



Oriental
UniversityCity
東方大學城

Oriental University City Holdings (H.K.) Limited 東方大學城控股（香港）有限公司

(incorporated in Hong Kong with limited liability)

(於香港註冊成立之有限公司)

Stock code (股票代號) : 8067



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The GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of Oriental University City Holdings (H.K.) Limited (the “Company” and the “Directors”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chew Hua Seng (*Chairman*)
Mr. Liu Ying Chun (*Chief Executive Officer*)

Non-executive Director

Mr. He Jun

Independent Non-executive Directors

Mr. Lam Bing Lun, Philip
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw

COMPANY SECRETARY

Mr. Kwok Siu Man *FCS*

COMPLIANCE OFFICER

Mr. Liu Ying Chun

AUTHORISED REPRESENTATIVES

Mr. Chew Hua Seng
Mr. Liu Ying Chun

AUDIT COMMITTEE

Mr. Lam Bing Lun, Philip (*Chairman*)
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw

REMUNERATION COMMITTEE

Mr. Wilson Teh Boon Piaw (*Chairman*)
Mr. Chew Hua Seng
Mr. Tan Yeow Hiang, Kenneth

NOMINATION COMMITTEE

Mr. Tan Yeow Hiang, Kenneth (*Chairman*)
Mr. Chew Hua Seng
Mr. Lam Bing Lun, Philip
Mr. Wilson Teh Boon Piaw

RISK MANAGEMENT COMMITTEE

Mr. He Jun (*Chairman*)
Mr. Lam Bing Lun, Philip
Mr. Wilson Teh Boon Piaw

STOCK CODE/BOARD LOTS

8067/1,000

COMPANY'S WEBSITE

www.oriental-university-city.com

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

31st Floor
148 Electric Road
North Point
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Levels 1 and 2
100 Zhangheng Road
Oriental University City
Langfang Economic & Technical Development Zone
Hebei Province 065001, the PRC

CORPORATE INFORMATION

SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31st Floor
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited (Hong Kong Branch)
Bank of Langfang (Development Zone Sub-branch)
Industrial and Commercial Bank of China
(Langfang Chaoyang Sub-branch)
Langfang City Suburban Rural Credit Cooperatives
(Tongbai Credit Union)

COMPLIANCE ADVISOR

BNP Paribas Securities (Asia) Limited

LEGAL ADVISOR

As to PRC law
Hebei Ruoshi Law Firm

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Oriental University City Holdings (H.K.) Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”), I hereby present to our shareholders (the “**Shareholders**”) the annual report of the Group for the year ended June 30, 2016 (the “**Year**”).

As one of the leading education facilities and services providers in the People’s Republic of China (the “**PRC**”), the Group offers various education facilities and service, comprising primarily teaching buildings and dormitories to education institutions in the PRC. All of our existing education facilities are located in the Oriental University City in Langfang Economic and Technology Development Zone in Langfang city, Hebei Province, the PRC (the “**Campus Site**”). Our Campus Site currently occupies a gross site area of approximately 731 mu (487,268 sq.m). As of June 30, 2016, we owned teaching building with a gross floor area (the “**GFA**”) of approximately 119,453 sq.m and dormitories with a GFA of approximately 144,490 sq.m. We have twelve colleges, universities, schools, education training centers and corporate entities that lease education facilities from us (the “**Contract Colleges**”) for the Year, and the resident student population of these Contract Colleges was over 19,000.

Our Campus Site is strategically located close to well-developed transportation infrastructure and a growing metropolitan region in close proximity to various economic development zones in Beijing and Tianjin. As the national strategic of the integration of Beijing, Tianjin and Hebei, more and more colleges will be relocated to close proximity. Thus, we believe that we will benefit from a number of infrastructure developments in the area between Langfang city, Beijing and Tianjin, such as the construction of the second international airport of Beijing and the related transportation network connecting Langfang city and Beijing.

On October 30, 2015, the Group purchased another 20,950,000 ordinary shares representing 5 per cent. of the existing issued equity capital of Axiom Properties Limited (“**Axiom**”), a company listed on the Australian Stock Exchange (the “**ASX**”), through purchases via married deal on the ASX. The Group increased its shareholding up to 19.90 per cent. of the total issued equity capital of Axiom. On March 28, 2016, the Group expanded to Switzerland by acquiring a strategic stake in 4 Vallees Properties Limited (“**4 Vallees**”). The Group believes that these investments in Axiom and 4 Vallees will help the Group to expand its student housing business to Australia and Europe in the most efficient and cost-effective manner.

During the Year, total revenue of the Group was approximately RMB68.6 million, representing an increase of 11.4% as compared to approximately RMB61.6 million recorded last year. The profit attributable to owners of the Company was approximately RMB52.9 million, as compared to the profit attributable to owners of the Company of approximately RMB42.1 million last year. Earnings per share for the Year were approximately RMB0.29 (2015: RMB0.27). We are also delighted to announce that the Board has recommended a final one-tier tax exempt cash dividend of HK\$0.04 as a reward to our Shareholders.

Finally, I would like to extend my deep appreciation to the Board for their wise and invaluable counsel. I would also like to thank our Shareholders, investors, staff and all stakeholders for their support. We shall continue to create value and contribute to the Group to benefit all our stakeholders.

Chew Hua Seng
Chairman

Singapore
August 16, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our leasing revenue increased by 11.4% to RMB68.6 million for the year ended June 30, 2016 (the “Year”) compared to RMB61.6 million in 2015. This increase was mainly attributable to expected higher education facilities leasing fees from our major customer, Beijing University of Chinese Medicine, by RMB7.5 million on a 1-year basis.

Operating profit

Our operating profit for the Year was RMB71.0 million compared to RMB58.2 million in 2015, mainly due to the following reasons:

1) *Government grant*

We received government incentive grant of RMB5.0 million from Hebei and Langfang governments in recognition of our successful listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2) *Employee cost*

Employee cost decreased by 7.4% to RMB2.5 million for the Year compared to RMB2.7 million in 2015 mainly because of manpower turnover.

3) *Repairs and maintenance fees*

Repairs and maintenance fees decreased by 25% to RMB1.8 million in the Year compared to RMB2.4 million in 2015.

4) *Legal and consulting fees*

Legal and consulting fees decreased by 68.1% to RMB3.6 million for the Year from RMB11.3 million in 2015 due to the absence of listing expenses which were incurred in 2015.

5) *Other gains – net*

We made a net other gain of RMB2.1 million for the Year compared a gain of RMB2.2 million in 2015.

6) *Other expenses*

Our other expenses decreased to RMB2.3 million for the Year from RMB2.8 million in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Income - net

For the Year and in 2015, we recorded finance income of RMB737,000 and RMB210,000, respectively.

Income tax expenses

Since January 1, 2015 (the tax assessment year 2015 of The People's Republic of China (the "PRC")) onwards, the corporate income tax of the PRC Subsidiary has been levied according to accounting book under the Corporate Income Tax Law of the PRC. We incurred RMB18.3 million corporate income tax expense for the Year.

Net profit

Due to the foregoing factors, our net profit for the Year was RMB53.5 million compared to RMB42.7 million in 2015. Total comprehensive income for the Year was RMB55.8 million compared to RMB42.7 million in 2015, mainly due to fair value adjustment for available-for-sale financial asset.

Liquidity and Financial Resources

The Company and its subsidiaries (the "Group") have sufficient liquidity and financial resources on hand to meet their due obligations and capital investment plans.

Cash and Cash Equivalents

The Group places a high emphasis on risk management, safety and liquidity. Cash in excess of daily operational requirements are placed in fixed deposits. The Group currently does not invest in bonds, bills, structured products or any other financial instruments. As at June 30, 2016, the Group had a cash and cash equivalent balance of approximately RMB4.9 million (June 30, 2015: RMB101.7 million).

Foreign Exchange Hedging

The Group has limited foreign currency risk as most of the transactions are denominated in the Renminbi (the "RMB") as the functional currency of the operations. Thus, the Group presently does not conduct any foreign exchange hedging. However, the directors of the Company (the "Directors") monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting a significant foreign currency hedging policy in the future, if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER REPORTING PERIOD

A general meeting was held on July 7, 2016 at which the resolutions regarding (i) the acquisition agreements entered into between Diamond Nest Sdn. Bhd. (now known as OUC Malaysia Sdn. Bhd., a wholly-owned subsidiary of the Company, and Ms. Doris Chung Gim Lian (“**Ms. Chung**”), the wife of Mr. Chew Hua Seng (“**Mr. Chew**”) (the chairman of the board of Directors (the “**Chairman**”) and an executive Director), and Evergreen Plus Sdn. Bhd. (“**Evergreen Plus**”) which is owned as to 99% by Ms. Chung and as to 1% by Madam Yeo Geok Siew (the mother-in-law of Mr. Chew) in relation to the acquisitions of lands and properties in Malaysia; and (ii) the tenancy agreements entered into between Ms. Chung and Evergreen Plus, respectively as landlord, and Raffles College of Higher Education Sdn. Bhd., a company owned as to 49% by Raffles Education Corporation Limited (“**REC**”) which is the immediate holding company of the Company, as tenant for the lease of the above properties were passed by the shareholders of the Company (the “**Shareholders**”). For further information, please refer to the Company’s announcement dated June 5, 2016 and circular dated June 20, 2016.

BUSINESS REVIEW AND OUTLOOK

The Group owns and leases education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC. All of the Group’s existing education facilities are located in Oriental University City, Langfang city, Hebei Province, the PRC.

Apart from education facilities leasing, in order to serve the daily needs of students and staff, the Group’s business, to much lesser extent, includes commercial leasing. The Group leases buildings and premises to tenants operating a range of supporting facilities, including grocery stores, laundry shops, internet cafes and canteens.

In general, the Group expects the resident student population of the Contract Colleges and the revenue to be generated from them to remain relatively stable in the near future.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL COMMITMENT

Saved as disclosed in the prospectus of the Company dated December 31, 2014 (the “**Prospectus**”) and the section headed “Material acquisition or disposal of subsidiaries and affiliated companies” below, as at June 30, 2016, the Group did not hold any significant investment, had no material capital commitments and no future plans for material investments or purchase of capital assets.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On October 30, 2015, the Company purchased 20,950,000 ordinary shares representing approximately 5 per cent. of the existing issued equity capital of Axiom Properties Limited at A\$0.06 per share through purchase via married deal on the Australian Stock Exchange. The consideration for this acquisition totaling A\$1,269,570 (approximately RMB5.76 million) has been paid in cash on completion of this acquisition.

On March 28, 2016, the Company entered into a subscription agreement with 4 Vallees Properties Limited (“**4 Vallees**”), a then wholly-owned subsidiary of REC, to subscribe for ordinary issued share representing an aggregate of 12.77 per cent. of the enlarged issued share capital of 4 Vallees (the “**Subscription**”). The consideration for the Subscription is SGD3,664,000 (equivalent to approximately HKD20,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

As at June 30, 2016, the Group did not have any charge on its assets.

CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at June 30, 2016 as compared with that as at June 30, 2015.

CONTINGENT LIABILITIES

As at June 30, 2016, the Group did not have any significant contingent liabilities (June 30, 2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2016, the Group had a total of 17 full-time employees in the PRC, all of which were located in Langfang city, Hebei Province, the PRC (June 30, 2015: 17). The Group's total employee costs were approximately RMB2.5 million for the Year (June 30, 2015: RMB2.7 million). The employees' remuneration is determined by reference to the market salary of their respective experience and performance. The Company provides training to its employees to improve and upgrade their management and professional skills. As required by the PRC social security regulations, the Company makes contributions to mandatory social security funds for its employees to provide for their retirement and provides medical, unemployment, work-related injury and maternity benefits.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds received by the Company from the listing by way of a placing of 45,000,000 ordinary shares of the Company at a price of HK\$2.64 each on January 16, 2015 (the "Placing"), after deducting the amount due to REC, the controlling shareholder of the Company and a company owned as to 36.88% by Mr. Chew, the Chairman and an executive Director, for listing expenses as set out in the Prospectus and the total underwriting commission, fees and expenses relating to the Placing paid by the Company, amounted to approximately HK\$75.3 million.

As disclosed in the Prospectus, the Directors intend to apply all the above net proceeds for constructing new dormitories on the campus site owned by the Group, housing the colleges, universities, schools, education training centres and corporate entities that lease facilities from the Group, located in Oriental University City in Langfang Economic and Technology Development Zone in Langfang city, Hebei Province, the PRC (the "Campus Site").

As at June 30, 2016, preparation works for the construction of new dormitories on our Campus Site was still ongoing. The Group has spent approximately HK\$29.7 million in purchasing construction materials, conducting soil testing for the selected sites on our Campus Site and carrying out architectural work for the new dormitories.

MANAGEMENT DISCUSSION AND ANALYSIS

After soil testing was conducted on the selected sites, the architecture firm was of the view that the original architectural design of the new dormitories shall be revised and optimized. Thus, the architecture firm took additional 6 months to analyse the soil testing results, the construction methods, additional costing, building materials, environmental implications and other factors to revise and optimize the architectural design of new dormitories. Upon completion of the above, the architecture firm has submitted the building plans and relevant applications to the Langfang government for approval. As advised by the architecture firm, it is expected that the approval shall be granted at the end of September 2016. Thus, in consideration of the above, it is estimated that an additional 5 months are required to process and obtain the construction license, i.e. in or about November 2016. Due to the revision and optimization of the architectural design, it is expected that the total duration for the construction of the new dormitories will increase by 11 months.

As of June 30, 2016, the unused proceeds amount to HK\$45.6 million. The Group intends to apply the unused proceeds in accordance with the revised plan as set out belows:

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the implementation plans as set out in the Prospectus with the Group's actual plan for the Year is set out below:

Timetable	Implementation Plans in Prospectus	Actual Progress and future implementation plans
June 30, 2016	<ul style="list-style-type: none"> - Revise and optimize architectural design of new dormitories; and - Commence and complete the major building structure of the construction of dormitories with an aggregate maximum capacity of approximately 3,500 students and staff. 	Revise and optimize architectural design of new dormitories.
December 31, 2016	<ul style="list-style-type: none"> - Complete the construction of the new dormitories; - Commence and complete the interior decoration of the new dormitories; - Complete the final inspection and obtain the relevant government permit for commencement of use of the new dormitories; and - Commence of use of the new dormitories for the 2016 to 2017 academic year. 	Commence the major building structure of the construction of dormitories with an aggregate maximum capacity of approximately 3,500 students and staff.
June 30, 2017	<ul style="list-style-type: none"> - Final settlement of the construction costs under the relevant construction contracts. 	Complete the major building structure of the construction of dormitories.

MANAGEMENT DISCUSSION AND ANALYSIS

Timetable	Implementation Plans in Prospectus	Actual Progress and future implementation plans
December 31, 2017	Not applicable	<ul style="list-style-type: none"> - Complete the construction of the new dormitories; - Commence and complete the interior decoration of the new dormitories; - Complete the final inspection and obtain the relevant government permit for commencement of use of the new dormitories; and - Commence of use of the new dormitories.
June 30, 2018	Not applicable	<ul style="list-style-type: none"> - Final settlement of the construction costs under the relevant construction contracts.

In summary, the implementation plans of constructing new dormitories on our Campus Site funded by the net proceeds from the Placing will be rescheduled as follows:

	Amount <i>HK\$ million</i>	%
For the Year	29.7	39.4
For the twelve months ending December 31, 2017	41.8	55.5
For the six months ending June 30, 2018	3.8	5.1
Total	75.3	100.0

The Group will provide updates to its Shareholders and potential investors on the progress of the implementation plans of constructing new dormitories on our Campus Site as and when required. Save for the above delay in the application of the unused proceeds, the other proposed use of proceeds and their respective implementation plans from the Placing remain unchanged.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chew Hua Seng (周華盛), aged 62, is the founding director of the Company (the “Director”) appointed on June 11, 2012 and was re-designated as an executive Directors and the chairman of the board of Directors (the “Board”) in January 2014. He is also a member of each of the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) of the Board. Mr. Chew joined the Group in December 2007. He is primarily responsible for the overall strategic planning and management of our Group. He has served as director and chief executive director of 廊坊開發區東方大學城教育諮詢有限公司(Langfang Development Zone Oriental University City Education Consulting Co., Limited) (“Langfang Education Consultancy”) since October 2011. Mr. Chew Hua Seng is also the founder, chairman and chief executive officer of Raffles Education Corporation Limited (“REC”), the controlling shareholder of the Company. He founded the REC Group in 1990 and after the Group has achieved an excellent track record of growth, he led it to a highly successful initial public listing on the Singapore Exchange in 2002. REC 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. Under his astute leadership, RafflesEducationCorp has grown to become the premier private education provider.

Mr. Chew holds a Bachelor’s Degree in Business Administration from the University of Singapore (now known as the National University of Singapore) in May 1979 and was awarded the National University of Singapore Business School Eminent Business Alumni Awards in November 2010 for his outstanding achievements. Mr. Chew was also conferred the Public Service Medal by the President of Singapore in 2010 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 REC’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 does not have any relationship with any Director and senior management.

Mr. Liu Ying Chun (劉迎春), aged 52, is our chief executive officer of the Group and an executive Director. Mr. Liu joined our Group in June 2010 and was appointed as an executive Director on January 16, 2014. He is primarily responsible for managing the overall operations of the Group. Mr. Liu has served as director of Langfang Education Consultancy and OUC Malaysia Sdn. Bhd. (formerly known as Diamond Nest Sdn. Bhd.) since December 2011 and June 2016, respectively. Mr. Liu also served as the chairman of Langfang Huaxi Construction Consultancy Company Limited (廊坊市華壘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 Center 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 a diploma in business economics from the Renmin University of China (中國人民大學) in June 1988 through long distance education. 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. Mr. Liu does not have any relationship with any Directors and senior management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. He Jun (何軍), aged 54, was appointed as a non-executive Director on January 16, 2014. He is also the chairman of the risk management committee of the Board (the “Risk Management Committee”). Mr. He joined WongPartnership LLP in Singapore in February 1997 and is currently the joint-head of the China Practice of WongPartnership LLP. Mr. He is a partner in both the Capital Markets Practice and the Corporate/Mergers & Acquisitions Practice. His main areas of practice are corporate finance, equity capital market, foreign investment in China, mergers and acquisitions and property development in China. Mr. He is recommended as a leading foreign expert in Singapore and the PRC by Chambers Global Guide since 2012 and Expert Guides- Guide to Leading Practitioners: China, 2011, in the area of corporation/M&A. He is also recommended by Chambers Asia Pacific Guide 2014 and The Legal 500 2012 for real estate work in the PRC. He has also been ranked as a leading lawyer in Singapore by Best Lawyers 2014 in the area of capital markets.

Mr. He was an independent director of (i) Asia Power Corporation Limited (stock code on Singapore Exchange Securities Trading Limited (the “SGX-ST”): A03:SI), a company previously listed on the SGX-ST, from December 2007 until it was delisted from the SGX-ST in May 2014, and (ii) Devotion Energy Group Ltd (stock code on the SGX-ST: D08:SI), a company previously listed on the SGX-ST, from December 2007 until it was delisted from the SGX-ST in December 2013. Mr. He graduated with a bachelor’s degree in arts from Yunnan University (雲南大學) in July 1983. He further obtained a master’s degree in law from China University of Political Science and Law (中國政法大學) in July 1989 and from McGeorge School of Law, University of the Pacific in the United States of America (the “US”) in May 1993. He also attended the program in America and comparative law for Chinese scholars at the Columbia University School of Law in the US. Mr. He was admitted as a lawyer in the PRC in December 1995. Mr. He does not have any relationship with any Directors and senior Management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent No-executive Directors (the “INEDs”)

Mr. Lam Bing Lun, Philip (林炳麟), aged 73, was appointed as an INED on December 23, 2014. He is also the chairman of the audit committee of the Board (the “**Audit Committee**”) and a member of each of the Nomination Committee and the Risk Management Committee. Mr. Lam began his career in 1963 with Hang Seng Bank Limited in the Accounts Department of its Head Office. He joined the University of Hong Kong in 1975 and served as the director of finance from 1990 to 2012 where he was responsible for overseeing and managing the university’s overall financial affairs. He also spent 3 years in Canada from 1982 to 1985, where he served as the chief accountant and comptroller in the Overseas Bank (Canada), responsible for the creation, development and control of its accounting and report systems. Mr. Lam was appointed as senior advisor to the Vice-Chancellor of the University of Hong Kong from July 1, 2012 to June 30, 2014 for financial and investment management and fund-raising matters. He is currently an honorary advisor to the chairman of the HKU Foundation. Mr. Lam is active in community affairs and had served as a member on the Board of Review of the Hong Kong Inland Revenue Department and a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital in Hong Kong. He is also currently a board governor of the Canadian International School in Hong Kong and also a board governor of the Centennial College which is wholly owned by HKU. Mr. Lam is currently an executive director of Chinney Alliance Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 385). He was an independent non-executive director of China New Town Development Company Limited, which is listed on both the Main Board of the Stock Exchange (stock code: 1278) and the SGX-ST (stock code on the SGX-ST: D4N.SI), from August 2007 to May 2013. Mr. Lam was also a director of Enterpriseasia Limited, a company formerly listed on the London Stock Exchange, from July 2001 to January 2010, when the company was dissolved in the United Kingdom (the “**UK**”).

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in July 1974. He has been a fellow of The Chartered Institute of Management Accountants in the UK since April 1993, and a certified management accountant of the Society of Management Accountants of British Columbia, Canada since October 1991, and an associate of the Institute of Chartered Secretaries and Administrators in the UK since September 1974, the Chartered Institute of Bankers in the UK since December 1971 and the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1981.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Yeow Hiang, Kenneth (陳耀鄉), aged 49, was appointed as an INED on December 23, 2014. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Tan is currently a director of Quintegra Ventures Inc, an investment holding company. He worked at United Overseas Bank Limited in Singapore from September 2008 to May 2015 as the bank's managing director heading various businesses such as the bank's corporate banking franchise in its overseas branches and its oversea financial institutions group. Mr. Tan previously worked at the Singapore Economic Development Board ("EDB") from October 2001 to September 2008, during which period he worked as director of the Services Cluster from 2003 to 2006, and subsequently as the assistant managing director of EDB from December 2007 to September 2008. As director of the Services Cluster, Mr. Tan had worked on a number of EDB's education related projects such as the German Institute of Science and Technology, Singapore — MIT alliance and the Institute of Environmental Sciences and Engineering (Pte) Ltd. Prior to working at EDB, Mr. Tan also worked as a banker with a commercial bank in Singapore from February 1999 to April 2001 where his focus areas were in private equity and corporate development. Mr. Tan also served in the Singapore Armed Forces from December 1985 to February 1999. Mr. Tan obtained a master's degree in business administration from the National University of Singapore in August 1995, and a Bachelor of Arts in philosophy, politics and economics from the University of Oxford in June 1989. He was awarded the Singapore Armed Forces Overseas Training Award by the Government of Singapore in 1986.

Mr. Wilson Teh Boon Piaw (鄭文鏢), aged 61, was appointed as an INED on December 23, 2014. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Risk Management Committee. Mr. Teh is currently the chief executive officer and chairman of Chef At Work Pte Ltd in Singapore from October 1, 2015. Chef At Work is a one-stop food and beverage solutions provider with inter-disciplinary expertise. Mr. Teh served as the chairman and chief executive director of TMX International Limited, a new start up company and distributor of kitchen appliances, from May 2013 until November 2014. From August 2007 to October 2012, Mr. Teh served as director of Huhu Studio Ltd., a computer animation studio based in New Zealand, and has served as a director of its investment holding company, Huhu holdings Pte Ltd., since July 2007. Mr Teh previously worked at JOST World Group, a manufacturer of components for commercial vehicles, from May 1991 to September 2009, where he served as managing director of JOST Far East Pte Ltd. from May 1991 to September 2008 and was responsible for developing markets and for all sales matters in the Southeast Asia, Taiwan and Hong Kong, as well as setting up Singapore as a regional logistic hub. He served as president, Asia of JOST Asia (Shanghai) Auto Component Co. Ltd. from September 2001 to September 2008 and subsequently as consultant from October 2008 to September 2009, where he led and managed three companies in Asia, and developed and executed their strategy and long-term business plan. Mr. Teh obtained a master's degree in business administration from the University of Dubuque in Iowa, the United States in January 1996, a diploma in management study from the Singapore Institute of Management in Singapore in March 1992, and a diploma in shipbuilding and repair technology from Ngee Ann Technical College (now known as Ngee Ann Polytechnic) in Singapore in association with The Polytechnic of Central London in the UK in July 1980.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Liu Ying Chun is our executive officer. Please refer to the subsection headed “Executive Directors” for his biographical details.

Mr. Leong Aik Huat, aged 49, was appointed as the chief financial controller of the Group in February 2016, subsequent to the resignation of Mr. Huang Yi Feng, the former chief financial controller, in February 2016. Mr. Leong is responsible for the accounting and finance aspects of the Group. Prior to joining the Company, Mr. Leong had worked for REC since 2002, during which time he performed various functions from operating and supervising colleges to project development, accounting and finance. Mr. Leong was appointed as financial controller of REC’s China Headquarters from 2014 and responsible for the accounting and finance of its 11 subsidiaries. Mr. Leong was graduated from the National University of Singapore with a Master Degree in Science (Real Estate) and has a Certificate in Higher Accounting awarded by LCCI.

Mr. Chen Guang (陳光), aged 52, was appointed as the chief operating officer of the Group in March 2016, subsequent to the resignation of Mr. Cheng Bing Xu, the former chief operating officer, on February 2016. Mr. Chen is responsible for overseeing the property management and operation matters of the Group, including managing the acquisition, disposal, lease and maintenance of land and buildings and other fixed assets of the Group. Prior to joining the Group, Mr. Chen was the general manager of China Unicom of Yongqing branch of Langfang from December 2008 to June 2013. He was the manager of Administration of China Unicom of Langfang branch from March 2003 to December 2008. He was the general manager of Langfang Hanyi Textile Co., Ltd. (廊坊韓一紡織有限公司) from August 1993 to March 2003. Mr. Chen obtained a diploma in textile from 河北紡織職工大學 (Hebei Textile College) in June 1988.

Mr. Zhang Jian Guang (張建光), aged 36, is the director of Human Resources and Administration of the Group. Mr. Zhang joined the Group in May 2011 and is responsible for managing the human resources operations and staff administration of the Group. Mr. Zhang has previously held various positions within the Group, including the vice director of human resources and vice director of the office administration. Prior to joining the Group, Mr. Zhang worked as a lecturer and subsequently as human resources administrator at Langfang Food Engineering Technical School (廊坊食品工程學校) from August 2003 to July 2009. Mr. Zhang obtained a master’s degree in business administration from the Graduate School of the Chinese Academy of Sciences (中國科學院) (now known as University of the Chinese Academy of Sciences (中國科學院大學)) in July 2011.

REPORT OF DIRECTORS

The board of directors of the Company (the “**Directors**” and the “**Board**”, respectively) present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended June 30, 2016 (the “**Year**”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are leasing education facilities, comprising primarily teaching buildings and dormitories to education institutions in the People’s Republic of China (the “**PRC**”); and to a much lesser extent, commercial leasing for supporting facilities.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements and their accompanying notes on pages 42 to 91 of this annual report.

FINAL DIVIDEND

The Board has resolved to recommend for the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company (the “**2016 AGM**”) the payment of a final dividend of HK\$4.0 cents (equivalent to approximately RMB3.4 cents) per share of the Company (the “**Share**”) for the Year (the “**Proposed Final Dividend**”) (2015: HK\$8.0 cents) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) at the close of business on Thursday, October 27, 2016. Subject to the Shareholders’ approval of the Proposed Final Dividend at the 2016 AGM, the relevant dividend warrants are expected to be despatched on or before Friday, November 11, 2016.

BOOK CLOSURE DATE

For the purpose of ascertaining the entitlements to attend and vote at the 2016 AGM and to qualify for the Proposed Final Dividend, the Register of Members will be closed. Details of such closures are set out below:

For ascertaining Shareholders’ entitlement to attend and vote at the 2016 AGM

	Hong Kong time
Latest time to lodge transfer documents	4:30 p.m. on October 14, 2016 (Friday)
Closure of the Register of Members	October 17, 2016 (Monday) to October 19, 2016 (Wednesday) (both days inclusive)
Record date	October 19, 2016 (Wednesday)

For ascertaining Shareholders’ entitlement to the proposed final dividend

	Hong Kong time
Latest time to lodge transfers documents	4:30 p.m. on October 24, 2016 (Monday)
Closure of the Register of Members	October 25, 2016 (Tuesday) to October 27, 2016 (Thursday) (both days inclusive)
Record date	October 27, 2016 (Thursday)

REPORT OF DIRECTORS

During the above closure periods, no transfer of Shares will be registered. To be entitled to attend and vote at the 2016 AGM and to qualify for the Proposed Final Dividend, all completed and stamped transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Boardroom Share Registrars (HK) Limited of 31st Floor, 148 Electric Road, North Point, Hong Kong before the above latest time.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on the pages 93 and 94 of this annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at June 30, 2016. The net increase in fair value of investment properties amounting to RMB28,867,000 (2015: RMB34,935,000) has been credited directly to the consolidated statement of profit or loss and other comprehensive income.

Details of movements in the investment properties of the Group during the Year are set out in note 15 to the financial statements.

Details of the properties held by the Group for investment at June 30, 2016 are set out in the section headed "Investment Properties" on page 92.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SUBSIDIARY

Particulars of the Company's principal subsidiary are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of the Share issued in the Year are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Hong Kong (being the jurisdiction in which the Company is incorporated), which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

REPORT OF DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its Shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “GEM”, respectively) nor did the Company or any of its subsidiaries purchase or sell any of its Shares during the Year.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity on page 45, respectively. Details of the distributable reserves of the Company are set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group’s major customers and suppliers, respectively, during the Year is as follows:

	Percentage of the Group’s total purchase/sales %
The largest customer	59.94
Five largest customers in aggregate	94.45
The largest supplier	47.35
Five largest suppliers in aggregate	92.74

None of the Directors or their respective close associates (as define in the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”)) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued Shares) had any beneficial interest in the Group’s major largest customers or suppliers referred above.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 10 and 11 to the financial statements, respectively.

EMOLUMENT POLICY

The remuneration committee of the Board was established for reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance and comparable market practices. The Company has adopted a share option scheme (the “Share Option Scheme”) as an incentive to the Directors and eligible employee, details of which are set out in the section headed “Share Option Scheme” below.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during the Year.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the issued Shares as required under the GEM Listing Rules (i.e. at least 25% of the issued Shares in public hands) throughout the Year and thereafter up to the date of this report.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Chew Hua Seng (*Chairman*)

Mr. Liu Ying Chun (*Chief Executive Officer*)

Non-executive Director

Mr. He Jun

Independent Non-executive Directors (the “INEDs”)

Mr. Lam Bing Lun, Philip

Mr. Tan Yeow Hiang, Kenneth

Mr. Wilson Teh Boon Piaw

In accordance with article 141 of the Articles of Association, Mr. Lam Bing Lun, Philip and Mr. He Jun will retire from office by rotation and being eligible, have offered themselves for re-election at the 2016 AGM.

The Company has received an annual written confirmation of independence from each of the INEDs, namely Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw, pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Company considered all the INEDs independent.

The biographical details of the Directors and the senior management of the Group are set out on pages 11 to 15 of this annual report.

CHANGE IN INFORMATION OF A DIRECTOR

The change in the Director's information subsequent after the Year and up to the date of this report, as required to be disclosed pursuant to Rules 17.50A(1) of the Listing Rules, is set out below:

- The emolument of Mr. He Jun has been revised from HK\$50,000 per annum to HK\$175,000 per annum with effect from July 1, 2016.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr. Chew Hua Seng has entered into a service contract as the chairman of the Board (the "Chairman") and an executive Director with the Company for an initial term of three years commencing on December 24, 2014, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Mr. Liu Ying Chun has entered into a service contract as an executive Director with the Company for an initial term of three years commencing on January 16, 2014, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Mr. He Jun has entered into a letter of appointment as a non-executive Director with the Company for an initial term of three years commencing on January 16, 2014, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of three years commencing on December 23, 2014, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other.

None of the Directors being proposed for re-election at the 2016 AGM has a service contract or a letter of appointment with the Company or its subsidiaries, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS OF SUBSIDIARIES

The names of all Directors who have served on the board of the subsidiaries of the Company during the Year or during the period from July 1, 2015 to the date of this report are as follows:

Name of Subsidiaries

廊坊開發區東方大學城教育諮詢有限公司
(Langfang Development Zone
Oriental University City Education Consultancy Co., Ltd.)
OUC Malaysia Sdn. Bhd. (formerly known as Diamond Nest Sdn. Bhd.)

OUC (Spain) Pte Limited

Name of Directors

Chew Hua Seng
Liu Ying Chun
Ho Kah Chuan Kenneth
Liu Ying Chun
Mok Kam Wah
Tho Kwai Kuan
Chew Han Wei
Ong Kai How

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year.

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the Year is contained in note 28 to the financial statements. None of the transactions as described in the said note fell under the definition of connected transaction/All the transactions as described in the said note were fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Raffles Education Corporation Limited ("REC"), the controlling shareholder (as defined by the GEM Listing Rules) of the Company, has confirmed that save for its shareholding in the Company, it is neither engaged nor interested in any business which, directly or indirectly, competes or may compete with the Group's business (save as disclosed under the heading "Excluded Businesses" in the section headed "History and Development - Post-Reorganization" of the Company's prospectus dated December 31, 2014 (the "Prospectus")).

On December 22, 2014, REC entered into a deed of non-competition and call option in favor of the Company, pursuant to which it has undertaken not to compete with the business of the Company. For further details, please refer to the sub-section headed "Deed of Non-Compete" in the section headed "Relationship with the Controlling Shareholder" of the Prospectus.

The Directors have confirmed that saved as disclosed above, as at June 30, 2016, none of the Directors, controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company, directors of the Company's subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules) has interested in any business (other than the Group) which, directly or indirectly, competed or might compete with the Group's business.

BUSINESS REVIEW

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

As regards the principal risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" contained on pages 43 to 69 of the Prospectus.

During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:-

Long positions

(a) Shares in the Company

Name of Director	Capacity/ Nature of interest	Number of issued Shares held	Approximate percentage of shareholding <small>(Note 2)</small>
Chew Hua Seng ("Mr. Chew")	Interest of a controlled corporation <small>(Note 1)</small>	135,000,000	75%

Notes:

- (1) Details of the interest in the Company held by Mr. Chew through REC are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.
- (2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at June 30, 2016 (i.e. 180,000,000 Shares).

REPORT OF DIRECTORS

(b) Shares in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interests	Number of shares	Approximate percentage of shareholding
Mr. Chew	REC ^(Note 1)	Beneficial owner and interest of spouse	356,082,899	36.88% ^(Note 2)

Notes:

- (1) REC, a company incorporated in Singapore with shares listed on Singapore Exchange Securities Trading Limited, is the immediate holding company of the Company.
- (2) It includes (a) the 2.71% interest of Ms. Doris Chung Gim Lian (“Ms. Chung”), the wife of Mr. Chew, in REC; and (b) the 12.98% joint interest of Mr. Chew and Ms. Chung.

Save as disclosed above, as at June 30, 2016, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2016, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interests in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:-

Long positions in the Shares

Name of Shareholders	Capacity/ Nature of interest	Number of issued Shares held	Approximate percentage of shareholding
REC	Beneficial owner ^(Note 1)	135,000,000	75% ^(Note 2)
Ms. Chung	Interest of spouse ^(Note 1)	135,000,000	75% ^(Note 2)

REPORT OF DIRECTORS

Notes:

- (1) REC is owned as to (a) 21.19% by Mr. Chew, the Chairman and an executive Director; (b) 12.98% jointly by Mr. Chew and Ms. Chung, the wife of Mr. Chew; and (c) 2.71% by Ms. Chung. Under the SFO, Mr. Chew is deemed to be interested in the Shares in which REC is interested and Ms. Chung is deemed to be interested in the Shares in which Mr. Chew is interested.
- (2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at June 30, 2016 (i.e. 180,000,000 Shares).

Save as disclosed above, as at June 30, 2016, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) had interest or short positions in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

A full corporate governance report containing the principal corporate governance practices adopted by the Group is set out on pages 29 to 39 of this annual report.

INTEREST OF THE COMPLIANCE ADVISER

As at June 30, 2016, as notified by the Company's compliance adviser, BNP Paribas Securities (Asia) Limited (the "Compliance Adviser"), except for the compliance adviser agreement dated August 29, 2014 and entered into between the Company and the Compliance Adviser and becoming effective on January 16, 2015, being the date on which the Shares were initially listed on the GEM (the "Listing Date"), neither the Compliance Adviser nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in relation to the Company or any member of the Group (including interest in the securities of the Company or any member of the Group, and options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company conditionally approved and adopted the Share Option Scheme on December 17, 2014, which became effective on the Listing Date. The following is a summary of the principal terms of the Share Option Scheme:

REPORT OF DIRECTORS

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Eligible Participants (defined below) for their contribution or potential contribution to the Company and/or any of its subsidiaries.

(b) Participants of the Share Option Scheme

The Directors may, subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, at its discretion, grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or its subsidiaries, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of the Directors has contributed or will contribute to the Group (collectively, the “Eligible Participants”).

(c) Maximum number of Shares available for subscription

The maximum number of the Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of the Shares that shall represent 10% of the total number of the Shares in issue immediately upon completion of the listing of the Company on GEM (the “Scheme Mandate Limit”), which is 18,000,000 Shares. For the purpose of calculating the Scheme Mandate Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

The maximum limit on the number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of the Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

As at the date of this report, there was no outstanding option under the Share Option Scheme.

As at the date of this report, the outstanding number of options available for grant under the Share Option Scheme is such number of options, upon exercise, representing 10% of the issued Shares of the Company.

(d) Grant to connected persons, substantial shareholders and independent non-executive Directors of the Company

Any grant of options to a connected person (as defined by the GEM Listing Rules) of the Company must be approved by all the INEDs (excluding any INED who is also a proposed grantee of the options, the vote of such INED shall not be counted for the purposes of approving the grant).

Any grant of options to a substantial shareholder or an INED or any of their respective associates shall be subject to, in addition to the approval of the INEDs, the issue of a circular by the Company to its Shareholders and the approval of the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the date of offer of grant of the option (the “Offer Date”):

REPORT OF DIRECTORS

- (i) would represent in aggregate more than 0.1 per cent. or such other percentage as may from time to time be provided under the GEM Listing Rules, of the Shares in issue on the Offer Date; and
- (ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the GEM Listing Rules from time to time).

(e) Exercise price

The price per Share at which a grantee may subscribe for Shares upon exercise of an option shall, subject to any adjustment resulting from the alteration of the number of the issued Shares, be a price determined by the Directors but in any event shall be at least the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; and
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant.

(f) Acceptance and payment on acceptance of option offer

An option may be accepted by an Eligible Participant within 30 days from the Offer Date.

A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

(g) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both days inclusive), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and the share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

At no time during the Year was the Company or any of its subsidiaries, fellow subsidiaries and holding company a part to any arrangement to enable the Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

No share options were granted since the Listing Date. Therefore, no share options were exercised or cancelled or lapsed during the Year and there were no outstanding options under the Share Option Scheme as at June 30, 2016.

REPORT OF DIRECTORS

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the above Companies Ordinance.

ENVIRONMENTAL POLICY

The Group is committed to nurturing its staff to care about and protect the environment. It conducts its business in a manner that balances the environment and economic needs.

The Group complies with all relevant environment regulations. It works with its partners including customers and suppliers in a connected effort to operate in an environmentally responsible manner by making concerted efforts to be energy-efficient and to practice "Reduce, Reuse and Recycle".

Among others, the Group has taken the following initiatives:-

- Performed minimal renovations, by re-using existing flooring, furniture etc., during the Year.
- Works closely with various local governments in Langfang city, Hebei Province, the PRC to help them promote environment protection strategies.
- Promotes the knowledge of environmental protection to students and staff in its campus and advocates students therein to sort their trash into separate bins.
- Saves power by implementing automatic lights off during non-business hours and providing manual override switch for all non-emergency lighting.
- Adjusts the heat supply system to low settings during the winter vacation period.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Employees

All of the Group's employees work in the campus site, owned by the Group, housing the colleges, universities, schools, education training centres and corporate entities that lease education facilities from the Group (the "Contract Colleges"), located in the Oriental University City in Langfang Economic and Technology Development Zone in Langfang city, Hebei Province, the PRC (the "Campus Site"). They perform management, administration and human resources, operation, finance and investors' relation functions respectively. The Group determines the remuneration of its employees by reference to the market salary of their individual experience and performance. The Group will continue to improve and upgrade their management and professional skills. None of the Group's employees is represented by any collective bargaining agreement or labour union. The Group has not experienced any significant problem with its employees or disruption to its operations due to labour dispute, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

REPORT OF DIRECTORS

Suppliers

The Group's suppliers provide the Group with a range of services associated with the management and maintenance of the Campus Site, mainly including cleaning, gardening, building maintenance and refurbishing, and campus security. The Directors believe that the Group is able to get access to the service of its suppliers easily as they are all located in Langfang city. The Directors also believe that maintenance of a stable relationship with the Group's major suppliers is important to the Group's operations as this will enable a stable supply of services to the Campus Site.

The Group's property team is responsible for quality control over the selection and performance of the suppliers. In general, the said team selects and evaluates the suppliers based on their pricing, background, industry experience, reputation and ability to deliver quality services. The suppliers are sourced through a tender process for an aggregate contract amount that exceeds RMB50,000.

Apart from those suppliers for the building maintenance and refurbishing services which are determined on an individual project basis, the Group's relationships with other major suppliers are over five years on average. Although the Group has not entered into any long-term contracts with certain of its suppliers, the Group has established a long-term working relationship with them. The Group has not experienced any disruption in the supply of services by suppliers.

Customers

The Group's principal customers are the Contract Colleges. For the Year, the Group had twelve Contract Colleges and the resident student population of these Contract Colleges was over 19,000. Revenue from the five largest customers using the Group's education facilities, all of which were the Contract Colleges, accounted for over 90% of the Group's total revenue for the Year. Most of the Contract Colleges entered into three-year letters of intent or education service agreements from January 1, 2014 to June 30, 2017.

EVENT AFTER REPORTING PERIOD

Save as disclosed in the section headed "Event After Reporting Period" set out in the "Management Discussion and Analysis" of this annual report, the Group does not have any material subsequent event after the end of the Year and up to the date of this report.

CHANGE IN INDEPENDENT AUDITOR IN THE PROCEEDING THREE YEARS

On May 8, 2015, PricewaterhouseCoopers ("PwC") resigned as the independent auditor of the Company (the "Independent Auditor"). BDO Limited ("BDO") was appointed as the Independent Auditor with effect from May 20, 2015 to fill the casual vacancy following the resignation of PwC.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company and the Group for the Year were audited by BDO, the Independent Auditor. BDO will retire, and being eligible, offer themselves for re-appointment at the 2016 AGM. A resolution for the re-appointment of BDO as the Independent Auditor will be proposed at the 2016 AGM.

On behalf of the Board
Chew Hua Seng
Chairman

Malaysia, August 16, 2016

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its shareholders (the “Shareholders”) and protecting and enhancing Shareholder value through solid corporate governance.

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “GEM Listing Rules”, respectively) during the year ended June 30, 2016 (the “Year”).

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has complied with provision A.2.1 of the CG Code in that the roles of chairman and chief executive officer should be separate and are not performed by the same individual. Mr. Chew Hua Seng as the chairman of the board of directors of the Company (the “Directors” and the “Chairman”, respectively) is responsible for overseeing the functions of the board of Directors (the “Board”) and formulating overall strategies and policies of the Company. The chief executive officer of the Company (the “CEO”), Mr. Liu Ying Chun, supported by the senior management, is responsible for managing the businesses of the Company and its subsidiaries (the “Group”), implementing major strategies, making day-to-day decisions and overall coordination for business operations.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Required Standard of Dealings”). The Company had made specific enquiries with all the Directors and each of them had confirmed his compliance with the Required Standard of Dealings during the Year.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Required Standard of Dealings. No incident of non-compliance was noted by the Company during the Year.

BOARD OF DIRECTORS

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decision objectively in the interests of the Company. The Board has the full support of the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions being entered into by the above mentioned officers.

CORPORATE GOVERNANCE REPORT

The Board also assumes the responsibilities for maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

As at the date of this report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors (the "INEDs"). The Board delegates certain functions to committees to enable the Board to manage more effectively its stewardship and fiduciary responsibilities. The Board is assisted by four committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and risk management committee (the "Risk Management Committee"). The composition of the Board and its committees are stated below and their respective responsibilities are discussed in this report.

	Board Member	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Board of Directors					
<i>Executive Directors</i>					
Mr. Chew Hua Seng (<i>Chairman</i>)	✓		✓	✓	
Mr. Liu Ying Chun (<i>CEO</i>)	✓				
<i>Non-executive Director</i>					
Mr. He Jun	✓				✓
<i>INEDs</i>					
Mr. Lam Bing Lun, Philip	✓	✓		✓	✓
Mr. Tan Yeow Hiang, Kenneth	✓	✓	✓	✓	
Mr. Wilson Teh Boon Piau	✓	✓	✓	✓	✓

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for the efficient and effective delivery of the Board functions.

Please refer to the section headed "Biographical Details of Directors and Senior Management" in this annual report for key information on each Director and member of the senior management.

There was no financial, business, family or other material relationship among the Directors.

The Non-executive Director has been appointed for an initial term of three years commencing on January 16, 2014.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The Company has at least three INEDs at all times and at least one of the INEDs had appropriate professional qualifications or accounting or related financial management expertise during the Year. A written annual confirmation on independence as required by Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs. The Company considers all of the INEDs to be independent.

Board Meetings

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be convened as and when required. During the Year, four Board meetings were held. Details of the attendance of the Directors are as follows:

	Attendance of Board Meetings
Board of Directors	
<i>Executive Directors</i>	
Mr. Chew Hua Seng	4/4
Mr. Liu Ying Chun	4/4
<i>Non-executive Director</i>	
Mr. He Jun	4/4
<i>INEDs</i>	
Mr. Lam Bing Lun, Philip	4/4
Mr. Tan Yeow Hiang, Kenneth	4/4
Mr. Wilson Teh Boon Piau	4/4

BOARD DIVERSITY POLICY

The Board values diversity as a factor in selecting candidates to serve on the Board, and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company.

The Board adopted a board diversity policy (the “**Board Diversity Policy**”) which relates to the selection of candidates for the Board. The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board.

The Nomination Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuing Professional Development

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The Company is dedicated to arrange appropriate induction for the continuous professional development for all Directors at the Company's expenses to develop, replenish and refresh their knowledge and skills.

The Company will from time to time provide briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the Year, all Directors, namely Mr. Chew Hua Seng, Mr. Liu Ying Chun, Mr. He Jun, Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw have participated in continuous professional development by attending conferences and internal training as regards corporate governance, laws, regulations and the GEM Listing Rules, and reading materials relevant to their duties, responsibilities and the Group's business in order to develop, refresh and update their knowledge and skills.

Training records for the Year have been provided by all Directors to the Company.

Board Committees

The Board is supported by four Board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within their respective terms of reference.

(1) Audit Committee

The Company has established the Audit Committee with clear written terms of reference in compliance with the CG Code, which are posted on the respective websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are (a) to review the Group's financial statements and accounts, and annual, interim and quarterly reports; (b) to discuss and review with the independent auditor of the Company (the "Independent Auditor") on the scope and findings of the audit and the Independent Auditor's management letter; and (c) to review the financial and accounting policies and practices, financial controls and internal controls of the Group.

Currently, the Audit Committee has three members comprising three INEDs, namely Mr. Lam Bing Lun, Philip (the chairman of the Audit Committee), Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw.

CORPORATE GOVERNANCE REPORT

The Audit Committee held four meetings with the Independent Auditor during the Year to review and supervise the financial reporting process and system of internal controls and recommend the re-appointment of the Independent Auditor. It had, in conjunction with the Independent Auditor, reviewed the Group's annual results for the year ended June 30, 2015 and unaudited first quarterly results for the three months ended September 30, 2015 and interim results for the six months ended December 31, 2015 and third quarterly results for the nine months ended March 31, 2016 and recommend the same to the Board for its consideration and approval. The Audit Committee was of the opinion that such results had been prepared in compliance with the applicable accounting standards and requirements and that adequate disclosure had been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the Independent Auditor for the Year. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The Audit Committee met on August 16, 2016 and among other matters, reviewed the Group's audited consolidated results for the Year.

The attendance of each INED at the Audit Committee meeting during the Year is as follow:

Members	Attendance
Mr. Lam Bing Lun, Philip (<i>Chairman</i>)	4/4
Mr. Tan Yeow Hiang, Kenneth	4/4
Mr. Wilson Teh Boon Piaw	4/4

(2) Remuneration Committee

The Company has established the Remuneration Committee according to the relevant provisions of the CG Code of the GEM Listing Rules with specific written terms of reference. Its primary duties are to (a) make recommendations to the Board on the Company's policy and structure for all remuneration of executive Directors and senior management and the remuneration of non-executive Directors; (b) establish formal and transparent procedures for developing policy on remuneration; (c) review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives; and (d) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee comprised of an executive Director, Mr. Chew Hua Seng, and two INEDs, namely Mr. Wilson Teh Boon Piaw (chairman of the Remuneration Committee) and Mr. Tan Yeow Hiang, Kenneth.

During the Year, the Remuneration Committee held a meeting to, among others, discuss remuneration-related matters, assess the performance and remuneration of the executive Directors and discuss the policy for the remuneration of Directors and senior management.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at the Remuneration Committee meeting during the Year is as follows:

Members	Attendance
Mr. Wilson Teh Boon Piaw (<i>Chairman</i>)	1/1
Mr. Chew Hua Seng	1/1
Mr. Tan Yeow Hiang, Kenneth	1/1

(3) Nomination Committee

The Company has established a Nomination Committee according to the relevant code provisions of the CG Code with specific written terms of reference which are posted on the respective websites of the Stock Exchange and the Company. Its primary duties are to: (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assess the independence of the INEDs; and (d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

The Nomination Committee consists of four members, of which three are INEDs. The members of the Nomination Committee are Mr. Tan Yeow Hiang, Kenneth (chairman of the Nomination Committee), Mr. Lam Bing Lun, Philip, Mr. Wilson Teh Boon Piaw (all INEDs) and Mr. Chew Hua Seng (an executive Director). The Nomination Committee determines the policy for the nomination of Directors, the nomination procedures, process and criteria adopted in the selection and recommendation of candidates for directorship.

During the Year, the Nomination Committee held a meeting and, among other matters, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of all the retiring Directors as Directors, reviewed and assessed the Board composition on behalf of the Board taking into account the Board Diversity Policy.

In determining the Board's composition, the Nomination Committee has considered a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service, which have been incorporated in the Board Diversity Policy. The nomination committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

The attendance of each Director at the Nomination Committee meeting during the Year is as follows:

Members	Attendance
Mr. Tan Yeow Hiang, Kenneth (<i>Chairman</i>)	1/1
Mr. Chew Hua Seng	1/1
Mr. Lam Bing Lun, Philip	1/1
Mr. Wilson Teh Boon Piaw	1/1

CORPORATE GOVERNANCE REPORT

The Nomination Committee met on August 16, 2016 and, amongst other matters, recommended the re-appointment of all the retiring Directors at the forthcoming annual general meeting of the Company (the “AGM”).

(4) Risk Management Committee

The Risk Management Committee currently consists of one non-executive Director Mr. He Jun (chairman of the Risk Management Committee), and two INEDs, namely Mr. Lam Bing Lun, Philip and Mr. Wilson Teh Boon Piaw.

The primary duties of the Risk Management Committee are to formulate the appropriate framework and policies for managing risks relating to the activities of the Group, and to provide support to the Board on proposed strategic transactions by focusing on risk aspects and implications of the risks for the Group.

During the Year, the Risk Management Committee held two meetings to review the risk management system and discuss risk management-related matters. The terms of reference of the Risk Management Committee have been revised and adopted by the Board on October 27, 2015.

The attendance of each Director at the Risk Management Committee meeting during the Year is as follow:

Members	Attendance
Mr. He Jun (<i>Chairman</i>)	2/2
Mr. Lam Bing Lun, Philip	2/2
Mr. Wilson Teh Boon Piaw	2/2

CORPORATE GOVERNANCE FUNCTION

The Company has not set up a corporate governance committee and the Board is therefore collectively responsible for developing and putting in place policies and practices to ensure compliance with the provisions of the CG Code, for the training and continuous professional development of the Directors and senior management, for the compliance with legal and regulatory requirement, etc.

During the Year, the Board has reviewed the Company’s policies and practices on corporate governance in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 10 to the financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in RMB)	Number of individuals
100,000 to 500,000	3

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements. The Independent Auditors' responsibilities are set out in the "Independent Auditor's Report" of this annual report.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal controls. The Board has conducted a review of, and is satisfied with, the effectiveness of the system of internal controls of the Group.

REMUNERATION OF THE INDEPENDENT AUDITOR

The consolidated financial statements for the Year were audited by BDO Limited ("BDO") whose term of office will expire at the forthcoming AGM. The Audit Committee has recommended to the Board that BDO be nominated for re-appointment as Independent Auditor at the forthcoming AGM.

The remuneration paid/payable to BDO in respect of the Year is set out below:

Services	Fee paid/payable (RMB)
Audit fee for the Year	575,000
Non-audit services	5,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary of the Company (the “**Company Secretary**”) is Mr. Kwok Siu Man (“**Mr. Kwok**”), who has been appointed by the Board since September 30, 2013 and has been so nominated by Boardroom Corporate Service (HK) Limited (“**Boardroom**”) under an engagement letter entered into between the Company and Boardroom. The primary persons of the Company with whom Mr. Kwok has been contacting are Mr. Zhang Jianguang, director of the human resource and administration and Mr. Leong Aik Huat, financial controller, in relation to corporate secretarial matters. As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at material times since then, he is not required to have at least 15 hours of relevant continuous professional development training for the Year under the GEM Listing Rules. However, despite the aforesaid exemption, Mr. Kwok had delivered and attended over 15 hours’ relevant seminars during the Year.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the Shareholders and the potential investors of the Company (the “**Investors**”) mainly in the following ways:

- i the holding of AGMs and general meetings of the Company (the “**GM**”), if any, which may be convened for specific purpose and provide opportunities for the Shareholders and Investors to communicate directly with the Board;
- ii the publication of quarterly, half-yearly and annual reports, announcements and/or circulars as required under the GEM Listing Rules and/or press releases of the Company providing updated information on the Group; and
- iii the latest information on the Group is available on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS’ RIGHTS

Procedures for Shareholders to convene a GM

The following procedures for Shareholders to convene a GM are subject to the articles of association of the Company (the “**Articles of Association**”) (as amended from time to time), and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time):

- i any one or more Shareholders representing at least 5 per cent. of the total voting rights of all the Shareholders having a right to vote at general meetings (the “**Eligible Shareholder(s)**”) may request the Board to call a GM;
- ii the request must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting (the “**Written Request**”). Such Written Request may consist of several documents in like form and be sent to the Company in hard copy form as per below item iii or in electronic form (via email at zhangjianguang@oriental-university-city.com); and must be authenticated by the Eligible Shareholder(s) making it.

CORPORATE GOVERNANCE REPORT

- iii the Eligible Shareholders who wish to convene a GM must deposit a Written Request signed by the Eligible Shareholder(s) concerned to the registered office of the Company located at 31st Floor, 148 Electric Road, North Point, Hong Kong and its principal place of business in the People's Republic of China (the "PRC") at No.100 Zhangheng Road, Oriental University City, Langfang Economic & Technical Development Zone, Hebei Province 065001, the PRC for the attention of the Board and/or the Company Secretary;
- iv the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene a GM and the details of the business(es) proposed to be transacted at the GM, and must be signed by the Eligible Shareholder(s) concerned;
- v the Requisition will be verified with the share registrar of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene a GM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a GM; and
- vi If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such GM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for Shareholders to put forward proposal at GM

Shareholder(s) representing at least 5 per cent. of the total voting rights of all Shareholders who have a relevant right to vote or at least 50 Shareholders who have a relevant right to vote may request the Company to circulate to the Shareholders entitled to receive notice of a GM, a resolution proposed and a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that GM.

The request may be sent to the Company in hard copy at the Company's registered office and principal place of business in the PRC or in electronic form (via email at zhangjianguang@oriental-university-city.com); must identify the resolution and any statement to be circulated; and must be authenticated by the person or person(s) making it.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office of the Company located at 31st Floor, 148 Electric Road, North Point, Hong Kong by post or by email to Mr. Kwok Siu Man at seaman.kwok@boardroomlimited.com for the attention of the Company Secretary.

The Company treats all Shareholders fairly and equitably. At GMs and AGMs, the Shareholders are provided opportunities to share their views and to meet the Board, including chairpersons of the Board committees and certain members of senior management.



CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company discloses all necessary information to the Shareholders in compliance with the GEM Listing Rules and applicable laws and regulations. Updated and key information of the Group is also available on the Company's website. The Company also replies the enquires from the Shareholders timely. The Directors will host the AGM each year to meet the Shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

During the Year, there were no changes in the constitutional documents of the Company.

The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號
永安中心25樓

TO THE MEMBERS OF ORIENTAL UNIVERSITY CITY HOLDINGS (H.K.) LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Oriental University City Holdings (H.K.) Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 42 to 91, which comprise the consolidated statement of financial position as at June 30, 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at June 30, 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lam Siu Fung

Practising Certificate Number: P05308

Hong Kong, August 16, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016 RMB' 000	2015 RMB' 000
Revenue	6	68,619	61,588
Government grants	8	5,000	—
Employee costs	9	(2,537)	(2,748)
Depreciation of property, plant and equipment	14	(344)	(410)
Fair value gains on investment properties	15	28,867	34,935
Business taxes and surcharges		(3,286)	(3,449)
Property taxes and land use taxes		(12,633)	(11,793)
Property management fee		(6,172)	(5,584)
Repairs and maintenance		(1,775)	(2,382)
Legal and consulting fees		(3,585)	(11,345)
Other gains, net	7	2,117	2,220
Other expenses		(2,259)	(2,815)
Share of results of an associate		920	—
Loss on de-recognition of an available-for-sale financial asset	17	(1,887)	—
Operating profit		71,045	58,217
Interest income		737	210
Profit before income tax	8	71,782	58,427
Income tax	12	(18,301)	(15,777)
Profit for the year		53,481	42,650
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of other comprehensive income of an associate		1,390	—
Fair value (losses)/gains on available-for-sale financial assets, net		(977)	1
Reclassification adjustment on de-recognition of an available-for-sale financial asset		1,887	—
Other comprehensive income for the year		2,300	1
Total comprehensive income for the year		55,781	42,651

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 RMB' 000	2015 RMB' 000
Profit attributable to			
– Owners of the Company		52,913	42,128
– Non-controlling interests		568	522
		<u>53,481</u>	<u>42,650</u>
Total comprehensive income attributable to			
– Owners of the Company		55,213	42,129
– Non-controlling interests		568	522
		<u>55,781</u>	<u>42,651</u>
Earnings per share for profit attributable to the owners of the Company during the year	13		
– Basic (RMB per share)		<u>0.29</u>	<u>0.27</u>
– Diluted (RMB per share)		<u>0.29</u>	<u>0.27</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2016

	Notes	2016 RMB' 000	2015 RMB' 000
Non-current assets			
Property, plant and equipment	14	5,705	6,029
Investment properties	15	892,183	860,436
Interest in an associate	16	23,805	—
Available-for-sale financial asset	17	17,652	17,617
Prepayments for purchase of property, plant and equipment and investment properties	18	80,000	—
Total non-current assets		<u>1,019,345</u>	<u>884,082</u>
Current assets			
Trade and other receivables and prepayments	19	38,843	21,745
Cash and cash equivalents		4,866	101,663
Total current assets		<u>43,709</u>	<u>123,408</u>
Current liabilities			
Trade and other payables and accruals	20	18,912	14,889
Advances from customers		1,265	1,223
Current tax liabilities		21,597	23,128
Total current liabilities		<u>41,774</u>	<u>39,240</u>
Net current assets		<u>1,935</u>	<u>84,168</u>
Total assets less current liabilities		<u>1,021,280</u>	<u>968,250</u>
Non-current liabilities			
Deferred tax liabilities	21	50,863	35,771
Total non-current liabilities		<u>50,863</u>	<u>35,771</u>
NET ASSETS		<u>970,417</u>	<u>932,479</u>
Capital and reserves attributable to owners of the Company			
Share capital	22	411,936	411,936
Reserves	23	550,865	513,495
		962,801	925,431
Non-controlling interests		7,616	7,048
TOTAL EQUITY		<u>970,417</u>	<u>932,479</u>

On behalf of the Board

Chew Hua Seng

Chairman and Executive Director

Liu Ying Chun

Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Reserves					Proposed final dividend	Equity attributable		Total
	Share capital	Other reserves	Available-for-sale financial asset reserve	Retained profits	Exchange reserve		to owners of the Company	Non-controlling interests	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 22)	(Note 23)	(Note 23)		(Note 23)				
Balance at July 1, 2014	331,898	(71,025)	—	542,391	—	—	803,264	6,526	809,790
Profit for the year	—	—	—	42,128	—	—	42,128	522	42,650
Other comprehensive income	—	—	1	—	—	—	1	—	1
	—	—	1	42,128	—	—	42,129	522	42,651
Proposed final dividend for the year (Note 24)	—	—	—	(11,347)	—	11,347	—	—	—
Issue of new shares	80,038	—	—	—	—	—	80,038	—	80,038
Balance at June 30, 2015 and July 1, 2015	411,936	(71,025)	1	573,172	—	11,347	925,431	7,048	932,479
Profit for the year	—	—	—	52,913	—	—	52,913	568	53,481
Share of other comprehensive income of an associate	—	—	—	—	1,390	—	1,390	—	1,390
Fair value losses on available-for-sale financial assets, net	—	—	(977)	—	—	—	(977)	—	(977)
Reclassification adjustment on de-recognition of an available-for-sale financial asset	—	—	1,887	—	—	—	1,887	—	1,887
	—	—	910	52,913	1,390	—	55,213	568	55,781
Dividend paid	—	—	—	(469)	—	(11,347)	(11,816)	—	(11,816)
Proposed final dividend for the year (Note 24)	—	—	—	(6,166)	—	6,166	—	—	—
Interim dividend declared and paid (Note 24)	—	—	—	(6,027)	—	—	(6,027)	—	(6,027)
Balance at June 30, 2016	411,936	(71,025)	911	613,423	1,390	6,166	962,801	7,616	970,417

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	2016 RMB' 000	2015 RMB' 000
Cash flows from operating activities		
Profit before income tax	71,782	58,427
Adjustments for:		
Interest income	(737)	(210)
Depreciation of property, plant and equipment	344	410
Fair value gains on investment properties	(28,867)	(34,935)
Share of results of an associate	(920)	—
Loss on de-recognition of an available-for-sale financial asset	1,887	—
Gain on disposal of property, plant and equipment	—	(46)
	<hr/>	<hr/>
Operating profit before working capital changes	43,489	23,646
(Increase)/decrease in trade and other receivables and prepayments	(17,098)	901
Increase/(decrease) in trade and other payables and accruals	4,056	(28,613)
Increase in advances from customers	42	608
	<hr/>	<hr/>
Cash generated from/(used in) operations	30,489	(3,458)
Income taxes paid	(4,740)	(1,164)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	25,749	(4,622)
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Cash flows from investing activities		
Interest received	737	210
Increase in prepayments for the purchase of property, plant and equipment and investment properties	(80,000)	—
Purchase of property, plant and equipment and investment properties	(2,900)	(14,961)
Proceeds from disposal of property, plant and equipment	—	46
Payments to acquire available-for-sale financial asset	(16,741)	(17,616)
Payments to acquire an associate	(5,766)	—
Decrease in amounts due from fellow subsidiaries included in other receivables, net	—	14,946
	<hr/>	<hr/>
Net cash used in investing activities	(104,670)	(17,375)
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	2016 RMB' 000	2015 RMB' 000
Cash flows from financing activities		
Decrease in amount due to ultimate holding company included in other payables	(33)	(14,199)
Issue of new shares under placing	—	87,296
Dividends paid	(17,843)	—
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(17,876)	73,097
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	(96,797)	51,100
Cash and cash equivalents at beginning of year	101,663	50,563
	<hr/>	<hr/>
Cash and cash equivalents at end of year	4,866	101,663
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

1. GENERAL

Oriental University City Holdings (H.K.) Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its shares are listed on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report. The Group, comprising the Company and its subsidiaries, is mainly engaged in the provision of education facilities leasing services in the People’s Republic of China (the “PRC”).

The directors of the Company consider that the Company’s ultimate parent is Raffles Education Corporation Limited (“REC”), a company incorporated in Singapore, whose shares are listed on Singapore Exchange Securities Trading Limited.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective July 1, 2015

HKFRSs (Amendments)	Annual Improvement 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvement 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvement 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴

¹ Effective for annual periods beginning on or after January 1, 2016

² Effective for annual periods beginning on or after January 1, 2017

³ Effective for annual periods beginning on or after January 1, 2018

⁴ Effective for annual periods beginning on or after January 1, 2019

⁵ On January 6, 2015, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued “Effective Date of Amendments to HKFRS 10 and HKAS 28, following the International Accounting Standards Board’s equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on October 7, 2014. Early application of these amendments continues to be permitted.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 9 (2014) – Financial Instruments – continued

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary’s main purpose is to provide services that relate to the investment entity’s investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at FVTPL should provide the disclosures related to investment entities as required by HKFRS 12.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 16 – Leases – continued

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

(d) Liquidity

Further details of liquidity management and going concern basis are set out in Note 31 (a)(ii).

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of reporting period. A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Group. It is de-consolidated from the date that control ceases.

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(a) **Subsidiary** – *continued*

Consolidation – continued

(i) *Business combination – continued*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(ii) *Changes in ownership interest in a subsidiary without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, which are transactions with the owners of subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

(b) **Associate**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(b) Associate – *continued*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investment in an associate is carried at cost less impairment losses, if any. The results of associate are accounted for by the Company on the basis of dividends received and receivable during the year.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors, who makes strategic decisions.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(d) Foreign currency translation – *continued*

(iii) Group companies

The results and financial position of all the group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each profit or loss items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the lease terms of land and 50 years
Furniture, fittings and equipment	4-7 years
Machinery	10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(f) Investment properties

Investment properties, principally comprising land use rights and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in profit or loss.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial assets

(i) *Classification*

The Group classifies its financial assets as available-for-sale financial asset and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial asset is a non-derivative financial asset that is not included in other categories of financial assets. It is included in non-current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

(ii) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the assets. Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have been expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial asset is recognised initially at fair value. Subsequent to initial recognition, the Group's available-for-sale financial asset is carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses which is recognised in profit or loss.

(i) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(j) Impairment of financial assets

Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Available-for-sale financial asset

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(k) Trade and other receivables

Trade receivables are amounts due from customers for rental provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the entities within the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(o) Current and deferred income tax – *continued*

(ii) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(p) Employee benefits

(i) *Pension obligations*

Pursuant to the relevant local regulations in the PRC, the PRC subsidiary of the Group participate in government defined contribution retirement benefit schemes and is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. All contributions made to the schemes are not refundable or forfeitable. The contributions under the schemes are expensed as incurred.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of reporting period are discounted to present value.

(iii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made between the group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Rental income

Rental income received and receivable from investment properties is recognised in profit or loss on a straight-line basis over the term of lease.

Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(s) Government grants

Grants from government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

Land use rights under operating lease, which mainly comprised land use rights to be developed for self-use buildings, are stated at cost and subsequently amortised in profit or loss on a straight-line basis over the operating lease periods.

(iii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated fair value of investment properties and available-for-sale financial asset

The fair value of investment properties and available-for-sale financial asset are determined using valuation technique. Details of the judgments and assumptions have been disclosed in Notes 15, 17 and 31.

(b) Estimated tax provisions for the restructuring and preparation for the listing and corresponding government grant

In preparation for the listing of the Company's shares, all land titles were rationalised amongst the subsidiaries of REC in prior years. The transfers of land titles were subject to stamp duties and corporate income tax. According to an approval circular from the People's Government of Langfang City, the Group was granted with a special fund to subsidise the Group's relevant tax provision arising from the land title transfer with related companies. Significant judgment is required in determining the provision for relevant taxes arising from the land rationalisation and corresponding amount of government grant income. Relevant taxes provisions arising from the transfer of land titles will be filed along with the progression of the land rationalisation. Where the final tax outcome of the land title transfers is different from the amounts that were initially recorded, such differences will impact the relevant tax provision and previously recognised government grant will be adjusted correspondingly, in the period in which such determination is made.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

6. SEGMENT REPORTING AND REVENUE

The executive directors of the Company, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

Management regularly reviews the operating results from a service category perspective. The reportable operating segments derive their revenue primarily from education facilities leasing. As the revenue from the commercial leasing for supporting facilities is below 10% of the total revenue during the year, business segment information is not considered necessary.

As the executive directors consider most of the Group's revenue and results are all derived from education facilities leasing and commercial leasing for supporting facilities in the PRC and no significant consolidated assets of the Group are located outside the PRC, geographical segment information is not considered necessary.

Analysis of revenue by category for the year is as follows:

	2016 RMB' 000	2015 RMB' 000
Revenue:		
– Education facilities leasing	65,371	58,870
– Commercial leasing for supporting facilities	3,248	2,718
	<u>68,619</u>	<u>61,588</u>

Information about major customers

The Group's revenues were derived from the following external customers that individually contributed more than 10% of the Group's revenues for the year:

	2016 RMB' 000	2015 RMB' 000
College A	41,131	33,616
College B	—	7,959
College C	7,583	8,032
College D	15,008	6,655
	<u>63,722</u>	<u>56,262</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

7. OTHER GAINS, NET

	2016 RMB' 000	2015 RMB' 000
Gains on disposal of property, plant and equipment	—	46
Net foreign exchange gains	2,115	1,955
Others	2	219
	<u>2,117</u>	<u>2,220</u>

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2016 RMB' 000	2015 RMB' 000
Auditor's remuneration	580	445
Direct operating expenses arising from investment properties that generated rental income during the year	21,715	22,118
Direct operating expenses arising from investment properties that did not generate rental income during the year	4,391	3,909
Government grants (Note)	<u>(5,000)</u>	<u>—</u>

Note: During the year ended June 30, 2016, the Group successfully applied for listing reward (the "Reward") of RMB5,000,000 in aggregate, set up by the Local Financial Bureau. The purpose of the Reward is to encourage listing of local entities to capital markets, both local and overseas, by rewarding entities who have successfully listed on the capital markets. No government grant was received by the Group during the year ended June 30, 2015.

9. EMPLOYEE COSTS

	2016 RMB' 000	2015 RMB' 000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	2,258	2,256
Other allowances and benefits	116	345
Contributions to defined contribution retirement plans	<u>163</u>	<u>147</u>
	<u>2,537</u>	<u>2,748</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, Cap. 622 and the Companies (Disclosure of Information about Benefits of Directors) Regulation, Cap. 622G is as follows:

	Fees RMB' 000	Salaries and other benefits RMB' 000	Contributions to retirement benefits scheme RMB' 000	Total RMB' 000
2016				
Chew Hua Seng	—	—	—	—
He Jun	42	—	—	42
Liu Ying Chun	—	319	—	319
Lam Bing Lun, Philip	146	—	—	146
Wilson Teh Boon Piaw	146	—	—	146
Tan Yeow Hiang, Kenneth	146	—	—	146
	<u>480</u>	<u>319</u>	<u>—</u>	<u>799</u>
2015				
Chew Hua Seng	—	—	—	—
He Jun	39	—	—	39
Liu Ying Chun	—	767	—	767
Lam Bing Lun, Philip	69	—	—	69
Wilson Teh Boon Piaw	69	—	—	69
Tan Yeow Hiang, Kenneth	69	—	—	69
	<u>246</u>	<u>767</u>	<u>—</u>	<u>1,013</u>

No director waived any emolument during the years ended June 30, 2015 and 2016.

During the years ended June 30, 2015 and 2016, Mr. Chew Hua Seng, a director of the Company, is also a director of REC, whose emoluments were borne by REC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2015: one) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2015: four) individuals were as follows:

	2016 RMB' 000	2015 RMB' 000
Salaries and other benefits	470	1,087
Contributions to defined contribution retirement plans	—	15
	<u>470</u>	<u>1,102</u>

Their emoluments fell within the following band:

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately RMB853,000 (2015: RMB788,000))	<u>2</u>	<u>4</u>

12. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 RMB' 000	2015 RMB' 000
Current tax		
– PRC corporate income tax for the year	3,423	1,531
– Over-provision in respect of prior years	(214)	(1,121)
	<u>3,209</u>	410
Deferred tax (Note 21)	<u>15,092</u>	15,367
Income tax	<u>18,301</u>	<u>15,777</u>

The corporate income tax rate applicable to the Group's entity located in the PRC (the "PRC Subsidiary") is 25% pursuant to the Corporate Income Tax Law of the PRC (the "PRC CIT Law").

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

12. INCOME TAX – *continued*

The PRC Subsidiary was approved by the in-charge tax bureau to adopt the collection on a deemed profit basis in prior years. The profit rate from the revenue is deemed as 10% under the deemed profit basis. However, under the PRC CIT Law, the PRC Subsidiary is not allowed to adopt the deemed profit basis for the purpose of calculation of corporate income tax after the successful listing of the Company's shares. Since January 1, 2015, the corporate income tax of the PRC Subsidiary is levied according to accounting book under the PRC CIT Law.

The income tax for the year can be reconciled to the profit before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB' 000	2015 RMB' 000
Profit before income tax	<u>71,782</u>	<u>58,427</u>
Tax calculated at applicable domestic tax rates	18,229	15,075
Tax effect of change in applicable tax basis	—	(1,677)
Tax effect of expenses not deductible for tax purposes	875	3,823
Tax effect of revenue not taxable for tax purposes	(589)	(323)
Over-provision in respect of prior years	<u>(214)</u>	<u>(1,121)</u>
Income tax	<u>18,301</u>	<u>15,777</u>

PRC withholding income tax

According to the PRC CIT Law, starting from January 1, 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after January 1, 2008. A lower withholding tax rate of 5% may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Group did not have assessable profit in Hong Kong during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2016 RMB' 000	2015 RMB' 000
Earnings		
Earnings for the purposes of basic earnings per share	<u>52,913</u>	<u>42,128</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>180,000,000</u>	<u>155,465,753</u>

The Company did not have any potential ordinary shares outstanding during the current and prior years. Diluted earnings per share are equal to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB' 000	Furniture, fittings and equipment RMB' 000	Machinery RMB' 000	Total RMB' 000
Cost				
At July 1, 2014	—	4,976	9,047	14,023
Transfer from investment properties (Note 15)	4,475	—	—	4,475
Additions	599	541	24	1,164
Disposals	—	(920)	(289)	(1,209)
At June 30, 2015 and July 1, 2015	5,074	4,597	8,782	18,453
Additions	—	20	—	20
At June 30, 2016	5,074	4,617	8,782	18,473
Accumulated depreciation				
At July 1, 2014	—	4,415	8,808	13,223
Depreciation	108	141	161	410
Disposals	—	(920)	(289)	(1,209)
At June 30, 2015 and July 1, 2015	108	3,636	8,680	12,424
Depreciation	130	175	39	344
At June 30, 2016	238	3,811	8,719	12,768
Net carrying value				
At June 30, 2016	4,836	806	63	5,705
At June 30, 2015	4,966	961	102	6,029

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

15. INVESTMENT PROPERTIES

	2016 RMB' 000	2015 RMB' 000
Fair value		
At beginning of year	860,436	816,179
Additions	2,880	13,797
Transfer to property, plant and equipment (Note 14)	—	(4,475)
Change in fair value	28,867	34,935
At end of year	<u>892,183</u>	<u>860,436</u>

As at June 30, 2015 and 2016, all investment properties were completed.

(a) Valuation

An independent valuation of the Group's investment properties was performed by DTZ Cushman & Wakefield Limited ("DTZ"), an independent firm of professionally qualified valuers, to determine the fair value of the Group's investment properties as at June 30, 2016, by valuation method using significant unobservable inputs (Level 3).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the years ended June 30, 2015 and 2016.

Valuation basis

The Group obtains independent valuations from DTZ for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment leases and other contracts. Where such information is not available, the directors consider information from a variety of sources including:

- (i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- (ii) Discounted cash flow projections based on reliable estimates of future cash flows.
- (iii) Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

15. INVESTMENT PROPERTIES – *continued*

(a) Valuation – *continued*

Valuation techniques

Fair value of completed investment properties are generally derived using the income capitalisation approach.

Income capitalisation approach (term and reversionary method) largely uses observable inputs (e.g. market rent, yield, etc.) and is taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

Information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at June 30, 2016 RMB' 000	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed investment properties	892,183	Income capitalisation approach	Unit monthly rent (RMB/sq.m.)	Teaching: 18 - 21 Dormitory: 16 - 20 Retail: 17.4	The higher the unit monthly rent, the higher the fair value
			Reversionary yield	8.5%	The higher the reversionary yield, the lower the fair value

(b) As at June 30, 2015 and 2016, there was no pledged investment property.

(c) The investment properties are all located in the PRC. There were no changes to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

16. INTEREST IN AN ASSOCIATE

	2016 RMB' 000	2015 RMB' 000
Share of net assets other than goodwill	21,153	—
Goodwill	2,652	—
	<u>23,805</u>	<u>—</u>

Details of the associate are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests
Axiom Properties Limited ("Axiom")	Property investment and development in Australia	19.9%

Although the Group's ownership interest in Axiom is less than 20%, the Group had the right to appoint representative on the board of directors of Axiom upon its shareholding in Axiom being 19.9%. The directors of the Company therefore considered the Group had the power to exercise significant influence during the year and accounted the interest in Axiom as an associate since the date the Group had the significant influence. As at June 30, 2015, the Group owned 14.9% equity interest in Axiom, which was accounted for as an available-for-sale financial asset of the Group, further details of which are set out in Note 17.

The primary business of Axiom is property investment and development. This is in alignment with the Group's business of provision of education facilities rental services.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

16. INTEREST IN AN ASSOCIATE – *continued*

Summarised financial information of Axiom is as follows:

	2016 RMB' 000
As at June 30	
Current assets	<u>17,021</u>
Non-current assets	<u>320,689</u>
Current liabilities	<u>(4,528)</u>
Non-current liabilities	<u>(226,887)</u>
	2016 RMB' 000
Period ended June 30	
Revenue	<u>10,511</u>
Profit for the period	<u>4,623</u>
Other comprehensive income	<u>6,984</u>
Total comprehensive income	<u>11,607</u>
Dividend received from an associate	<u>—</u>
	2016 RMB' 000
<i>Reconciled to the Group's interest in an associate</i>	
Gross amounts of net assets of the associate	106,295
Group's effective interest	19.9%
Groups share of net assets of the associate	21,153
Goodwill	<u>2,652</u>
	<u>23,805</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

During the prior year, the Group acquired 14.9% equity interest in Axiom, a company whose shares are listed on the Australian Stock Exchange at a cash consideration of approximately RMB17,616,000.

During the current year, the Group acquired additional 5% equity interest in Axiom at a cash consideration of approximately RMB5,766,000. The aggregate 19.9% equity interest in Axiom held by the Group has been accounted for as associate of the Group, details of which are set out in Note 16. Upon the de-recognition of the Group's equity interest in Axiom as available-for sale financial asset, the related accumulated fair value changes in available-for-sale financial asset reserve of RMB1,887,000 was charged to the profit or loss.

During the current year, the Group acquired 12.77% equity interest in 4 Vallees Pte. Ltd. ("4 Vallees"), a private company incorporated in Singapore with limited liability and the then wholly-owned subsidiary of REC, at cash consideration of approximately RMB16,741,000, by subscription of ordinary shares of 4 Vallees.

During the year ended June 30, 2016, the increase in fair value of the Group's available-for-sale financial asset of RMB911,000 (2015: RMB1,000) was recognised in other comprehensive income as at June 30, 2016.

18. PREPAYMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Included in the balances is an amount of RMB64,000,000 paid for purchases of investment properties from (i) the wife of Mr. Chew Hua Seng, a director of the Company, who is also a director of REC; and (ii) an entity controlled by the wife of Mr. Chew Hua Seng.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 RMB' 000	2015 RMB' 000
Trade receivables	2,036	719
Other receivables (Note)	27,007	21,026
Prepayments	9,800	—
	<u>38,843</u>	<u>21,745</u>

Note: As at June 30, 2015 and 2016, other receivables mainly comprised government subsidy receivables amounting to RMB21,015,000 (2015: RMB21,015,000). The government subsidy receivables represented a special fund to subsidise the Group from its restructuring and preparation for the listing, which are of the same amount included in current tax liabilities of the Group at the end of reporting period.

The carrying amounts of the Group's trade and other receivables and prepayments approximate their fair values.

The majority of the Group's revenue is received in advance. Revenue from education facilities leasing and commercial leasing for supporting facilities is settled by installments in accordance with the payment schedules specified in the agreements. The aging analysis of the trade receivables by revenue recognition date is as follows:

	2016 RMB' 000	2015 RMB' 000
Within 3 months	63	262
3 to 6 months	200	183
6 to 12 months	1,373	240
Over 1 year	400	34
	<u>2,036</u>	<u>719</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – *continued*

As of June 30, 2016, trade receivables of RMB2,036,000 (2015: RMB619,000) were past due but not impaired. These relate to independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	2016 RMB' 000	2015 RMB' 000
1 to 3 months past due	63	162
More than 3 months but less than 12 months past due	1,573	423
More than 12 months past due	400	34
	<u>2,036</u>	<u>619</u>

As at June 30, 2015 and 2016, there were no trade and other receivables impaired and no movement in the impairment of trade receivables.

20. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 RMB' 000	2015 RMB' 000
Trade payables	5,799	2,716
Other payables and accruals	13,113	12,140
Amount due to ultimate holding company (Note)	—	33
	<u>18,912</u>	<u>14,889</u>

Note: The amount due was unsecured, interest-free and had no fixed terms of repayment.

Trade payables are generated by the daily maintenance costs for the education facilities. The aging analysis of the trade payables based on invoice date is follows:

	2016 RMB' 000	2015 RMB' 000
Within 3 months	1,380	1,078
3 to 6 months	1,375	1,071
6 to 12 months	2,552	115
Over 1 year	492	452
	<u>5,799</u>	<u>2,716</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

21. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Revaluation of investment properties RMB' 000
At July 1, 2014	20,404
Charged to profit or loss (Note 12)	<u>15,367</u>
At June 30, 2015 and July 1, 2015	35,771
Charged to profit or loss (Note 12)	<u>15,092</u>
At June 30, 2016	<u>50,863</u>

Deferred income tax liabilities of RMB66,032,000 (2015: RMB59,272,000) have not been recognised for the withholding income tax that would be payable on the unremitted earnings of the PRC Subsidiary as at June 30, 2015 and 2016. As the Group currently does not have any plan to declare or distribute dividends, the unremitted earnings totally amounted to RMB660,322,000 (2015: RMB592,722,000) as at June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

22. SHARE CAPITAL

Issued and fully paid

	Number of ordinary shares Shares	Share capital HK\$	Share capital RMB
At July 1, 2014	200,000	414,872,500	331,898,000
Bonus issue (Note (b))	134,800,000	—	—
Issue of new shares under placing (Note (c))	45,000,000	101,448,000	80,038,000
At June 30, 2015, July 1, 2015 and June 30, 2016	<u>180,000,000</u>	<u>516,320,500</u>	<u>411,936,000</u>

Notes:

- (a) No movement was noted for the share capital during the years ended June 30, 2015 and 2016.
- (b) Pursuant to the resolution of the shareholders of the Company dated December 17, 2014, a bonus issue of 134,800,000 shares of the Company was completed during the prior year. The bonus issue was carried out without payment and as fully paid.
- (c) During the year ended June 30, 2015, the Company issued 45,000,000 shares at a price of HK\$2.64 per share by way of placing. Net proceeds from such issue amounted to approximately RMB80,038,000 (after offsetting share issuance expenses).

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

23. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Available- for-sale financial asset reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000
Balance at July 1, 2014	—	(13,914)	(13,914)
Loss for the year	—	(5,636)	(5,636)
Other comprehensive income	1	—	1
	<hr/>	<hr/>	<hr/>
Balance at June 30, 2015 and July 1, 2015	1	(19,550)	(19,549)
Loss for the year	—	(4,252)	(4,252)
Fair value losses on available-for-sale financial assets, net	(977)	—	(977)
Reclassification adjustment on de-recognition of an available-for-sale financial asset	1,887	—	1,887
Dividends paid	—	(17,843)	(17,843)
	<hr/>	<hr/>	<hr/>
	911	(41,645)	(40,734)
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

23. RESERVES – *continued*

The following describes the nature and purpose of reserves within owners' equity:

Reserve	Description and purpose
Other reserves	On consolidation, the reserves mainly arose from group reorganisation in prior years
Available-for-sale financial asset reserve	Gains or losses arising on recognising financial assets classified as available-for-sale at fair value.
Exchange reserve	Gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

24. DIVIDENDS

	2016 RMB' 000	2015 RMB' 000
Proposed 2016 final dividend – HK4.0 cents (equivalent to approximately RMB3.4 cents) per share	6,166	—
Proposed 2015 final dividend – HK8.0 cents (equivalent to approximately RMB6.3 cents) per share	—	11,347
Declared interim dividend – HK4.0 cents (equivalent to approximately RMB3.3 cents) per share	6,027	—

The proposed final dividend was subjected to the approval of the Company's shareholders at the forthcoming annual general meeting.

25. LEASES

Operating leases – lessor

The Group's investment properties are leased to tenants under operating leases. The lease term is normally 1 year. The minimum rent receivables under non-cancellable operating leases are as follows:

	2016 RMB' 000	2015 RMB' 000
Not later than one year	48,658	24,812
Later than one year but not later than five years	1,239	2,086
	<u>49,897</u>	<u>26,898</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

26. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB' 000	2015 RMB' 000
Non-current assets			
Investments in subsidiaries	27	331,890	331,890
Investment in an associate		21,495	—
Available-for-sale financial asset	17	17,652	17,617
		<u>371,037</u>	<u>349,507</u>
Current assets			
Amount due from a subsidiary		64,800	—
Cash and cash equivalents		1,599	46,501
		<u>66,399</u>	<u>46,501</u>
Current liabilities			
Other payables and accruals		1,575	3,621
Amount due to a subsidiary		64,659	—
		<u>66,234</u>	<u>3,621</u>
Net current assets		<u>165</u>	<u>42,880</u>
NET ASSETS		<u>371,202</u>	<u>392,387</u>
Capital and reserves			
Share capital	22	411,936	411,936
Reserves	23	(40,734)	(19,549)
TOTAL EQUITY		<u>371,202</u>	<u>392,387</u>

On behalf of directors

Chew Hua Seng
Chairman and Executive Director

Liu Ying Chun
Chief Executive Officer and Executive Director

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

27. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the subsidiary which principally affected the results, assets or liabilities of the Group for the year ended June 30, 2016.

Name	Form of business structure	Place of establishment/operation and principal activity	Description of paid-up registered capital (RMB)	Percentage of ownership interest, voting rights and profit share
Langfang Development Zone Oriental University City Education Consultancy Co., Ltd. # 廊坊開發區東方大學 城教育諮詢有限公司	Corporation	Provision of education facilities rental services in the PRC	263,500,000	99%

The English name of the subsidiary represented the best effort by management of the Company in translating its Chinese name as it does not have official English name.

28. RELATED PARTY TRANSACTIONS

The Group is controlled by REC and Mr. Chew Hua Seng, the founding shareholder of REC, is the ultimate beneficial owner of the Group.

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions:

	2016 RMB' 000	2015 RMB' 000
Service charge paid to:		
A fellow subsidiary	—	9
Rental expenses paid to:		
Fellow subsidiaries	—	11
Rental income received from:		
A fellow subsidiary	80	—

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

28. RELATED PARTY TRANSACTIONS – *continued*

(a) Transactions with related parties – *continued*

The transactions were carried out in the normal course of the business activities of the Group and were conducted at terms mutually agreed by the respective parties.

(b) Compensation of key management personnel

The emoluments of the key management personnel during the year comprised only the directors whose remuneration is set out in Note 10. Mr. Chew Hua Seng, a director of the Company, is also a director of REC, whose emoluments for the years ended June 30, 2015 and 2016 were borne by REC.

29. CAPITAL COMMITMENTS

Capital expenditure contracted but not accounted for, in respect of construction of investment properties, is as follows:

	2016 RMB' 000	2015 RMB' 000
Investment properties	—	25,000

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following shows the carrying amount and fair value of financial assets and liabilities:

	Group	
	2016 RMB' 000	2015 RMB' 000
Financial assets		
Available-for-sale financial asset, at fair value	17,652	17,617
Loans and receivables, at amortised cost		
– Trade and other receivables	29,043	21,745
– Cash and cash equivalents	4,866	101,663
Financial liabilities		
Financial liabilities, at amortised cost		
– Trade and other payables	14,640	11,756

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

31. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) *Credit risk*

Credit risk is the potential financial loss resulting from the tenants defaulting to pay rental fees when due, resulting in a loss to the Group. During the year ended June 30, 2016, the Group provided education facilities leasing and commercial leasing for supporting facilities to five largest customers (2015: five) which accounts to 94.5% (2015: 93.8%) of the Group's total revenue. As at June 30, 2015 and 2016, there were 35% (2015: Nil) of trade receivables due from these five customers.

For the consideration of collectability, management has not made any provision for trade receivables as of June 30, 2015 and 2016. The Group believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts.

Cash and fixed deposits are placed with licensing banks which are all high-credit-quality financial institutions. Management expects the counterparty would be able to meet its obligations.

The maximum exposure to credit risk is mainly represented by the carrying amount of cash and cash equivalents and trade and other receivables.

(ii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Management believes that liquidity risk has been mitigated during the year ended June 30, 2016.

To manage the liquidity risk, management monitors rolling forecasts of cash and cash equivalents on the basis of expected cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and equity funding.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

31. FINANCIAL RISK MANAGEMENT – *continued*

(a) Financial risk factors – *continued*

(ii) Liquidity risk – *continued*

The following table details the remaining contractual maturities of the Group's non-derivative financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates of, if floating, based on rates current at the year-end dates) and the earliest date the Group can be required to pay:

	Within one year RMB' 000
As at June 30, 2016	
Trade and other payables	<u>14,640</u>
As at June 30, 2015	
Trade and other payables	<u>11,756</u>

The directors have carried out a detailed review of the cash flow forecast of the Group, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from the end of the reporting period. Accordingly the directors of the Company are of the opinion that the Group is able to continue as a going concern, and the Group's consolidated financial statements have been prepared on a going concern basis.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce any unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As of June 30, 2015 and 2016, the Group did not have outstanding borrowings. The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves amounted to RMB962,801,000 (2015: RMB925,431,000).

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

31. FINANCIAL RISK MANAGEMENT – *continued*

(c) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Information about Level 3 fair value measurement

The fair value of the Group's unlisted equity investment in 4 Vallees is determined with reference to the net assets value of 4 Vallees adjusted for lack of control discount. The fair value measurement is negatively correlated to the discount for lack of control. As at June 30, 2016, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of control by 1% would have increased/decreased the Group's other comprehensive income by RMB220,000.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group and Company			Total
	Level 1	Level 2	Level 3	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Available-for-sale financial asset				
– Unlisted equity investment	—	—	17,652	17,652

	Group and Company			Total
	Level 1	Level 2	Level 3	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Available-for-sale financial asset				
– Listed equity investment	17,617	—	—	17,617

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

31. FINANCIAL RISK MANAGEMENT – *continued*

(c) Fair value estimation – *continued*

Information about Level 3 fair value measurement – continued

There was no transfer between levels during the current and prior years.

The movements during the year in the balance of the Level 3 fair value measurements are as follows:

Unlisted equity investment	Available-for-sale financial asset	
	2016 RMB' 000	2015 RMB' 000
At beginning of year	—	—
Purchase	16,741	—
Total gain or loss:		
– in other comprehensive income (included in changes in fair value of available-for-sale financial asset)	911	—
At end of year	<u>17,652</u>	<u>—</u>

32. MAJOR NON-CASH TRANSACTION

During the year ended June 30, 2015, prepayment of RMB7,258,000 as at June 30, 2014 was capitalised in share capital upon the completion of issuance of new shares under placing.

INVESTMENT PROPERTIES

At June 30, 2016

Name and Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
Various land and buildings at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the People's Republic of China	Medium term	Teaching buildings	121,256	99%
		Student and staff dormitories	144,490	
		Retail	42,505	
		Ancillary facilities	3,119	
			<u>311,370</u>	
		Land	<u>487,268</u>	

FINANCIAL SUMMARY

The financial information relating to the year ended June 30, 2016 included in this financial summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the "Companies Ordinance") is as follows:

	For the year ended			
	2013 RMB' 000	2014 RMB' 000	2015 RMB' 000	2016 RMB' 000
RESULTS				
Revenue	<u>68,550</u>	<u>59,643</u>	<u>61,588</u>	<u>68,619</u>
Operating profit	109,382	42,723	58,217	71,045
Interest income	4,033	1,235	210	737
Finance costs	<u>(4,008)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before income tax	109,407	43,958	58,427	71,782
Income tax credits/(expenses)	<u>5,304</u>	<u>(3,133)</u>	<u>(15,777)</u>	<u>(18,301)</u>
Profit for the year	<u>114,711</u>	<u>40,825</u>	<u>42,650</u>	<u>53,481</u>
Attributable to:				
Owners of the Company	113,484	40,405	42,128	52,913
Non-controlling interests	<u>1,227</u>	<u>420</u>	<u>522</u>	<u>568</u>

FINANCIAL SUMMARY

	As at June 30			
	2013 RMB' 000	2014 RMB' 000	2015 RMB' 000	2016 RMB' 000
ASSETS AND LIABILITIES				
Non-current assets	761,899	816,979	884,082	1,019,345
Current assets	83,123	95,413	123,408	43,709
Current liabilities	<u>(57,033)</u>	<u>(82,198)</u>	<u>(39,240)</u>	<u>(41,774)</u>
Total assets less current liabilities	787,989	830,194	968,250	1,021,280
Non-current liabilities	<u>(19,024)</u>	<u>(20,404)</u>	<u>(35,771)</u>	<u>(50,863)</u>
Net assets	<u>768,965</u>	<u>809,790</u>	<u>932,479</u>	<u>970,417</u>
CAPITAL AND RESERVES				
Share capital	8	331,898	411,936	411,936
Reserves	<u>762,851</u>	<u>471,366</u>	<u>513,495</u>	<u>550,865</u>
Equity attributable to owners of the Company	762,859	803,264	925,431	962,801
Non-controlling interests	<u>6,106</u>	<u>6,526</u>	<u>7,048</u>	<u>7,616</u>
Total equity	<u>768,965</u>	<u>809,790</u>	<u>932,479</u>	<u>970,417</u>

The Company will deliver the financial statements for the year ended June 30, 2016 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's respective auditors have reported on those financial statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

ANNUAL REPORT

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