material to the Company and its' stakeholders have been identified and are described in the Company's Sustainability Report.

The Company is working towards finalising its' FY2020 Sustainability Report, to be issued on or before 30 November 2020 and such Report will be made available to shareholders on SGXNET and the Company's website https://raffles.education/ in due course.

Through regular interactions, the Company will manage its relationships with all stakeholders and keep them apprised of the Company's governance, social and environmental concerns. All these efforts will be detailed in the Company's Sustainability Report.

FINANCIALS

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, the statement of changes in equity of the Company for the financial year ended 30 June 2020 and the statement of financial position of the Company as at 30 June 2020.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group together with the notes thereon 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 2020 and of the financial performance, changes in equity and the cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement and as disclosed in Note 2.1 to the financial statements, 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
Teo Cheng Lok John
Gan Hui Tin
Joseph He Jun
Liu Ying Chun (Appointed on 15 November 2019)

3. Arrangements to enable Directors to acquire shares and 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 was 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 or 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**
Interests in Raffles Education Corporation Limited				
	Number of ordinary shares			
Chew Hua Seng	428,864,605	428,864,605	34,043,159	34,043,159
Teo Cheng Lok John	361,562	361,562	-	-
Liu Ying Chun	39,371,700	39,371,700	-	-
	Number of options to subscribe for ordinary shares			
Liu Ying Chun	200,000	200,000	-	-

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 July 2020 in the shares of the Company have not changed from those disclosed as at 30 June 2020.

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)
Joseph He Jun
Gan Hui Tin

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 2020 were as follows:

Date of grant	At 1 July 2019 Or date of grant, whichever is later ('000)	Exercised ('000)	Expired/ cancelled ('000)	Balance as at 30 June 2020 ('000)	Exercise price $	Exercise period
REC Scheme						
9 February 2010	229	-	(229)	-	1.110	9 February 2011 to 8 February 2020
REC ESOS Scheme						
24 March 2011	95	-	(80)	15	0.780	24 March 2012 to 23 March 2021
14 September 2018	1,515	-	(228)	1,287	0.148	14 September 2019 to 13 September 2028
14 September 2018	1,515	-	(228)	1,287	0.148	14 September 2020 to 13 September 2028
	3,354	-	(765)	2,589		

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 Schemes, 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 2020 ('000)	Aggregate options granted since the commencement of the Schemes to 30 June 2020 ('000)	Aggregate options exercised/ cancelled since the commencement of the Schemes to 30 June 2020 ('000)	Aggregate options outstanding as at 30 June 2020 ('000)
Chew Hua Seng	-	1,500	(1,500)	-
Teo Cheng Lok John	-	209	(209)	-
Doris Chung Gim Lian*	-	300	(300)	-
Liu Ying Chun	-	200	-	200
	-	2,209	(2,009)	200

* 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 participant 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 2020, 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
29 September 2020

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 up on page 81 to 173, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020;
- 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2020, and of its 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 for the financial year ended 30 June 2020. 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 2020, the Group's goodwill amounted to $104,653,000 of which $93,299,000 had been allocated to China Education Limited ("CEL"). In accordance with SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually or more frequently if there is any indication that the goodwill have been allocated to CEL may be impaired. Management applied the value-in-use (discounted cash flow forecasts) method to determine the recoverable amount of CEL. Any shortfall between the recoverable amount and the carrying amount of CEL would be recognised as impairment losses. We have determined the impairment assessment of goodwill allocated to CEL to be a key audit matter as significant judgements and estimates are involved with regard to the key assumptions such as revenue growth rate, terminal growth rate and discount rate used in the discounted cash flow forecast prepared by management. Refer to Note 2.7(i), 3.2(i) and 11 of the accompanying financial statements.	Our procedures included amongst other, the following: • Discussed with management and evaluated the key assumptions made by management, including comparing the revenue growth rate against historical performance and terminal growth rate and discount rate against market data; • Performed sensitivity analysis around the key assumptions, including the revenue growth rate, discount rate and terminal growth rate used in cash flow forecast; and • Assessed the adequacy of the related disclosures in the financial statements.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Valuation of investment properties	
As at 30 June 2020, the Group's investment properties amounted to $405,407,000 and represented 35% of the Group's total assets. The Group recorded fair value gain on investment properties of $3,180,000 during the financial year. The Group's investment properties are stated at fair value based on valuation performed by independent professional 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 6 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 financial statements as a whole, as well as the significant estimates and judgements associated with the valuation. Refer to Note 2.6, 3.2(ii) and 6 of the accompanying financial statements.	Our procedures included amongst other, the following: • Assessed the competency, capabilities and objectivity of the independent professional 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 professional 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.

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 SFRS(I)s, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

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 Ng Kian Hui.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current assets					
Property, plant and equipment	4	462,830	445,963	10	-
Right-of-use assets	5	5,292	-	-	-
Investment properties	6	405,407	477,638	-	-
Investments in subsidiaries	7	-	-	478,488	450,622
Investments in joint ventures	8	970	14,046	-	-
Investments in associates	9	49,758	53,656	-	-
Financial assets at FVOCI	10	-	606	-	-
Intangible assets	11	105,684	106,572	106	423
Deferred tax assets	17	1,720	5,966	-	-
Other receivables	12	1,000	54,637	36,373	34,372
Restricted bank balances	13	3,745	3,530	-	-
		1,036,406	1,162,614	514,977	485,417
Current assets					
Inventories		96	141	-	-
Trade and other receivables	12	102,680	44,275	223,187	221,271
Cash and bank balances	13	34,607	34,808	211	163
		137,383	79,224	223,398	221,434
Less:					
Current liabilities					
Trade and other payables	14	46,518	55,483	313,580	260,624
Course fees received in advance	21	13,243	12,449	-	-
Education facilities rental service received in advance		1,454	1,176	-	-
Income tax payables		10,018	1,771	51	51
Borrowings	15	161,414	123,389	32,005	64,299
Lease liabilities	16	1,679	-	-	-
		234,326	194,268	345,636	324,974
Net current liabilities		(96,943)	(115,044)	(122,238)	(103,540)
Less:					
Non-current liabilities					
Other payables	14	23,971	31,189	-	-
Borrowings	15	173,252	256,682	5,000	-
Lease liabilities	16	3,675	-	-	-
Deferred tax liabilities	17	56,983	63,641	-	-
		257,881	351,512	5,000	-
Net assets		681,582	696,058	387,739	381,877
Equity					
Share capital	18	554,337	554,337	554,337	554,337
Treasury shares	19	(39,683)	(39,683)	(39,683)	(39,683)
Accumulated profits/(losses) and other reserves	20	103,157	120,151	(126,915)	(132,777)
Equity attributable to equity holders of the Company		617,811	634,805	387,739	381,877
Non-controlling interests		63,771	61,253	-	-
Total equity		681,582	696,058	387,739	381,877

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Revenue	21	100,477	97,854
Other operating income	22	11,961	45,092
Personnel expenses	23	(42,004)	(43,836)
Other operating expenses		(44,831)	(45,165)
Depreciation and amortisation expenses		(15,932)	(13,829)
Loss allowance on trade receivables	12	(28)	(34)
Impairment of goodwill	11	-	(6,140)
Impairment of investments in associates	9	(1,905)	-
Fair value gain on investment properties, net	6	3,180	10,977
Finance costs	24	(16,708)	(16,801)
Share of results of joint ventures, net of tax		(16)	(339)
Share of results of associates, net of tax		(1,564)	277
(Loss)/Profit before income tax	25	(7,370)	28,056
Income tax (expense)/credit	26	(6,967)	13,051
(Loss)/Profit after income tax		(14,337)	41,107
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		-	8,580
Net change in fair value of financial assets at FVOCI	10	4	15
Items that may be reclassified subsequently to profit or loss:			
Currency exchange differences arising on translating foreign operations		2,455	(37,106)
Total other comprehensive income/(loss), net of tax		2,459	(28,511)
Total comprehensive (loss)/income for the financial year		(11,878)	12,596
Attributable to:			
Equity holders of the Company		(16,426)	40,213
Non-controlling interests		2,089	894
Net (loss)/profit for the financial year		(14,337)	41,107
Attributable to:			
Equity holders of the Company		(14,104)	16,002
Non-controlling interests		2,226	(3,406)
Total comprehensive (loss)/income for the financial year		(11,878)	12,596
(Loss)/Earnings per share (cents)			
- Basic	27	(1.19)	2.92
- Diluted	27	(1.19)	2.92

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Attributable to equity holders of the Company									
	Note	Share capital $'000	Treasury shares $'000	Revaluation reserve (Note 20) $'000	Fair value reserve (Note 20) $'000	Foreign currency translation reserve (Note 20) $'000	Share-based payments reserve (Note 20) $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
Balance as at 1 July 2019		554,337	(39,683)	20,151	15	(25,635)	2,584	123,036	634,805	61,253	696,058
Net loss for the year		-	-	-	-	-	-	(16,426)	(16,426)	2,089	(14,337)
Other comprehensive income		-	-	-	4	2,318	-	-	2,322	137	2,459
Total comprehensive income/(loss) for the year		-	-	-	4	2,318	-	(16,426)	(14,104)	2,226	(11,878)
Disposal of financial assets at FVOCI	10	-	-	-	(19)	-	-	19	-	-	-
Share-based payment		-	-	-	-	-	48	-	48	-	48
Contribution from non-controlling interests in a subsidiary		-	-	-	-	-	-	-	-	572	572
Assignment of rights of dividend from non-controlling interest in a subsidiary	7	-	-	-	-	9	-	(2,947)	(2,938)	(370)	(3,308)
Acquisition of a subsidiary with non-controlling interest	7	-	-	-	-	-	-	-	-	90	90
Disposal of investment properties		-	-	(11,847)	-	-	-	11,847	-	-	-
Balance at 30 June 2020		554,337	(39,683)	8,304	-	(23,308)	2,632	115,529	617,811	63,771	681,582

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	← Attributable to equity holders of the Company							→		
		Share capital $'000	Treasury shares $'000	Revaluation reserve (Note 20) $'000	Fair value reserve (Note 20) $'000	Foreign currency translation reserve (Note 20) $'000	Share-based payments reserve (Note 20) $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
Balance as at 1 July 2018		554,337	(39,683)	11,571	-	7,165	2,453	85,749	621,592	106,138	727,730
Net profit for the year		-	-	-	-	-	-	40,213	40,213	894	41,107
Other comprehensive income		-	-	8,580	15	(32,806)	-	-	(24,211)	(4,300)	(28,511)
Total comprehensive income for the year		-	-	8,580	15	(32,806)	-	40,213	16,002	(3,406)	12,596
Share-based payment		-	-	-	-	-	131	-	131	-	131
Dividends		-	-	-	-	-	-	-	-	(901)	(901)
Contribution from non-controlling interests in a subsidiary		-	-	-	-	-	-	-	-	465	465
Assignment of rights of dividend from non-controlling interest in a subsidiary	7	-	-	-	-	6	-	(2,926)	(2,920)	(370)	(3,290)
Disposal of subsidiaries	7	-	-	-	-	-	-	-	-	(40,673)	(40,673)
Balance at 30 June 2019		554,337	(39,683)	20,151	15	(25,635)	2,584	123,036	634,805	61,253	696,058

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital $'000	Treasury shares $'000	Share-based payments reserve (Note 20) $'000	Accumulated losses $'000	Total equity $'000
Company					
Balance at 1 July 2019	554,337	(39,683)	2,584	(135,361)	381,877
Total comprehensive income	-	-	-	5,814	5,814
Share-based payment	-	-	48	-	48
Balance at 30 June 2020	554,337	(39,683)	2,632	(129,547)	387,739
Balance at 1 July 2018	554,337	(39,683)	2,453	(117,179)	399,928
Total comprehensive loss	-	-	-	(18,182)	(18,182)
Share-based payment	-	-	131	-	131
Balance at 30 June 2019	554,337	(39,683)	2,584	(135,361)	381,877

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Operating activities			
(Loss)/Profit before income tax		(7,370)	28,056
Adjustments for:			
Depreciation for property, plant and equipment	4	13,398	13,369
Fair value gain on investment properties, net	6	(3,180)	(10,977)
Amortisation of right-of-use assets	5	2,063	-
Allowance for doubtful trade receivables	12	28	34
Net bargain purchase on acquisition of a subsidiary	22	(8)	-
Impairment loss on investment in associates	9	1,905	-
Gain on disposal of investment properties	22	(1,928)	-
Impairment of goodwill	11	-	6,140
Amortisation of intangible assets	11	471	460
Bad trade receivables written off	25	198	246
Interest expense	24	16,708	16,801
Interest income	22	(4,032)	(621)
(Gain)/Loss on disposal of property, plant and equipment, net	25	(14)	484
Gain on disposal of subsidiaries	22	-	(37,410)
Property, plant and equipment written off	25	155	902
Intangible assets written off	25	370	444
Share-based payment	23	48	131
Share of results of joint ventures		16	339
Share of results of associates		1,564	(277)
Operating cash flows before movements in working capital		20,392	18,121
Inventories		45	(6)
Trade and other receivables		(2,560)	6,525
Course fees received in advance		794	1,745
Education facilities rental service received in advance		278	(29)
Trade and other payables		4,988	7,451
Cash generated from operations		23,937	33,807
Interest paid		(14,978)	(16,669)
Interest received		1,243	621
Income tax paid, net		(1,355)	(1,321)
Net cash from operating activities		8,847	16,438

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Investing activities			
Additions of development costs and computer software	11	(42)	(153)
Additions of trademarks and licences	A	(5)	(340)
Payments for property, plant and equipment	B	(19,523)	(49,213)
Additions of investment properties	C	(15,179)	(2,789)
Net cash flow on disposal of subsidiaries	7	16,561	8,392
Proceeds from disposal of property, plant and equipment		69	94
Proceeds from disposal of investment properties		71,405	5,681
Additional investment in joint venture		-	(10)
Proceed from sales of financial assets at FVOCI	10	610	-
Payment for assignment of rights of dividend from non-controlling interest in a subsidiary	7	(6,600)	-
Net cash from/(used in) investing activities		47,296	(38,338)
Financing activities			
Decrease/(Increase) in bank balances pledged		649	(855)
(Repayment of loan)/Loan from a Director - net		(9,892)	2,804
Drawdown of bank borrowings	D	31,587	48,070
Repayment of bank borrowings	D	(77,228)	(32,413)
Contribution from non-controlling interest		572	465
Repayment of obligations under leases	16	(1,893)	-
Interest paid	16	(340)	-
Dividends payments to non-controlling interests		-	(901)
Net cash (used in)/from financing activities		(56,545)	17,170
Net change in cash and cash equivalents		(402)	(4,730)
Cash and cash equivalents at beginning of financial year		7,749	18,705
Effect of exchange rate changes on cash and cash equivalents		850	(6,226)
Cash and cash equivalents at end of financial year	13	8,197	7,749

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Note A			
Additions of trademarks and licences	11	5	9
Increase in prepayment in relation to trademarks and licences		-	331
Additions of trademarks and licences per consolidated statement of cash flows		5	340
Note B			
Additions of property, plant and equipment	4	10,935	64,546
Decrease/(Increase) in other payables in relation to property, plant and equipment		7,450	(15,013)
Decrease in prepayments in relation to property, plant and equipment		-	(320)
Unwinding effect of discounting payables	24	1,278	-
Foreign currency realignment		(140)	-
Payments for property, plant and equipment per consolidated statement of cash flows		19,523	49,213
Note C			
Additions of investment properties	6	12,426	10,272
Increase in deposits in relation to investment properties		2,257	-
Decrease in prepayments in relation to investment properties		-	(7,075)
Decrease/(Increase) in other payables in relation to investment properties		496	(408)
Additions of investment properties per consolidated statement of cash flows		15,179	2,789

Note D: Reconciliation of liabilities arising from financing activities

	2019 $'000	Cash flows $'000	Non-cash changes: Foreign currency realignment $'000	Non-cash changes: Amortisation of transaction costs $'000	2020 $'000
Borrowings (Note 15)	380,071	(45,641)	124	112	334,666

	2018 $'000	Cash flows $'000	Non-cash changes: Foreign currency realignment $'000	Non-cash changes: Amortisation of transaction costs $'000	2019 $'000
Borrowings (Note 15)	369,725	15,657	(5,443)	132	380,071

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 7 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.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity within the Group are measured and presented in the currency of primary economic environment in which the entity operates (its 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 ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated unless otherwise stated.

The Group incurred a net loss of $14,337,000 during the financial year ended 30 June 2020 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by approximately $96,943,000 and $122,238,000 respectively. The Directors have assessed that there is no material uncertainty related to these conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. 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 and plans to dispose certain assets of the Group, the use of going concern basis in the preparation and presentation of the Group's financial statement is appropriate.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 July 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as at 1 July 2019 (the "date of initial application") and recognise right-of-use asset for leases previously classified as operating lease applying SFRS(I) 1-17 at an amount equal to lease liability, adjust by the amount of any prepaid or accrued lease payment relating to the lease recognised in the statements of financial position immediately before the date of initial application. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 July 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Impairment losses on right-of-use assets as at 1 July 2019 have been measured by reference to the amount of any onerous lease provision recognised on 30 June 2019;
- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months; and
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 July 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leased premises and office equipment which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 6.22%.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 30 June 2019. Consequently, certain plant, machinery and equipment are reclassified and presented under right-of-use assets (Note 5) at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 July 2019 was as follows:

	Group Increase/ (decrease) $'000
Assets	
Property, plant and equipment	(464)
Right-of-use assets	6,981
Liabilities	
Lease liabilities	6,871
Trade and other payables	(354)

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 July 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 and the Group's operating lease commitment as at 30 June 2019 can be reconciled as follows:

	$'000
Operating lease commitments as at 30 June 2019 (Note 30)	3,904
Less: Effect of short-term and low value leases	(1,529)
Add: Effect of extension options reasonably certain to be exercised	1,227
Add: Effect of cancellation options reasonably certain not to be exercised	3,690
	7,292
Effect of discounting using the incremental borrowing rate as at date of initial application	(775)
	6,517
Finance lease liabilities, previously presented in trade and other payables, recognised at 30 June 2019	354
Lease liabilities as at 1 July 2019	6,871

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying this interpretation as an adjustment to the opening retained earnings as at 1 July 2019. There is no material impact to the previously recognised income taxes and deferred taxes, relating to the Group's transfer pricing structure. Additionally, due to the existence of uncertain tax treatments, relevant disclosure on the significant judgements and estimates has been incorporated and included in Note 3.1 and 3.2 to the financial statements respectively.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

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. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. 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 (i.e. transactions with owners). 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 parent.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. 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 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 of. The fair value of any investments 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 SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combination

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for 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 profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest 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 profit or loss as a bargain purchase.

2. Significant accounting policies (Continued)

2.4 Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

2. Significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation on other items of property, plant and equipment is calculated and recognised in profit or loss using the straight-line basis to allocate their depreciable amounts 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.

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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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 profit or loss.

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. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

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 profit or loss. The cost of maintenance, repairs and minor improvements are charged to profit or loss when incurred.

2. Significant accounting policies (Continued)

2.6 Investment properties (Continued)

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.

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

2.7 Intangible assets

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

(i) Goodwill on acquisitions

Goodwill arising on the acquisition of a subsidiary or business represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill on subsidiary is recognised separately as intangible assets. Goodwill is initially recognised at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(ii) Trademarks and licenses

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

2. Significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(iii) Development costs

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

Expenditure capitalised comprises all directly attributable costs, including materials, services and appropriate proportion of overhead costs. Other development expenditure is recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (Continued)

2.8 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

<u>Initial measurement</u>

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

2. Significant accounting policies (Continued)

2.8 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated amortisation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis on the following bases:

Leased premises	1 - 6 years
Office equipment	3 - 5 years
Motor vehicle	10 years

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.9 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asses being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

2. Significant accounting policies (Continued)

2.8 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 July 2019

As lessee

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.

Operating leases

Payments made and rental payable under operating lease (net of any incentives received from the lessor) are recognised in 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.

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

2. Significant accounting policies (Continued)

2.8 Leases (Continued)

As lessor (Continued)

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

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.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

2.9 Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies (Continued)

2.10 Inventories

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

2.11 Financial instruments

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

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

2. Significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it had previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding prepayments and tax recoverable) and cash and bank balances in the statements of financial position. The Company's financial assets measured at amortised cost comprise other receivables, cash and bank balances and convertible note receivable.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through other comprehensive income ("FVOCI")

The Group made an irrevocable election to classify certain equity investments at fair value through other comprehensive income which is carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

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.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

2. Significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity (Continued)

Equity instruments (Continued)

When treasury shares are subsequently cancelled, the cost of 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 treasury shares are subsequently sold or reissued 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 in the capital reserve of the Company.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial guarantee contracts. The accounting policies adopted for financial liabilities are set out below.

(i) Trade and other payables

Trade and other payables (excluding accruals for property and land use tax and business taxes) are initially recorded at the fair value, net of transaction cost, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

(ii) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.18).

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of reporting period, in which case they are presented as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

(iii) Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

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 profit or loss.

Offsetting financial instruments

Both financial assets and financial liabilities are offset and the net amount presented in the statements 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.

2.12 Cash and bank balances

Cash and bank balances compromise 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 consolidated statement of cash flows, cash and cash equivalents exclude any pledged deposits and restricted bank balances.

2. Significant accounting policies (Continued)

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Revenue recognition

Revenue from contracts with customers

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes).

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

Student accommodation fees is recognised on a straight-line basis over the term of use.

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

Other income

The Group, as a lessor, leases its investment properties under operating leases to non-related parties. Lease payments from operating leases are recognised as income on a straight-line basis (Note 2.8).

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Significant accounting policies (Continued)

2.15 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants related to asset are deducted against the carrying amount of the asset.

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under "Other income".

2.16 Income tax expense

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

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on periodical basis.

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

2. Significant accounting policies (Continued)

2.16 Income tax expense (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

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

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.17 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

2. Significant accounting policies (Continued)

2.17 Employee benefits (Continued)

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 end of the reporting period as a result of services rendered by employees up to the end of the reporting period.

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 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 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.

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. Significant accounting policies (Continued)

2.17 Employee benefits (Continued)

Profit sharing and bonus plans

The Group recognised a liability and an expenses for the expected cost of profit-sharing and bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

2.18 Borrowing costs

Borrowing 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. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.19 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when 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 of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. Significant accounting policies (Continued)

2.19 Foreign currency transactions and translation (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.20 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 end of the reporting period are not recognised as a liability at the end of the reporting period.

2.21 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.

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 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

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

3.1 Critical judgements made in applying the accounting policies

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

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

In accordance with SFRS(I) 1-40 *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) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

(iii) Evaluation of levels of control and influence

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

3.2 Key sources of estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount based on the higher of fair value less costs of disposal or 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 2020 was approximately $104,653,000 (2019: $104,741,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Valuation of investment properties

The accounting policy relating to investment properties are described in Note 2.6 to the financial statements. In applying this policy, judgement made in the context of valuation of investment properties can materially impact the Group's financial position and performance. Accordingly, the Group engaged independent professional 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 professional 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 2020 was approximately $405,407,000 (2019: $477,638,000).

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

Management follows the guidance of SFRS(I) 1-36 *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, associates and joint ventures are 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. As at 30 June 2020, the Group's carrying amount of investments in joint ventures and associates as at 30 June 2020 were approximately $970,000 and $49,758,000 (2019: 14,046,000 and $53,656,000) respectively and the Company's investment in subsidiaries is $442,468,000 (2019: $450,622,000).

(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.

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Income tax position (Continued)

The Company has exposure to income taxes in Singapore of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business.

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 2020 are $10,018,000 (2019: $1,771,000), $1,720,000 (2019: $5,966,000) and $56,983,000 (2019: $63,641,000) respectively. As at 30 June 2020, the Company's income tax payable is $51,000 (2019: $51,000).

(v) Expected credit loss for trade and other receivables

Management establishes the loss allowance for receivables based on expected credit loss model. In determining the expected credit losses for trade receivables, management categorised the trade debtors based on their historical loss pattern, historical payment profile and adjusted for the current condition and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables at the reporting date. For non-trade debtors, management considers the performance, financial capability as well as payment profile of these non-trade debtors in order to determine the appropriate stage of expected credit loss for these debtors. Probability or risk of default is then being estimated by considering the future conditions. Additionally, management also evaluates expected credit loss for customer in financial difficulties separately (credit-impaired).

The carrying amounts of trade and other receivables of the Group and the Company as at 30 June 2020 are $103,680,000 and $259,560,000 (2019: $98,912,000 and $255,643,000) respectively.

4. Property, plant and equipment

	Freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Computer equipment $'000	Motor vehicle $'000	Construction in-progress $'000	Total $'000
Group								
2020								
Cost								
Balance at 1 July 2019	59,664	417,564	1,903	22,386	12,415	2,280	9,454	525,666
Adoption of SFRS(I) 16 (Note 2.1 and 5)	-	-	-	-	-	(571)	-	(571)
Balance at 1 July 2019	59,664	417,564	1,903	22,386	12,415	1,709	9,454	525,095
Additions	-	1,037	221	1,258	388	223	7,808	10,935
Disposals	-	(100)	(57)	(446)	(173)	(214)	-	(990)
Written off	-	(396)	-	(425)	(194)	(139)	-	(1,154)
Reclassification	-	8,093	3,081	(3,081)	-	-	(8,093)	-
Transfer from investment properties (Note 6)	6,378	12,932	-	-	-	-	-	19,310
Foreign currency realignment	394	333	(7)	(3)	14	5	(29)	707
Balance at 30 June 2020	66,436	439,463	5,141	19,689	12,450	1,584	9,140	553,903

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								
2020								
Accumulated depreciation and impairment losses								
Balance at 1 July 2019	-	54,701	1,742	12,972	8,956	1,332	-	79,703
Adoption of SFRS(I) 16 (Note 2.1 and 5)	-	-	-	-	-	(107)	-	(107)
Balance at 1 July 2019	-	54,701	1,742	12,972	8,956	1,225	-	79,596
Depreciation charged	-	9,726	242	1,980	1,314	136	-	13,398
Disposals	-	(100)	(54)	(401)	(170)	(210)	-	(935)
Written off	-	(358)	-	(407)	(110)	(124)	-	(999)
Reclassifications	-	-	2,021	(2,021)	-	-	-	-
Foreign currency realignment	-	5	(5)	1	11	1	-	13
Balance at 30 June 2020	-	63,974	3,946	12,124	10,001	1,028	-	91,073
Carrying amounts								
Balance at 30 June 2020	66,436	375,489	1,195	7,565	2,449	556	9,140	462,830

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								
2019								
Cost								
Balance at 1 July 2018	60,788	422,218	1,934	21,494	12,287	2,173	3,059	523,953
Additions	796	53,723	334	2,932	1,143	337	5,281	64,546
Disposals	-	-	(271)	(1,282)	(658)	(139)	-	(2,350)
Written off	-	(1,420)	-	(70)	(34)	-	-	(1,524)
Disposal of subsidiaries (Note 7)	-	(38,092)	-	-	-	-	-	(38,092)
Reclassification	(1,426)	109	(1)	(2)	3	-	1,317	-
Transfer to investment properties (Note 6)	-	(8,789)	-	-	-	-	-	(8,789)
Transfer to intangible assets (Note 11)	-	-	-	-	(52)	-	-	(52)
Transfer from intangible assets (Note 11)	-	-	-	-	81	-	-	81
Foreign currency realignment	(494)	(10,185)	(93)	(686)	(355)	(91)	(203)	(12,107)
Balance at 30 June 2019	59,664	417,564	1,903	22,386	12,415	2,280	9,454	525,666

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								
2019								
Accumulated depreciation and impairment losses								
Balance at 1 July 2018	-	58,451	1,847	12,276	8,427	1,348	-	82,349
Depreciation charged	-	9,549	245	1,910	1,480	185	-	13,369
Disposals	-	-	(263)	(760)	(611)	(138)	-	(1,772)
Written off	-	(537)	-	(51)	(34)	-	-	(622)
Disposal of subsidiaries (Note 7)	-	(10,256)	-	-	-	-	-	(10,256)
Reclassifications	-	12	-	(12)	-	-	-	-
Transfer to investment properties (Note 6)	-	(792)	-	-	-	-	-	(792)
Transfer to intangible assets (Note 11)	-	-	-	-	(51)	-	-	(51)
Foreign currency realignment	-	(1,726)	(87)	(391)	(255)	(63)	-	(2,522)
Balance at 30 June 2019	-	54,701	1,742	12,972	8,956	1,332	-	79,703
Carrying amounts								
Balance at 30 June 2019	59,664	362,863	161	9,414	3,459	948	9,454	445,963

4. Property, plant and equipment (Continued)

	Computer equipment $'000
Company	
Cost	
Balance at 1 July 2018 and 2019	-
Additions	11
Balance at 30 June 2020	11
Accumulated depreciation	
Balance at 1 July 2018 and 2019	-
Depreciation	1
Balance at 30 June 2020	1
Carrying amount	
Balance at 30 June 2020	10
Balance at 30 June 2019	-

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.

Certain freehold land and leasehold land, buildings and improvements with carrying value of $261.7 million (2019: $245.9 million) were mortgaged to secure borrowings as referred to in Note 15 to the financial statements.

Borrowing costs of $0.7 million (2019: $0.7 million) which arose on the financing specifically for the construction in-progress were capitalised during the financial year.

During the financial year, the Group's wholly owned subsidiaries, Wanbo Institute of Science & Technology Ltd ("WIST") and Hefei Lanjing Science and Trade Co., Ltd. ("HLST") entered into a compulsory acquisition agreement with Hefei City Land Reserve Center of the Peoples Republic of China ("Hefei City Authority") in relation to Hefei City Authority's compulsory acquisition of WIST's and HLST's Land and Buildings ("the Properties") for a compensation consideration of RMB 432,634,000. The compulsory acquisition of the Properties shall be completed by 1 September 2021. Subsequent to the end of the financial year, Hefei City Authority has paid RMB 129,790,000 (being the first of four instalments) in July 2020.

The net book value of the Properties was approximately RMB 122,669,000 (equivalent to $24,141,000) as at 30 June 2020.

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5. Right-of-use assets

	Leased premises $'000	Office equipment $'000	Motor vehicle $'000	Total $'000
Group				
Cost				
Balance at 1 July 2019				
- Reclassified from property, plant and equipment (Note 4)	-	-	571	571
- Adoption of SFRS(I) 16 (Note 2.1)	6,249	268	-	6,517
Balance at 1 July 2019	6,249	268	571	7,088
Additions	141	151	119	411
Foreign currency realignment	(64)	(2)	(7)	(73)
Balance at 30 June 2020	6,326	417	683	7,426
Accumulated amortisation				
Balance at 1 July 2019				
- Reclassified from property, plant and equipment (Note 4)	-	-	107	107
Amortisation charged	1,932	65	66	2,063
Foreign currency realignment	(34)	-	(2)	(36)
Balance at 30 June 2020	1,898	65	171	2,134
Carrying amounts				
Balance at 30 June 2020	4,428	352	512	5,292

Restrictions

Included in the above, motor vehicles and office equipment with a carrying amount of $726,286 is secured over the lease liabilities of $522,591 (Note 16) as at 30 June 2020. The motor vehicles and office equipment will be returned to lessor in the event of default by the Group.

6. Investment properties

	Group 2020 $'000	Group 2019 $'000
Balance at beginning of financial year	477,638	520,311
Additions	12,426	10,272
Disposal of subsidiaries (Note 7)	-	(63,293)
Fair value gain recognised in profit or loss, net	3,180	10,977
Transfer from property, plant and equipment (Note 4)	-	7,997
Transfer to property, plant and equipment (Note 4)	(19,310)	-
Revaluation gain on transfer from owner-occupied property recognised in other comprehensive income	-	11,834
Disposal of investment properties	(69,477)	-
Foreign currency realignment	950	(20,460)
Balance at end of financial year	405,407	477,638

(a) As at 30 June 2020, the investment properties 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"), 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, Mandurah and RASL are vacant as at 30 June 2020. RAS has utilised part of the land for cafeteria and boarding facilities rental. Building construction on the land of TLG is ongoing. Siviez owns a commercial building. 4Vallees owns a hotel and facilities ("Hotel") and seven commercial units ("commercial units"), of which four are rented out.

Rental income from the Group's investment properties which are leased out under operating leases, amounted to $18.6 million (2019: $19.9 million). Direct operating expenses arising from rental and non-rental generating investment properties amounted to $4.8 million and $2.1 million (2019: $4.9 million and $2.4 million) respectively.

(b) Investment properties are stated at fair value, determined based on professional valuation carried out by firms of independent professional 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.

6. Investment properties (Continued)

(b) (Continued)

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 independent professional valuation specialist, 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.

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	2.51% - 5.5% per annum (2019: 2.51% - 5.75% per annum)	Increase in capitalisation rate would result in lower fair value.
	Monthly rental rate	$1.0 - $19.1 per sqm (2019: $2.5 - $37.0 per sqm)	Increase in monthly rental rate would result in higher fair value.
Direct comparison approach	Price per square metre[(1)]	$94 - $1,652 per sqm (2019: $94 - $1,342 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.

6. Investment properties (Continued)

(c) As at 30 June 2020, $275.3 million (2019: $272.6 million) of the Group's investment properties are held under remaining leasehold interests between 29 to 34 years (2019: 30 to 35 years). The remaining investment properties are freehold.

(d) Certain investment properties with carrying values totalling $120.1 million (2019: $194.6 million) were mortgaged to secure borrowings as referred to in Note 15 to the financial statements.

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

(f) As at 30 June 2020, an investment property with carrying value of $9.2 million (2019: $9.5 million) is currently pending procedural approval by the local authority on the mix development and further fragmentation of the land.

7. Investments in subsidiaries

	Company	
	2020	**2019**
	$'000	**$'000**
Quoted equity shares, at cost	68,736	68,736
Unquoted equity shares, at cost	398,007	410,365
Less: Allowance for impairment losses	(24,275)	(28,479)
	442,468	450,622
Convertible note receivables	36,020	-
	478,488	450,622

The convertible note receivables bears interest at 2.48% per annum, payable semi-annually in arrears every six calendar months, matures in 29 August 2028 and includes the right to convert the whole or any part of the outstanding amount into common shares of Oriental University City Holdings (H.K.) Limited at HK$2.30 per share at any time before maturity. The outstanding amount shall be automatically converted into such number of shares as will be determined by dividing the outstanding amount by HK$2.30 per share on the maturity date. The convertible note receivables approximate its fair value as the interest rates approximate market rates for similar types of loans at the end of the reporting period.

The convertible note receivables are denominated in Hong Kong Dollars.

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

	Company	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of financial year	28,479	22,964
Allowance made during the financial year	222	6,684
Allowance written off against provision during the financial year	(4,426)	(1,169)
Balance at end of financial year	24,275	28,479

7. Investments in subsidiaries (Continued)

As at each reporting date, the Company carried out a review of the recoverable amount of the investment in subsidiaries, resulting in the recognition of impairment losses of approximately $222,000 (2019: $6,684,000) for the financial year ended 30 June 2020, due to the losses reported and cessation of operations by these subsidiaries. The recoverable amount of $Nil has been determined on the basis of its underlying net assets amount.

Particulars of the significant subsidiaries are as follows:

	Effective equity interest held by the Group		Country of incorporation/ principal place of business	Principal activities
	2020 %	**2019 %**		
Subsidiaries				
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)] ("RKL")	70*	70*	Malaysia	Provision of training programmes and courses in various areas of design and management
Raffles K12 Sdn. Bhd.[(a)]	100	100	Malaysia	Operating an American system school
Raffles College of Higher Education Pte. Ltd.	100	100	Singapore	Provider of education 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[(a)]	75**	75**	People's Republic of China	Provider of education supporting services

7. Investments in subsidiaries (Continued)

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

Subsidiaries	Effective equity interest held by the Group 2020 %	2019 %	Country of incorporation/ principal place of business	Principal activities
4 Vallees Pte. Ltd.	94	94	Singapore	Property investment
Raffles Assets (Singapore) Pte. Ltd.	100	100	Singapore	Property investment
Educomp-Raffles Higher Education Limited ("ERHEL")[(b)]	99	-***	India	Provision of training programmes and courses in various areas of design and management

Notes on significant subsidiaries:

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

[(a)] Audited by overseas member firms of BDO.
[(b)] Audited by BDO LLP, Singapore for consolidation purposes.

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.

* As at 30 June 2020, the non-controlling interest of RKL has assigned to the Group all (2019: 50%) of its rights, title and interest in and for all present and future dividend of RKL.

** 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.

*** At 30 June 2019, the subsidiary is previously a joint venture entity as disclosed in Note 8 to the financial statements.

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7. Investments in subsidiaries (Continued)

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

Subsidiaries	Effective equity interest held by the NCI 2020 %	2019 %	Country of incorporation/ principal place of business
Oriental University City Holdings (H.K.) Limited and its subsidiaries ("OUCHK Group")	25	25	People's Republic of China

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:

	OUCHK Group 2020 $'000	2019 $'000
Revenue	14,758	14,590
Profit before income tax	14,004	8,939
Income tax expense	(4,460)	(3,026)
Profit after income tax	9,544	5,913
Profit allocated to NCI	2,386	1,478
Other comprehensive income allocated to NCI	(21)	(2,730)
Total comprehensive income allocated to NCI	2,365	(1,252)
Dividends paid to NCI	-	(901)
Cash flows from operating activities	4,985	7,968
Cash flows used in investing activities	(18,306)	(8,790)
Cash flows from/(used in) financing activities	13,315	(3,685)
Net cash outflows	(6)	(4,507)

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

Non-controlling interests (Continued)

	OUCHK Group	
	2020	**2019**
	$'000	**$'000**
Assets:		
Current assets	4,901	12,777
Non-current assets	298,579	235,535
Liabilities:		
Current liabilities	(9,164)	(4,654)
Non-current liabilities	(68,229)	(27,033)
Net assets	226,087	216,625
Accumulated non-controlling interests	56,522	54,156

Disposal of subsidiaries

Disposal of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd ("LDZ Sino-Singapore Education Investment")

During the financial year ended 30 June 2019, the Group disposed LDZ Sino-Singapore Education Investment together with the college LOIT which it operated for a consideration of approximately $83.7 million (RMB 420 million).

Pursuant to the terms of the Sale and Purchase Agreement with the purchaser, the purchaser acquired LDZ Sino-Singapore Education Investment from the Group for a consideration of RMB 420 million. During the financial year, the purchaser paid RMB 84 million (equivalent to $16.6 million) [2019: RMB 42 million (equivalent to $8.4 million)]. The remaining balance RMB 294 million is expected to be repaid within the next financial year.

The effects of the disposal as at the date of disposal were:

Carrying amounts of net assets over which control was lost	**$'000**
Property, plant and equipment (Note 4)	27,836
Investment properties (Note 6)	63,293
Trade and other receivables	677
Deferred tax liabilities (Note 17)	(8,123)
Non-controlling interests	(40,673)
Net assets derecognised	43,010
Gain on disposal of subsidiaries (Note 22)	37,410
Receivables from disposal of subsidiaries	(72,028)
Net cash inflow	8,392

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

Acquisition of subsidiary

During the financial year, the Group obtained additional 41.2% equity interest in ERHEL. As a result, the Group's equity interest in ERHEL increased from 58.1% to 99.3%, granting it control of ERHEL.

	$'000
Assets and liabilities at date of acquisition:	
Other receivables	18,404
Other payables	(4,790)
Net identifiable assets at fair value	13,614
Group's existing 58% interest in net identifiable assets of ERHEL at fair value	7,896
Less: Carrying amount of equity-accounted investee at the date of acquisition	(13,039)
Less: Foreign currency translation reserve reclassified to profit or loss	(477)
Remeasurement to fair value of pre-existing interest in ERHEL	(5,620)
Consideration transferred	-*
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of ERHEL	(90)
Fair value of pre-existing interest in ERHEL	(7,896)
Fair value of net identifiable assets	13,614
Bargain purchase on acquisition of subsidiary	5,628
Net bargain purchase on acquisition of subsidiary (Note 22)	8

* The Group paid $10,000 during the financial year ended 30 June 2019 and the amount was included as part of carrying amount of ERHEL at date of acquisition of $13,039,000.

From the date of acquisition, ERHEL has contributed revenue and loss of $Nil and $102,000 respectively to the Group results. If the acquisition had occurred on 1 July 2019, management estimates that the Group's revenue and loss for the year would have been $100,477,000 and $7,542,000 respectively.

Prior to the acquisition, the Group accounted for ERHEL as a joint venture (Note 8).

There is no transaction costs related to the acquisition for the year ended 30 June 2020.

8. **Investments in joint ventures**

	Group	
	2020	**2019**
	$'000	**$'000**
Unquoted equity shares, at cost	10,755	63,431
Share of post-acquisition reserves of joint ventures	(9,785)	(49,385)
	970	14,046

8. Investments in joint ventures (Continued)

Particulars of the joint ventures are as follows:

	Effective equity interest held by the Group 2020 %	2019 %	Country of incorporation/ principal place of business	Principal activities
Joint ventures				
Educomp-Raffles Higher Education Limited ("ERHEL")[c]	-	58	India	Provision of training programmes and courses in various areas of design and management
Value Vantage Pte. Ltd. ("VVPL")[a]	50	50	Singapore	Investment holding
Raffles Education Middle East Training Co. Ltd[b]	50	50	Saudi Arabia	Provision of education services and training programmes

Notes on joint ventures:

(a) Audited by BDO LLP, Singapore.

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

(c) On September 2019, the Group's equity interest in ERHEL increased from 58% to 99% and ERHEL became a subsidiary (Note 7).

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

	VVPL 2020 $'000	VVPL 2019 $'000	ERHEL 2020 $'000	ERHEL 2019 $'000
Current assets[1]	1,000	11,920	-	25,078
Non-current assets	11,005	-	-	13,936
Current liabilities	(225)	(10,093)	-	(33,424)
Non-current liabilities	(9,840)	-	-	-
Net assets	1,940	1,827	-	5,590
(1) *Included in the above amounts are:*				
Cash and bank balances	1,000	995	-	2,898

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8. Investments in joint ventures (Continued)

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

	VVPL 2020 $'000	VVPL 2019 $'000	ERHEL 2020 $'000	ERHEL 2019 $'000
Revenue	-	-	-	-
Profit/(loss) after tax[2], representing total comprehensive income	113	140	(70)*	(705)
(2) *Included in the above amounts are:*				
Depreciation and amortisation	-	-	-	(479)
Interest income	1	1	-	-
Dividend received from joint venture	-	500	-	-
Capital distribution from joint venture	-	6,500	-	-

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

During the financial year, dividend and capital distribution from joint venture of $Nil (2019: $500,000) and $Nil (2019: $6,500,000) were offset against payable to joint venture.

* The loss after tax of ERHEL representing financial performance for the 3 months ended 30 September 2019 before the Group obtained control of the entity as a subsidiary.

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:

	VVPL 2020 $'000	VVPL 2019 $'000	ERHEL 2019 $'000
Proportion of Group's interest	50%	50%	58%
Group's share of net assets	970	914	3,242
Investment pending share transfer completion	-	-	10
Goodwill	-	-	10,780
Group's carrying amount of investment in joint ventures	970	914	14,032

The Group has not recognised losses relating to the joint venture where its share of losses exceed the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were $1.48 million (2019: $1.20 million) of which $278,000 (2019: $298,000) was the share of the current year losses. The Group has no obligation in respect of those losses.

9. Investments in associates

	Group 2020 $'000	Group 2019 $'000
Quoted equity shares, at cost	3,029	3,029
Unquoted equity shares, at cost	48,862	48,862
Share of post-acquisition results	(228)	1,765
Less: Allowance for impairment losses	(1,905)	-
	49,758	53,656

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

	Group 2020 $'000	Group 2019 $'000
Balance at beginning of financial year	-	-
Impairment loss recognised in the year	1,905	-
Balance at end of financial year	1,905	-

Details of associates are as follows:

Associates	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	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]	14.3	14.3	Australia	Property development and investment
Langfang He Zhong Real Estate Development Co., Ltd. ("He Zhong")[a][e]	34.1	34.1	People's Republic of China	Property development and property leasing

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9. Investments in associates (Continued)

Notes on associates:

[a] Audited by overseas member firm of BDO

[b] Audited by Confidence 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.

[e] The interest in He Zhong has been classified as an associate as the Group has significant influence through its board representation in He Zhong.

As at 30 June 2020, the fair value of the Group's investment in Axiom, which is listed on the Australian Securities Exchange, was $3,148,000 (2019: $2,805,000). The fair value measurement is classified within Level 1 of the fair value hierarchy.

As at 30 June 2020, in view of the prolonged decline in the share price of Axiom, management assessed and determined the recoverable amount to approximates its fair value and recognised an impairment loss of $1,905,000 in profit or loss for the financial year ended 30 June 2020.

Summarised financial information of He Zhong and Axiom are as follows:

	He Zhong 2020 $'000	He Zhong 2019 $'000	Axiom 2020 $'000	Axiom 2019 $'000
Current assets	16,484	16,566	7,422	9,124
Non-current assets	122,334	126,499	18,696	14,683
Current liabilities	(3,302)	(2,698)	(1,304)	(390)
Non-current liabilities	-	-	(631)	-
Net assets	135,516	140,367	24,183	23,417
Revenue	-	-	202	435
(Loss)/Profit after tax	(4,759)	-	420	(2,504)
Other comprehensive income	(92)	-	364	(791)
Total comprehensive income	(4,851)	-	784	(3,295)

9. Investments in associates (Continued)

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

	2020 He Zhong $'000	2020 Axiom $'000	2020 Total $'000	2019 He Zhong $'000	2019 Axiom $'000	2019 Total $'000
Share of net assets	46,211	4,600	50,811	47,865	4,452	52,317
Goodwill	-	522	522	-	522	522
Less: Allowance for impairment losses	-	(1,905)	(1,905)	-	-	-
Carrying value of investment	46,211	3,217	49,428	47,865	4,974	52,839
Add:						
Carrying value of individually immaterial associate			330			817
Carrying value of the Group's investments in associates			49,758			53,656

10. Financial assets at FVOCI

	Group 2020 $'000	Group 2019 $'000
At 1 July	606	620
Fair value recognised in OCI	4	15
Disposal	(610)	-
Foreign currency realignment	-	(29)
	-	606

The Group has designated all equity instruments to be measured at fair value through other comprehensive income ("FVOCI"). The Group intends to hold these investments for long-term for appreciation in value as well as strategic investment purposes. Dividend income recognised for these investments are included in "other income".

During the financial year, the Group has disposed these investments as part of the strategic investments decision. The fair value of these equity instruments at the date of derecognition amounted to $610,000. The cumulative gain or loss associated with this investment was transferred within equity.

The fair value was determined based on professional valuation carried out by independent valuation specialists. The valuation was done based on asset-based business valuation method which use level 3 inputs.

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11. Intangible assets

	Goodwill on acquisitions $'000	Trademarks and licenses $'000	Development costs $'000	Computer software and computer software under development $'000	Total $'000
Group					
2020					
Cost					
Balance at 1 July 2019	104,741	614	3,326	429	109,110
Additions	-	5	23	19	47
Written off	-	-	(202)	(330)	(532)
Foreign currency realignment	(88)	(11)	3	(3)	(99)
Balance at 30 June 2020	104,653	608	3,150	115	108,526
Accumulated amortisation and impairment losses					
Balance at 1 July 2019	-	200	2,282	56	2,538
Amortisation	-	22	389	60	471
Written off	-	-	(115)	(47)	(162)
Foreign currency realignment	-	1	(3)	(3)	(5)
Balance at 30 June 2020	-	223	2,553	66	2,842
Carrying amounts					
As at 30 June 2020	104,653	385	597	49	105,684

11. Intangible assets (Continued)

	Goodwill on acquisitions $'000	Trademarks and licenses $'000	Development costs $'000	Computer software and computer software under development $'000	Total $'000
Group					
2019					
Cost					
Balance at 1 July 2018	118,603	631	3,645	2,364	125,243
Additions	-	9	61	92	162
Written off	(8,500)	-	(283)	(1,997)	(10,780)
Transfer from property, plant and equipment (Note 4)	-	-	-	52	52
Transfer to property, plant and equipment (Note 4)	-	-	-	(81)	(81)
Foreign currency realignment	(5,362)	(26)	(97)	(1)	(5,486)
Balance at 30 June 2019	104,741	614	3,326	429	109,110
Accumulated amortisation and impairment losses					
Balance at 1 July 2018	2,360	173	1,925	1,823	6,281
Amortisation	-	25	430	5	460
Impairment	6,140	-	-	-	6,140
Written off	(8,500)	-	(13)	(1,823)	(10,336)
Transfer from property, plant and equipment (Note 4)	-	-	-	51	51
Foreign currency realignment	-	2	(60)	-	(58)
Balance at 30 June 2019	-	200	2,282	56	2,538
Carrying amounts					
As at 30 June 2019	104,741	414	1,044	373	106,572

11. Intangible assets (Continued)

	Trademarks $'000	Computer software under development $'000	Total $'000
Company			
2020			
Cost			
Balance at 1 July 2019	221	359	580
Additions	5	19	24
Write off	-	(330)	(330)
Balance at 30 June 2020	226	48	274
Accumulated amortisation			
Balance at 1 July 2019	157	-	157
Amortisation	4	54	58
Write off	-	(47)	(47)
Balance at 30 June 2020	161	7	168
Carrying amounts			
As at 30 June 2020	65	41	106
2019			
Cost			
Balance at 1 July 2018	221	286	507
Additions	-	73	73
Balance at 30 June 2019	221	359	580
Accumulated amortisation			
Balance at 1 July 2018	149	-	149
Amortisation	8	-	8
Balance at 30 June 2019	157	-	157
Carrying amounts			
As at 30 June 2019	64	359	423

11. Intangible assets (Continued)

Goodwill on acquisition

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

	Group	
	2020	**2019**
	$'000	**$'000**
China Education Limited ("CEL")	93,299	93,365
Wanbo Technology Vocation Institute ("Wanbo")	7,654	7,659
Others[1]	3,700	3,717
	104,653	104,741

(1) Individually insignificant.

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

Impairment testing of goodwill

The recoverable amounts of the CGUs are determined based on the higher of its value-in-use and fair value less cost of disposal.

For fair value less costs of disposal calculation in relation to goodwill allocated to Wanbo, the recoverable amount is determined based on the expected consideration from disposal of property, plant and equipment (Note 4) plus the fair value of net identifiable assets which comprised mainly of receivables and payables. The fair value measurement is classified as level 3 of the fair value hierarchy.

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% (2019: 7%) per annum, and reflects specific risks relating to the business segment and cash flows beyond the one-year period. The revenue growth rates used are based on the historical trend adjusted for forward looking assumption and the terminal growth rates is 0% (2019: 0%).

During the financial year ended 30 June 2019, Raffles College Pty Ltd ("RCDC") ceased its operations. Consequently, impairment loss of approximately $6,140,000 relating to RCDC was recognised in profit or loss and the goodwill and corresponding accumulated impairment losses of $8,500,000 respectively were written off against provision as at 30 June 2019.

Sensitivity analysis

Management has estimated that, with all other variables remain constant and on a standalone basis, even if the revenue growth rate is reduced by 1% (2019: 1%) per annum, if the projected net cash flows had been 10% (2019: 10%) lower or if the estimated discount rate applied to the cash flows had been 8% instead of 7% (2019: 8% instead of 7%), there is no significant impact to the carrying amount of goodwill allocated to the significant CGU, namely CEL.

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12. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables:				
Third parties	4,497	2,345	-	-
Less:				
Loss allowance	(61)	(47)	-	-
	4,436	2,298	-	-
Other receivables:				
Third parties	1,312	885	-	-
Receivable from disposal of subsidiaries[a]	57,192	16,352	-	-
Deposits	9,905	8,125	7	-
Prepayments	6,206	5,413	73	37
Receivable from former joint venture	-	145	-	-
Subsidiaries[b]	-	-	261,520	245,767
Less: Loss allowance on amount due from subsidiaries	-	-	(39,579)	(25,104)
	-	-	221,941	220,663
Joint ventures[b]	21,780	9,003	550	554
Value added tax recoverable[c]	1,505	1,536	-	-
Others	344	518	616	17
	98,244	41,977	223,187	221,271
	102,680	44,275	223,187	221,271
Non-current other receivables:				
Receivable from disposal of subsidiaries[a]	-	54,637	-	-
Subsidiaries[b]	-	-	35,373	34,372
Others	1,000	-	1,000	-
	1,000	54,637	36,373	34,372
Total	103,680	98,912	259,560	255,643

Trade receivables are non-interest bearing and are generally on 30 days credit term.

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 for trade receivables is limited due to the large, diverse and unrelated customer base. As at 30 June 2020, the Group has significant non-trade receivable from the disposal of subsidiaries and amount due from joint ventures while the Company has significant non-trade amounts due from subsidiaries.

12. Trade and other receivables (Continued)

The Group applied the simplified approach and provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on observable ageing buckets. The Group's loss allowance as at 30 June 2020 amounted to $61,000 (2019: $47,000).

The Group and the Company provide expected credit losses for non-trade receivables based on the general three-stage model. Credit performance of each debtor is monitored regularly by management. Management considers factors such as the performance, financial capability and/or any delay in agreed payment schedule to determine whether there is a significant increase in credit risk of each debtor since initial recognition. Based on the assessment, the non-trade receivables of the Group are subject to immaterial credit losses.

For the Company's non-trade amounts due from subsidiaries, management has taken into account the available internal information on the subsidiaries' past, current and expected operating performance and cash flow position in assessing if there is a significant increase in credit risk since initial recognition and then adjust the loss allowance based on the assessment.

Movements in the loss allowance for receivables are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	47	72	25,104	20,863
Allowance made for the financial year	28	34	14,475	4,760
Written off against allowance	(14)	(57)	-	(519)
Foreign currency realignment	-	(2)	-	-
Balance at end of financial year	61	47	39,579	25,104

<u>Further notes on trade and other receivables</u>:

(a) This mainly relates to the amount due from a third party arising from the disposal of Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd ("LDZ Sino-Singapore Education Investment") which operated LOIT (Note 7).

(b) The amounts due from subsidiaries and joint ventures are non-trade in nature, unsecured, interest-free and are to be settled in cash. The carrying amount of these amounts approximates its fair value.

(c) Certain value added tax recoverable of $1.5 million (2019: $1.5 million) was pledged to secure borrowings as referred to in Note 15 to the financial statements.

13. Cash and bank balances

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Fixed deposits with banks	26,232	25,664	-	-
Cash and bank balances	8,375	9,144	211	163
	34,607	34,808	211	163
Non-current				
Restricted bank balances	3,745	3,530	-	-
	38,352	38,338	211	163
Less: Pledged fixed deposits and bank balances	(26,410)	(27,059)		
Less: Restricted bank balances	(3,745)	(3,530)		
Cash and cash equivalents for purpose of consolidated statement of cash flows	8,197	7,749		

<u>Group</u>

Certain fixed deposits and restricted bank balances are pledged to banks as collateral for credit facilities granted (Note 15).

Cash and bank balances of $31,154,000 (2019: $31,795,000) held in People's Republic of China are subject to local exchange control regulations.

At each reporting date, fixed deposits have an average maturity of 0.14 months (2019: 3 months) from the end of the financial year with the following effective interest rates per annum:

	Group	
	2020	**2019**
Chinese renminbi	1.50% - 1.85%	1.50% - 1.85%

14. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables	4,025	3,284	-	-
Subsidiaries	-	-	306,543	243,435
Joint venture	3,483	-	-	-
Other accruals	10,448	14,439	714	1,851
Accruals for property and land use tax	28	100	-	-
Accruals for business taxes	1,657	838	-	-
Accruals for capital expenditure	1,963	6,170	-	-
Amount due to a Director	5,840	15,732	5,446	15,338
Payable for assignment of rights of dividend from non-controlling interest in a subsidiary	-	3,265	-	-
Payable for purchase of Campus Facilities by BC[a]	7,940	6,815	-	-
Other payables	11,134	4,840	877	-
	46,518	55,483	313,580	260,624
Non-current other payables				
Joint venture	-	2,813	-	-
Accruals for capital expenditure	1,960	1,917	-	-
Payable for purchase of Campus Facilities by BC[a]	20,202	25,109	-	-
Other payables	1,809	1,350	-	-
	23,971	31,189	-	-
Total	70,489	86,672	313,580	260,624

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

The amounts due to subsidiaries, joint venture and a Director are unsecured, interest-free and repayable on demand, except for an amount payable to a subsidiary of $47.6 million (2019: $54.7 million) as at the end of the financial year which bears interest at a range of 2.25% to 3.89% (2019: 3.40% to 6.33%) per annum.

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

Further notes on trade and other payables:

(a) This mainly relates to the amount payable for the purchase of the Campus Facilities by a subsidiary, Tianjin University of Commerce Boustead College ("BC").

Pursuant to the terms of the Sale and Purchase Agreement, BC will pay to the vendor an aggregate consideration of RMB 260 million. During the financial year, the Group paid RMB 25 million (2019: RMB 80 million) to the vendor. The outstanding balance of RMB 155 million will be payable over a period of years between 30 September 2020 to 30 September 2023.

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15. Borrowings

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Borrowings:				
- Secured bank overdrafts	13,742	7,944	-	-
- Secured bank borrowings	320,924	372,127	37,005	64,299
	334,666	380,071	37,005	64,299
Repayable:				
- within one financial year	161,414	123,389	32,005	64,299
- more than one financial year	173,252	256,682	5,000	-
	334,666	380,071	37,005	64,299

Security for borrowings are as follows:

- bank borrowings of $5.0 million (2019: $Nil million) of the Company are secured by letter of guarantee by a subsidiary;
- bank borrowings of $256.2 million (2019: $293.1 million) are secured by letter of guarantee by the Company;
- standby letter of credit for $24.9 million (2019: $24.9 million) are secured by pledged bank deposits of $26.2 million (2019: $25.7 million) (Note 13);
- restricted bank balances of $3.7 million (2019: $3.5 million) (Note 13);
- certain property, plant and equipment (Note 4) with carrying amount of $261.7 million (2019: $245.9 million) and investment properties (Note 6) with carrying amount of $120.1 million (2019: $194.6 million);
- bank borrowings of $1.3 million (2019: $1.3 million) are secured by certain tax recoverable of $1.5 million (2019: $1.5 million) (Note 12); and
- 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 5.81% to 7.56% (2019: 5.65% to 7.56%) per annum.

The current bank borrowings have an average maturity of 9 months (2019: 2 months) from the end of the financial year. The non-current bank borrowings have an average maturity of approximately 4.46 years (2019: 3.27 years) from the end of the financial year.

The effective interest rates of the bank borrowings range from 1.40% to 8.50% (2019: 1.55% to 8.30%) per annum. Management estimates that the carrying amount of the Group's and the Company's borrowings approximates its fair value as the current lending rates for similar types of lending arrangement are not materially different from the rates obtained by the Group and the Company.

16. Lease liabilities

	Leased premises $'000	Office equipment $'000	Motor vehicle $'000	Total $'000
Group				
At 1 July 2019				
- Finance lease liabilities previously presented in trade and other payables, under SFRS(I) 1-17	-	-	354	354
- Adoption of SFRS(I) 16 (Note 2.1)	6,249	268	-	6,517
	6,249	268	354	6,871
Additions	141	151	119	411
Interest expense (Note 24)	308	17	15	340
Lease payments				
- Principal portion	(1,736)	(80)	(77)	(1,893)
- Interest portion	(308)	(17)	(15)	(340)
Foreign currency realignment	(31)	(1)	(3)	(35)
At 30 June 2020	4,623	338	393	5,354

The maturity analysis of lease liabilities of the Group as at 30 June 2020 are as follows:

	Group $'000
Contractual undiscounted cash flows	
- Not later than a year	1,901
- Between one and two years	1,481
- Between two and five years	2,473
- More than five years	33
	5,888
Less: Future interest expense	(534)
Present value of lease liabilities	5,354
Presented in consolidated statement of financial position	
- Non-current	3,675
- Current	1,679
	5,354

The Group leases premises, office equipment and motor vehicle with only fixed payments over the lease terms.

Certain office equipment of the Group are qualified for low value assets and the Group also leases certain leased premises on the short-term basis (i.e. less than 12 months). The election of short-term leases and low-value lease exemption is made on lease-by-lease basis.

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16. Lease liabilities (Continued)

As at 30 June 2020, the average incremental borrowing rate applied and average interest rate implicit in the lease were 6.04% and 3.81% respectively.

The Group's lease liabilities of $522,591 (2019: $355,590) was secured over certain office equipment and motor vehicles (Note 5).

There are no externally imposed covenant on these lease arrangements.

17. 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 2020 $'000	Group 2019 $'000
Deferred tax assets	1,720	5,966
Deferred tax liabilities	(56,983)	(63,641)

Deferred tax assets

	Other payables $'000	Tax losses $'000	Accelerated tax capital allowance $'000	Others $'000	Total $'000
Group					
Balance at 1 July 2019	3,732	2,192	36	6	5,966
Credited to profit or loss	(3)	(32)	-	-	(35)
Offset against deferred tax liabilities	(3,663)	(474)	-	(5)	(4,142)
Foreign currency realignment	(92)	23	-	-	(69)
Balance at 30 June 2020	(26)	1,709	36	1	1,720
Balance at 1 July 2018	1,286	1,555	36	6	2,883
Credited to profit or loss	2,592	582	-	-	3,174
Foreign currency realignment	(146)	55	-	-	(91)
Balance at 30 June 2019	3,732	2,192	36	6	5,966

17. 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 2019	(652)	(48,848)	(14,177)	36	(63,641)
Credited/(Charged) to profit or loss	103	(5,325)	-	9	(5,213)
Transfer to income tax payable	-	7,573	-	-	7,573
Offset against deferred tax assets	-	4,142	-	-	4,142
Foreign currency realignment	-	146	10	-	156
Balance at 30 June 2020	(549)	(42,312)	(14,167)	45	(56,983)
Balance at 1 July 2018	(550)	(48,893)	(32,233)	15	(81,661)
Credited/(Charged) to profit or loss	(109)	(6,928)	16,769	21	9,753
Charged to equity	-	(3,254)	-	-	(3,254)
Disposal of subsidiaries (Note 7)	-	8,123	-	-	8,123
Foreign currency realignment	7	2,104	1,287	-	3,398
Balance at 30 June 2019	(652)	(48,848)	(14,177)	36	(63,641)

At each reporting date, no deferred tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled $217.3 million (2019: $215.6 million) as at 30 June 2020.

18. Share capital

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning and end of the financial year	1,458,446,772	1,458,446,772	554,337	554,337

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.

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19. Treasury shares

	Group and Company			
	2020	2019	2020	2019
	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".

20. Accumulated profits/(losses) and other reserves

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revaluation reserve[1]	8,304	20,151	-	-
Fair value reserve[2]	-	15	-	-
Foreign currency translation reserve[3]	(23,308)	(25,635)	-	-
Share-based payments reserve[4]	2,632	2,584	2,632	2,584
Accumulated profits/(losses)	115,529	123,036	(129,547)	(135,361)
	103,157	120,151	(126,915)	(132,777)

[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] *Fair value reserve*

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at FVOCI until they are derecognised. Upon derecognition, the cumulative fair value changes will be transferred to accumulated profits.

[3] *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.

[4] *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.

21. Revenue

Disaggregation of revenue

Operating segment

	Education		Education Facilities Rental Service		Real Estate Investment and Development		Corporate and Others		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Course fees	74,870	70,719	-	-	-	-	-	4	74,870	70,723
Rental income from investment properties	-	-	14,758	14,590	3,818	5,308	6	-	18,582	19,898
Student accommodation fees	1,486	3,114	-	-	-	-	-	-	1,486	3,114
Canteen operation	835	578	-	-	-	-	-	-	835	578
Other fees	4,667	3,533	-	-	-	1	37	7	4,704	3,541
	81,858	77,944	14,758	14,590	3,818	5,309	43	11	100,477	97,854

Geographical segment

	Asean		North Asia		South Asia		Australasia		Europe		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Course fees	34,277	31,107	37,371	36,116	972	1,132	1	864	2,249	1,504	74,870	70,723
Rental income from investment properties	7	1	15,523	15,979	-	-	1,947	2,792	1,105	1,126	18,582	19,898
Student accommodation fees	18	565	1,468	2,549	-	-	-	-	-	-	1,486	3,114
Canteen operation	663	425	172	153	-	-	-	-	-	-	835	578
Other fees	3,850	2,356	854	1,047	-	1	-	-	-	137	4,704	3,541
	38,815	34,454	55,388	55,844	972	1,133	1,948	3,656	3,354	2,767	100,477	97,854

Timing of transfer of good or service (excluding rental income from investment properties)		
Over time	76,356	73,837
At a point in time	5,539	4,119
	81,895	77,956

NOTES TO THE FINANCIAL STATEMENTS
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21. Revenue (Continued)

Course fees received in advance

Course fees received in advance refer to course fees billed and received or receivable for the next financial year. Course fees received in advance are recognised as the course commences over the next financial year.

	Group	
	2020 $'000	2019 $'000
Course fees received in advance	13,243	12,449

These contract liabilities will be recognised as revenue in the subsequent financial year.

22. Other operating income

	Group	
	2020 $'000	2019 $'000
Foreign exchange gain	4,723	6,691
Interest income from		
- unwinding effect of discounting receivables	2,789	-
- fixed deposits	1,243	621
	4,032	621
Gain on disposal of investment properties	1,928	-
Government grant	396	67
Gain on disposal of property, plant and equipment	41	16
Net bargain purchase on acquisition of a subsidiary (Note 7)	8	-
Gain on disposal of subsidiaries (Note 7)	-	37,410
Others	833	287
	11,961	45,092

23. Personnel expenses

	Group	
	2020 $'000	2019 $'000
Salaries, bonuses and allowances	36,300	37,163
Contributions to defined contribution plans	4,613	5,427
Share-based payment expenses	48	131
Other social expenses	1,043	1,115
	42,004	43,836

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

24. Finance costs

	Group 2020 $'000	Group 2019 $'000
Interest expenses:		
- Bank borrowings	15,090	16,801
- Unwinding effect of discounting payables	1,278	-
- Lease liabilities (Note 16)	340	-
	16,708	16,801

25. (Loss)/Profit before income tax

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

	Group 2020 $'000	Group 2019 $'000
Audit fees paid to auditors:		
- Auditor of the Company	380	395
- Other auditors	457	618
Non-audit fees paid to auditors:		
- Auditor of the Company	26	32
Bad trade receivables written off	198	246
Foreign exchange loss	9,278	3,746
Intangible assets written off	370	444
(Gain)/Loss on disposal of property, plant and equipment, net	(14)	484
Marketing and advertisement expenses	4,983	5,214
Rental expenses on operating leases:		
- Rental of premises	-	5,613
- Rental of equipment	-	127
Lease expenses on:		
- Short-term leases	1,213	-
- Low value assets	47	-
Professional fees	2,692	1,992
Property, plant and equipment written off	155	902
Property management fees	1,632	2,085
Revenue, property and land use tax	2,920	3,767
Repair and maintenance	4,363	4,551
Royalty, registration and administration fees	2,861	2,733
Transport and communication	1,471	2,120
Utilities	5,497	4,167

26. Income tax expense/(credit)

	Group 2020 $'000	Group 2019 $'000
Income tax		
- Current financial year	1,380	1,592
- Under/(Over)provision in respect of prior years	55	(1,716)
- Withholding tax expense	284	-
	1,719	(124)
Deferred tax		
- Current financial year	5,311	3,449
- Overprovision in respect of prior financial years	(63)	(16,376)
	5,248	(12,927)
	6,967	(13,051)

Domestic income tax in Singapore is calculated at 17% (2019: 17%) of the estimated assessable profit 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% (2019: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group 2020 $'000	Group 2019 $'000
(Loss)/Profit before income tax	(7,370)	28,056
Income tax calculated at Singapore statutory income tax rate	(1,253)	4,770
Tax effect of income not subject to taxation	(2,778)	(2,881)
Tax exemption	-	(35)
Tax effect of non-allowable expenses	7,946	5,051
Deferred tax assets not recognised for current financial year	1,460	2,106
Effect of different tax rates of overseas operations	1,316	(3,970)
Under/(Over)provision of current income tax in respect of prior years	55	(1,716)
Overprovision of deferred tax in respect of prior years	(63)	(16,376)
Withholding tax expense	284	-
Total income tax expense/(credit) recognised in profit or loss	6,967	(13,051)

Subject to the agreement by relevant tax authorities, at each reporting date, the Group has unutilised tax losses, unutilised capital allowance and other temporary difference totalling $28.6 million (2019: $22.8 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. As at 30 June 2020, included within the unutilised tax losses are tax loss amounting to $16.4 million (2019: $13.1 million) that are due for expiry on 30 June 2027.

27. (Loss)/Earnings per share

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

(Loss)/Earnings

	Group 2020 $'000	Group 2019 $'000
(Loss)/Profit attributable to equity holders of the Company	(16,426)	40,213

Number of shares

	Group 2020 Basic	Group 2020 Diluted	Group 2019 Basic	Group 2019 Diluted
Weighted average number of ordinary shares in issue ('000)	1,378,657	1,378,657	1,378,657	1,378,657

2,589,000 (2019: 3,354,000) share options granted under the existing share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

28. Share-based payments

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

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

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

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

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

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

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

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

28. Share-based payments (Continued)

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

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

	2020 Number of share options ('000)	2020 Weighted average exercise price $	2019 Number of share options ('000)	2019 Weighted average exercise price $
Outstanding at beginning of financial year	3,354	0.232	637	1.202
Granted	-	-	3,195	0.148
Expired/cancelled	(765)	(0.502)	(478)	(0.967)
Outstanding at end of financial year	2,589		3,354	0.232
Exercisable as at end of financial year	1,302		324	

During the financial year, no share options were granted (2019: 3,195,000). The weighted average fair value of the share options granted are $234,000 for the vesting period from September 2019 to September 2020 for the financial year ended 30 June 2019.

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. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share options is indicative of future trends, which may not necessarily be the actual outcome. 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* $
9.2.2010	0.0	30	2.55	10	1.110	1.035
24.3.2011	2.5	38	1.32	5.5	0.780	0.810
14.9.2018	0.0	45	2.50	10	0.148	0.151
14.9.2018	0.0	45	2.50	10	0.148	0.151

* Exercise prices are adjusted for share consolidation in financial year 2011.

29. Contingent liabilities

Group

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

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

At each reporting date, 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 2020, the Company has given guarantees amounting to $256.2 million (2019: $293.1 million) to banks in respect of banking facilities granted to the subsidiaries (Note 15) and the guarantees amount represents the maximum exposure. The earliest period that the guarantees could be called is within 6 months (2019: 12 months).

(d) At each 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.

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

30. Commitments

(a) Capital commitments

Capital expenditure contracted for as at each reporting date but not recognised in the financial statements are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Capital commitments in respect of:		
- Property, plant and equipment	34,648	36,104
- Investment properties	4,645	-

(b) Lease commitments (when the Group is a lessee)

As at 30 June 2020, the Group has approximately $51,000 of aggregate undiscounted commitments for short term leases.

As at 30 June 2019, the commitments in respect of non-cancellable operating leases for rental of premises and equipment are as follows:

	Group
	$'000
Future minimum lease payments payable:	
Within one year	2,355
Between one and five years	1,549
	3,904

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 each reporting date but not recognised as receivables, are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Future minimum lease payments receivable:		
Within one year	4,620	7,911
Between one and five years	8,709	15,348
After five years	7,420	2,403
	20,749	25,662

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

31. Significant related party transactions

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

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
With joint ventures				
Capital distribution	-	6,500	-	-
Dividend income	-	500	-	-
With subsidiaries				
Settlement of liabilities on behalf of/(by) subsidiaries	-	-	2,090	(8,748)
Dividend income	-	-	28,788	2,814
Interest expense	-	-	(1,855)	(1,783)
Management service fee income/(reversal)	-	-	250	(2)
Recharge of rental and utilities	-	-	(329)	(448)
Write-off of inter-company balances, net	-	-	-	(519)
With related parties				
Loan from a Director	7,142	11,212	7,142	10,812
Rental income	37	-	-	-

As at 30 June, the outstanding balances in respect of the above transactions are disclosed in Note 12 and 14 to the financial statements.

Key management personnel remuneration

	Group	
	2020	2019
	$'000	$'000
Directors' fees	242	242
Salaries and other short-term employee benefits	1,169	873
	1,411	1,115

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

32. Report by segments

The Group has 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.

32. 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 to the financial statements.

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 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, financial assets at FVOCI, inventories and operating receivables, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, course fees received in advance, education facilities rental service received in advance 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.

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32. Report by segments (Continued)

	Education $'000	**Education Facilities Rental Service $'000**	**Real Estate Investment & Development $'000**	**Corporate & Others $'000**	**Total $'000**
2020					
Revenue from external customers	81,858	14,758	3,818	43	100,477
Inter-segment revenue	165	628	205	36,220	37,218
Interest income	36	92	3,903	1	4,032
Net fair value gain on investment properties	-	3,080	26	74	3,180
Impairment of investments in associates	-	(1,905)	-	-	(1,905)
Finance costs	(9,600)	(613)	(810)	(5,685)	(16,708)
Depreciation and amortisation	(12,821)	(339)	(331)	(2,441)	(15,932)
Share of results from joint ventures	(42)	-	-	26	(16)
Share of results from associates	(21)	80	(1,623)	-	(1,564)
Reportable segment (loss)/profit before income tax	(2,646)	13,378	4,004	(22,106)	(7,370)
Net (loss)/profit for the financial year	(2,706)	8,917	1,610	(22,158)	(14,337)
Other information:					
Additions to property, plant and equipment	10,514	22	386	13	10,935
Additions to right-of-use assets	411	-	-	-	411
Additions to investment properties	-	12,407	-	19	12,426
Additions to intangible assets	24	-	-	23	47
Investment in joint ventures	-	-	-	970	970
Investment in associates	330	3,217	46,211	-	49,758
Segment assets	486,505	298,948	119,813	72,039	977,305
Segment liabilities	(262,268)	(50,038)	(87,392)	(25,508)	(425,206)

32. Report by segments (Continued)

	Education $'000	Education Facilities Rental Service $'000	Real Estate Investment & Development $'000	Corporate & Others $'000	Total $'000
2019					
Revenue from external customers	77,944	14,590	5,309	11	97,854
Inter-segment revenue	22	686	1,698	10,431	12,837
Interest income	172	199	250	-	621
Gain on disposal of subsidiaries	-	-	37,410	-	37,410
Net fair value gain on investment properties	1,486	1,006	8,173	312	10,977
Finance costs	(8,173)	(190)	(1,724)	(6,714)	(16,801)
Depreciation and amortisation	(9,652)	(338)	(1,378)	(2,461)	(13,829)
Impairment of goodwill	(6,140)	-	-	-	(6,140)
Share of results from joint ventures	-	-	-	(339)	(339)
Share of results from associates	(17)	(480)	774	-	277
Reportable segment profit/(loss) before income tax	(9,361)	8,253	45,699	(16,535)	28,056
Net profit/(loss) for the financial year	(7,021)	5,227	59,395	(16,494)	41,107
Other information:					
Additions to property, plant and equipment	64,255	18	263	10	64,546
Additions to investment properties	-	2,467	7,805	-	10,272
Additions to intangible assets	80	-	-	82	162
Investment in joint ventures	-	-	-	14,046	14,046
Investment in associates	817	4,974	47,865	-	53,656
Segment assets	405,682	242,307	285,384	89,887	1,023,260
Segment liabilities	(220,981)	(5,894)	(59,743)	(193,750)	(480,368)

32. Report by segments (Continued)

Reconciliations of reportable segment assets and liabilities to the total assets and total liabilities in the consolidated statement of financial position.

	2020 $'000	2019 $'000
Assets		
Total assets for reportable segments	977,305	1,023,260
Investments in joint ventures	970	14,046
Investments in associates	49,758	53,656
Unallocated assets	145,756	150,876
Consolidated total assets	1,173,789	1,241,838
Liabilities		
Total liabilities for reportable segments	(425,206)	(480,368)
Unallocated liabilities	(67,001)	(65,412)
Consolidated total liabilities	(492,207)	(545,780)

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, right-of-use assets, 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
30 June 2020						
Revenue from external customers	38,815	55,388	972	1,948	3,354	100,477
Non-current assets	331,549	613,205	10,085	885	74,217	1,029,941
30 June 2019						
Revenue from external customers	34,454	55,844	1,133	3,656	2,767	97,854
Non-current assets	346,071	597,391	9,924	72,004	72,485	1,097,875

Singapore and the People's Republic of China contributed revenue of $11,465,000 and $54,758,000 (2019: $12,107,000 and $55,175,000) respectively. Non-current assets in Singapore and the People's Republic of China amounted to $70,354,000 and $612,846,000 (2019: $97,658,000 and $596,540,000) respectively.

33. Financial instruments and financial risk management

The following table sets out the financial instruments at each reporting date:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at amortised cost	134,321	130,301	295,718	255,769
Financial assets at FVOCI	-	606	-	-
	134,321	130,907	295,718	255,769
Financial liabilities				
Financial liabilities at amortised cost	408,824	465,805	350,585	324,923

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 risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Group have 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 disposal of subsidiaries.

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.

At each reporting date, the Group's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statements of financial position.

For the Company's convertible note receivable, management has taken into account the available internal information on the subsidiary's past, current and expected operating performance and cash flow position. Management monitors and assesses at each reporting date on any indicator of change in credit risk on the convertible note receivable by considering their performance ratio and any default in external debts and determined that there is no significant increase in credit risk. Accordingly, the Company measured the impairment loss model using lifetime expected credit loss and determined that the expected credit loss is insignificant.

33. Financial instruments and financial risk management (Continued)

(a) Credit risk (Continued)

Cash and bank balances are mainly deposits with banks and financial institutions which are regulated and with high credit-ratings assigned by international credit rating agencies. Management determined that cash and bank balances are subject to immaterial credit loss.

Further disclosure regarding trade and other receivables are disclosed in Note 12 to the financial statements.

(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 (2019: 100 basis point), with all other variables held constant.

	2020		2019	
	Increase interest rate (basis point)	**(Increase)/ Decrease in (loss)/profit $'000**	**Increase interest rate (basis point)**	**Decrease in profit $'000**
Group				
Borrowings	100	(3,113)	100	(3,497)
Company				
Borrowings	100	320	100	(643)
Amount due to a subsidiary	100	476	100	(547)

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

(c) Foreign currency risk

The Group operates in several countries with dominant operations in Singapore, People's Republic of China, Southeast Asia, Australia and Europe. Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level, as the Group manages its transactional exposure by matching, as far as possible, receipts and payments in each individual currency. As the entities in the Group transact substantially in their respective functional currencies, the Group's exposure to currency risk is not significant.

33. Financial instruments and financial risk management (Continued)

(c) Foreign currency risk (Continued)

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 each reporting date were as follows:

	Note	SGD $'000	RMB $'000	MYR $'000	AUD $'000	CHF $'000	EUR $'000	Others $'000	Total in SGD equivalents $'000
Group									
2020									
Trade and other receivables		2,835	69,181	(315)	114	880	87	23,187	95,969
Intra-group balances, net		529	18	(68)	(2,130)	(5,228)	(285)	7,164	-
Cash and bank balances	13	1,178	30,717	795	14	-	909	994	34,607
Restricted bank balances	13	-	-	-	-	3,745	-	-	3,745
Trade and other payables		(9,317)	(43,038)	(6,913)	(56)	(285)	(1,679)	(7,470)	(68,758)
Borrowings	15	(135,554)	(16,062)	(137,561)	-	(17,697)	(8,625)	(19,167)	(334,666)
Lease liabilities	16	(174)	(2,741)	(1,160)	-	-	-	(1,279)	(5,354)
		(140,503)	38,075	(145,222)	(2,058)	(18,585)	(9,593)	3,429	(274,457)
Less: net (assets)/ liabilities denominated in respective entities' functional currencies		124,214	(88,450)	132,598	(3,346)	24,465	17,109	(17,219)	189,371
Currency exposure		(16,289)	(50,375)	(12,624)	(5,404)	5,880	7,516	(13,790)	(85,086)

	Note	SGD $'000	RMB $'000	MYR $'000	AUD $'000	CHF $'000	EUR $'000	Others $'000	Total in SGD equivalents $'000
Group									
2019									
Financial assets at FVOCI	10	-	606	-	-	-	-	-	606
Trade and other receivables		1,310	79,539	1,091	114	781	71	9,057	91,963
Intra-group balances, net		(3,885)	41,251	(44)	(4,038)	3,696	(7,947)	(29,033)	-
Cash and bank balances	13	992	31,699	333	7	18	(7)	1,766	34,808
Restricted bank balances	13	-	-	-	-	3,530	-	-	3,530
Trade and other payables		(18,508)	(46,868)	(11,468)	(540)	(312)	(1,248)	(6,790)	(85,734)
Borrowings	15	(169,787)	(11,816)	(132,702)	(28,423)	(17,283)	(8,471)	(11,589)	(380,071)
		(189,878)	94,411	(142,790)	(32,880)	(9,570)	(17,602)	(36,589)	(334,898)
Less: net (assets)/ liabilities denominated in respective entities' functional currencies		155,143	(171,904)	135,353	25,732	10,663	24,989	7,355	187,331
Currency exposure		(34,735)	(77,493)	(7,437)	(7,148)	1,093	7,387	(29,234)	(147,567)

It is estimated that a five percentage point strengthening in foreign currencies against the respective functional currencies would increase (2019: decrease) the Group's loss (2019: profit) before income tax by approximately $4,254,000 (2019: $7,378,000). 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 each reporting date were as follows:

	Note	SGD $'000	RMB $'000	USD $'000	AUD $'000	Others $'000	Total in SGD equivalents $'000
Company							
2020							
Trade and other receivables		214,214	23,336	7	-	21,930	259,487
Convertible note receivables	7	-	-	-	-	36,020	36,020
Cash and bank balances	13	206	-	5	-	-	211
Trade and other payables		(77,698)	(165,334)	(41,382)	(16,731)	(12,435)	(313,580)
Borrowings	15	(37,005)	-	-	-	-	(37,005)
		99,717	(141,998)	(41,370)	(16,731)	45,515	(54,867)
Less: net assets denominated in functional currency		(99,717)	-	-	-	-	(99,717)
Currency exposure		-	(141,998)	(41,370)	(16,731)	45,515	(154,584)
2019							
Trade and other receivables		209,510	25,000	-	-	21,096	255,606
Cash and bank balances	13	157	-	6	-	-	163
Trade and other payables		(102,947)	(102,286)	(39,832)	(9,721)	(5,838)	(260,624)
Borrowings	15	(64,299)	-	-	-	-	(64,299)
		42,421	(77,286)	(39,826)	(9,721)	15,258	(69,154)
Less: net assets denominated in functional currency		(42,421)	-	-	-	-	(42,421)
Currency exposure		-	(77,286)	(39,826)	(9,721)	15,258	(111,575)

It is estimated that a five percentage point strengthening in foreign currencies against the Singapore dollar would decrease (2019: increase) the Company's profit (2019: loss) before income tax by approximately $7,729,000 (2019: $5,579,000). 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.

33. Financial instruments and financial risk management (Continued)

(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.

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				
2020				
Trade and other payables	45,749	25,417	71,166	68,804
Borrowings	172,422	262,497	434,919	334,666
Lease liabilities	1,901	3,987	5,888	5,354
	220,072	291,901	511,973	408,824
2019				
Trade and other payables	54,635	34,673	89,308	85,734
Borrowings	127,143	329,047	456,190	380,071
	181,778	363,720	545,498	465,805
Company				
2020				
Trade and other payables	314,480	-	314,480	313,580
Borrowings	32,239	5,065	37,304	37,005
	346,719	5,065	351,784	350,585
2019				
Trade and other payables	260,646	-	260,646	260,624
Borrowings	64,468	-	64,468	64,299
	325,114	-	325,114	324,923

(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 each reporting date 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

34. Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The Group and the Company maintain an optimum capital structure by various means such as adjusting the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts, as it deems beneficial to the interests of its shareholders.

As part of the Group's and Company's capital management, the Company may purchase its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to stabilise the market price of the Company's shares and the purchased shares 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	
	2020 $'000	**2019 $'000**
Net debt	296,314	341,733
Total capital	617,811	634,805
Net gearing ratio	48%	54%

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 2020 and 30 June 2019.

Apart from the above, the Group's current overall strategy remains unchanged for financial years ended 30 June 2020 and 30 June 2019.

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	23	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	46	283	-
(c) No. 28, Jinjing Road, Xiqing District, Tianjin City, the PRC	Education college	Education facilities and hostels	Leasehold	32 - 35	141	119
(d) Room 101, 201-205, 301-308 Block 5, No. 203 Tower Road, Suzhou National New and Hi-Tech Industrial Development Zone, Jiangsu Province, the PRC	Kindergarten	Kindergarten facilities	Leasehold	46	1	2
(e) Oriental University City, Langfang Economic and Development Zone, Hebei Province, the PRC#	Education campus city	Facilities for educational, recreational, hostels, commercial, retail and utility activities	Leasehold	29 – 34	554	382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

35. Properties of the Group (Continued)

Location	Description	Existing use	Tenure	Unexpired lease term (years)	Site area ('000 sqm)	Gross floor area ('000 sqm)
(f) Raffles Education Square 51 Merchant Road Singapore	Commercial development of multi storey office block and conservation shophouses	Education facilities	Leasehold	72	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	72
(i) Lot 102-104, 106 Section 88A Kuala Lumpur, Malaysia	Education college	Education facilities	Leasehold	48 - 49	5	4
(j) Soi Bangna – Trat 37 Bangkaew Sub-district Bang Phli District Samut Prakarn Province, Thailand#	Education college	Education facilities	Freehold	-	45	40

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) Chemin des Cibles 17 1997 Haute-Nendaz Switzerland#	Hotel and commercial units	Hotel and commercial units	Freehold	-	6	7
(n) Route de Siviez 37, 1995 Siviez Switzerland#	Commercial building	Commercial use	Freehold	-	2	2
(o) Via Felice Casati, 16, Milan, Italy	Commercial building	Education facilities and office use	Freehold	-	1	3
(p) Two floors of office units at Sub-District of Gondangdia, District of Menteng, Municipality of Central Jakarta, Special Capital City of Jakarta, Indonesia	Education college	Education facilities	Leasehold	14	-	2

Valuation performed in financial years 2020 and 2019 by independent professional valuation specialist, as referred to in Note 6 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

36. Events subsequent to the reporting date

On 16 July 2020, the Group's subsidiary, Tonghui Education Consulting Co., Ltd., had entered into a sale and purchase agreement (the "SPA") with Langfang Heying Real Estate Development Co., Ltd. (the "Vendor") for the sale and purchase of 35.9% equity interest in Langfang He Zhong Real Estate Development Co., Ltd. ("He Zhong") for an aggregate consideration of RMB 254,000,000. Upon completion of the SPA, the Group's interest in He Zhong will increase from 34.1% to 70%.

On 17 July 2020, the Group paid a deposit of RMB 25,400,000 to the Vendor pursuant to the terms of the SPA.

The SPA is subjected to the approval of the shareholders of the Company being obtained in an Extraordinary General Meeting to be held on 30 September 2020.

37. Novel Coronavirus ("Covid-19") impact on the Group

The uncertainty brought about by Covid-19 pandemic with the shutdown and restricted border movements in all the locations which the Group operates in is impacting our recruitment and retention of foreign students from January till date and will have an impact on the Group.

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

38. Authorisation of financial statements

The consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company for the financial year ended 30 June 2020 were authorised for issue by the Board of Directors of the Company on 29 September 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 25 SEPTEMBER 2020

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
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 25 September 2020, approximately 50% of the issued ordinary shares (excluding treasury shares) of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by SGT-ST is complied with.

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders	No. of Shares Held (excluding treasury shares)	Percentage of Shares
1 - 99	640	7.34	23,810	0.00
100 - 1,000	993	11.40	581,275	0.04
1,001 - 10,000	3,948	45.31	19,383,533	1.41
10,001 - 1,000,000	3,078	35.32	163,918,584	11.89
1,000,001 & ABOVE	55	0.63	1,194,749,470	86.66
	8,714	100.00	1,378,656,672	100.00

Top Twenty Shareholders as at 25 September 2020

S/No.	Name	No. of Shares	% of Shares
1	OEI HONG LEONG	143,298,369	10.39
2	RAFFLES NOMINEES (PTE) LIMITED	120,689,382	8.75
3	DB NOMINEES (SINGAPORE) PTE LTD	110,253,763	8.00
4	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD	101,650,000	7.37
5	CITIBANK NOMINEES SINGAPORE PTE LTD	79,452,687	5.76
6	SBS NOMINEES PTE LTD	73,427,998	5.33
7	RHB SECURITIES SINGAPORE PTE LTD	62,765,925	4.55
8	GUTHRIE VENTURE PTE LTD	61,750,000	4.48
9	DBS NOMINEES PTE LTD	59,129,408	4.29
10	OEI HONG LEONG ART MUSEUM LIMITED	43,353,440	3.15
11	LIU YING CHUN	39,371,700	2.86
12	OCBC SECURITIES PRIVATE LTD	25,285,623	1.83
13	DORIS CHUNG GIM LIAN	24,943,159	1.81
14	WATERWORTH PTE LTD	23,400,000	1.70
15	CHEW CHIEW SIANG STEVEN	22,075,730	1.60
16	TOMMIE GOH THIAM POH	18,807,416	1.36
17	GOI SENG HUI	18,042,400	1.31
18	LIM AND TAN SECURITIES PTE LTD	15,824,119	1.15
19	TEO CHIANG SONG	13,000,000	0.94
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,593,043	0.84
		1,068,114,162	77.47

STATISTICS OF SHAREHOLDINGS

AS AT 25 SEPTEMBER 2020

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)]	143,298,369	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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Chew Hua Seng
(Chairman & CEO)

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

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

Mdm Gan Hui Tin
(Independent Non-Executive Director)

Dr Joseph He Jun
(Non-Independent Non-Executive Director)

Mr Liu Ying Chun
(Non-Independent Non-Executive Director)

COMPANY SECRETARY
Mr Keloth Raj Kumar

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51 Merchant Road, Raffles Education Square
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AUDITORS
BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road,
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Audit Partner-in-Charge: Mr Ng Kian Hui
(Appointed with effect from financial year 2019)

PRINCIPAL BANKERS
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