Focusing on the Transformational Future

东方纪元

Oriental Century Limited
Annual Report 2007

Company Vision

Driven by a vision for education and passion for excellence, Oriental Century places primary emphasis on creating an environment of excellence – be it in administration, teaching or learning – in the schools that we manage. Our schools are branded by high-quality teaching staff, comprehensive facilities and dynamic curriculums designed to nurture a future generation of talents who will remain relevant to the changing landscape of society.

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Corporate Profile

Oriental Century Limited ("Oriental Century" or the "Company") and its subsidiary (together the "Group") are principally engaged in the provision of education management services to educational institutions in the People's Republic of China ("PRC"). The Group serves both Basic Educational institutions which comprise primary and junior high schools, as well as Other Educational institutions including kindergartens, senior high schools and institutions providing ancillary courses such as summer camps, short-term courses and overseas study trips. The Group also invests in the setting up of kindergartens and senior high schools under its well established "Oriental Pearl" brand name.

Currently, the Group manages Oriental Pearl College, a renowned full boarding school in Dongguan city, Guangdong Province, established in 1994. It has also invested in and manages Nanchang No.3-Oriental Pearl High School, one of the leading private high schools in Nanchang city, Jiangxi Province. The Group has just recently completed the construction of a new kindergarten, the Humen Oriental Pearl Kindergarten in Dongguan, which commences enrolment in March 2008.

Oriental Century constantly stands at the forefront of the PRC education industry. Through their years of extensive experience, our management firmly believes that quality forms a cornerstone of progress in any educational institution. By adopting a scientific and rigorous approach, we have honed, over the years, a comprehensive set of management philosophies and practices that are encapsulated within our proprietary Modern School Management ("MSM") system.

Drawing upon key concepts adapted from the ISO:9001 international quality standard, the MSM system is a manifestation of modern management style; one that is driven by objectives, processes and results. The MSM system is considered to be a revolutionary concept in the PRC education industry and forms a comprehensive administrative, operational and performance evaluation framework that is crucial to the management of any educational institution.

Being highly replicable, the MSM system serves as the fundamental premise upon which Oriental Century will pursue future growth. The system maintains a degree of flexibility, enabling it to be implemented in educational institutions at different levels across various contexts. This allows us to implement our asset-light business expansion strategy, while consistently delivering the same high quality of educational services across various schools. Besides having received recognition from overseas delegates and external bodies, this system has also shown to deliver results when propagated onto the schools that the Group manages.

Our Operations

ORIENTAL PEARL COLLEGE

Established in 1994, our flagship Oriental Pearl College is a modern boarding school catering to a student population of about 2,800 from the kindergarten to senior high school levels. Located in the dynamic technological and industrial hub of Dongguan city, Guangdong Province, the campus boasts a unique architecture that reflects the multi-cultural character of globalisation, comprehensive teaching and extra-curricular facilities that help develop all-rounded talents, as well as lush landscaping that brings nature close to the students.

Set apart from many other schools in the PRC, Oriental Pearl College aims to instil a cosmopolitan outlook and strong social values in its students. Academically, it has also proven to add significant value to its students' abilities, consistently achieving near-100% passing rates for its graduating students every year. As testament to our mode of management, the school was named a "High-Efficiency School" by the Asia Pacific Economic Committee and "Model School for Project on High Quality Education Research in the 21st Century" by the United Nations Educational, Scientific and Cultural Organisation in 2002, and recognised as one of the top ten private schools in the province by the Guangdong Education Promotion Board. Students of Oriental Pearl College have qualified for enrolment in some of the renowned universities in the PRC, such as Beijing University, Fudan University, Qinghua University, Nanjing University and Zhejiang Univerisity.

NANCHANG NO. 3-ORIENTAL PEARL HIGH SCHOOL

In 2003, Oriental Century entered into a co-operative agreement with Nanchang No. 3 High School of Jiangxi Province to establish the co-branded Nanchang No. 3-Oriental Pearl High School. Under this agreement, Oriental Century undertakes an investment interest in the school, as well as provides education management services based on our MSM system.

Nanchang No. 3-Oriental Pearl High School, which provides senior high school education to about 1,900 students. It was the first school in which we replicated our MSM system out of the Oriental Pearl College. Backed by a fine history, good reputation and standing of Nanchang No. 3 High School, as well as our expertise in providing quality private education services, we incorporated our brand of management into the Nanchang No. 3-Oriental Pearl High School. This synergy has borne evident results; under our management, the school was ranked first in the Nanchang City Private High School Composite Index Survey conducted by the Social Survey Institute of China in 2004.

Our Operations

HUMEN ORIENTAL PEARL KINDERGARTEN

Expanding our school network further, we have completed the construction of a new kindergarten, the Humen Oriental Pearl Kindergarten, located in the thriving town of Humen in Dongguan city, Guangdong Province. It provides pre-school education for children between three to six years of age. Oriental Century undertakes an investment interest in the kindergarten, as well as provides education management services based on our MSM system.

Aimed at children of parents who are discerning about the quality of education, the curriculum has been designed with the intent of cultivating good learning habits in young children, thereby facilitating their learning process and preparing them for the subsequent progress to primary education. Humen Oriental Pearl Kindergarten has a capacity for about 1,000 students. Its facilities will include special learning rooms for music, dance, arts and science, as well as outdoor facilities such as children pools and playgrounds.

ANCILLARY COURSES

Apart from the management of educational institutions, we also design, organise and administer ancillary educational courses. These include international student programmes, short-term overseas courses, Chinese culture and language programmes, Mathematics Olympics classes, and HSK Chinese Language Proficiency Test, among others.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report for Oriental Century Limited and its subsidiaries ("Oriental Century" or the "Group") for the financial year ended 31 December 2007 ("FY2007").

Since our successful listing on the SGX-ST Dealing and Automated Quotation System ("SGX-SESDAQ") on 1 June 2006, we have focused on the development and expansion of our core business. Such efforts have continued to pay off in FY2007, as we achieved another year of positive top- and bottom-line growth, while making significant progress in developing new educational platforms and business areas. Our performance is a strong testament towards our commitment in building a solid foundation for the Group's future growth.

FINANCIAL PERFORMANCE OVERVIEW

As a sign of our growing brand recognition, the schools under our management continue to register steady increase in student headcount. As at 31 December 2007, the Group has enrolment of 4,799 students compared to 4,466 a year ago.

With higher student intake, the Group's revenue rose 8.9% to RMB 73.9 million from RMB 67.9 million a year ago. The Group's profit before tax rose 11.1% to RMB 43.0 million from RMB 38.7 million in FY2006 due to higher school fees and management fees received, as well as lower administrative and finance expenses. Net profit attributable to shareholders rose 13.5% to RMB 38.5 million from RMB 33.9 million in FY2006.

The Group remained in a strong financial position with cash balance of RMB 190.4 million as at 31 December 2007, compared to RMB 149.6 million as at 31 December 2006. The Group has no borrowings as at 31 December 2007.

REWARDING SHAREHOLDERS

In view of the Group's continued strong performance, the Directors have proposed a final one-tier tax-exempt dividend of 0.5 Singapore cents per ordinary share, representing approximately 11% of full-year earnings.

OUTLOOK

We maintain an upbeat view on the outlook for the education industry, primarily due to increasing government focus on improving education standards in the country.

The PRC government has recently introduced a number of key macro-economic regulatory measures to suppress economic problems such as inflation, excessive money and credit supply, and serious trade imbalances while sustaining economic growth. However, these measures are not expected to have any adverse effect on industries high on the government's development agenda such as the education industry.

In March 2007, China Premier Wen Jiabao stated in his "Report on the Work of the Government 2007" that it is one of the government's top priorities to improve education standard and quality in the country. The central government will increase investments in the education sector to RMB 156.2 billion from RMB 107.6 billion a year ago, and also request for additional investments from the local institutions. The continuing growth of the PRC education industry presents new opportunities for the Group's development.

Chairman's Statement

The Group is in a prime position to take advantage of such favorable market conditions, having built up strong credentials in the management of its two educational institutions - Oriental Pearl College and Nanchang No. 3-Oriental Pearl High School. Under our management, students from these two institutions graduated with well-rounded capabilities and have continually met the requirements for enrolment into local and foreign universities.

In FY2007, we have continued to enhance our educational facilities to enlarge our capacity and provide a more conducive studying environment for our students. We have since expanded our hostel capacity, classroom size, as well as other learning facilities, which will enable us to cope with expected higher student intake in the next two years.

We have also completed construction of the Humen Oriental Pearl Kindergarten, which has commenced enrolment and soft-opened in March 2008. Located in Humen, Dongguan city, Guangdong province, the school has a capacity of 1,000 students and is currently the largest architectural and iconic kindergarten in the region. Apart from its financial contribution, the school will also be an important showcase of our capabilities to cater to all spectrums of the PRC educational system, enabling us to gain further ground in the pre-school education sector.

With our strong branding, proven proprietary Modern School Management ("MSM") system, and a healthy cash position, we believe that we are in a very strong position to further grow our core business – delivering quality education from pre-school to senior-high school level – as well as value-added ancillary services. At the same time, the Group continues to be on an active lookout for merger & acquisition opportunities that will bring synergistic benefits to our existing operations.

While we do not expect the macro-economic adjustment policies adopted by the PRC central government to directly impact the development of the education industry, it has still indirectly brought about real and continuing pressure on the Group's operating expenses in terms of higher staff costs. To counter such rising costs, we will continue to improve our operating efficiency and monitor our capital expenditure to maintain our margins and achieve a high level of profitability.

In view of the sustained growth of our existing businesses and with the successful implementation of our various strategies, factoring in potential underlying market uncertainties, we remain confident of the Group's ability to maintain a high level of profitability in FY2008.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to express my heartfelt appreciation to all our strategic investors, business partners, directors, management and staff, and of course, our loyal shareholders for their trust and confidence in the company. With your continued support, we will continue to strive for greater success in the future.

Mr Wang Yuean
Executive Chairman

Business Review

In FY2007, we continued to benefit from rising student enrolment in the two schools we managed and/or owned. Total average number of students enrolled with the Group in FY2007 rose 8.2% to 4,593 compared with 4,244 in FY2006.

As a result, the Group's revenue increased by 8.9% to RMB 73.9 million from RMB 67.9 million for FY2006.

The Group's gross profit margin dipped slightly to 68.0% from 69.9% in FY2006 due mainly to inflationary increase in costs of operations.

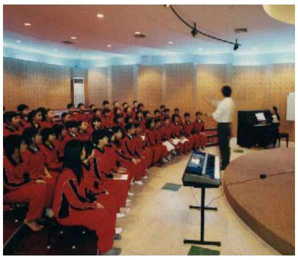
Other operating income of RMB 4.8 million consisted of interest income of RMB 2.0 million and reversal of provision of RMB 2.8 million relating to FY2006's business tax which was granted exemption in FY2007. In comparison FY2006's other operating income of RMB 5.9 million comprised of interest income of RMB 1.2 million, reversal of doubtful debts of RMB 0.3 million and reversal of business tax provision of RMB 4.4 million which were relating to business taxes for FY2004 and FY2005.

Administrative expenses decreased by 13.9% or RMB 1.9 million due mainly to cessation of certain professional and consultancy services amounting to RMB 1.8 million and reduction of of RMB 0.1 million in general expenses.

The Group did not incur any finance cost in FY2007 as compared to the RMB 0.5 million interest expense incurred in FY2006 in respect of the Company's convertible loan notes which had been converted in March 2006.

Profit before tax rose 11.1% or RMB 4.3 million to RMB 43.0 million in FY2007 from RMB 38.7 million in FY2006. Tax expenses remained at RMB 4.4 million. Net profit attributable to shareholders rose by 13.5% to RMB 38.5 million from RMB 33.9 million in FY2006.

Business Review



BALANCE SHEET

The Group's total assets increased by RMB 41.7 million to RMB 235.6 million as at 31 December 2007 from RMB 193.9 million as at 31 December 2006.

Current assets increased by RMB 37.2 million to RMB 199.2 million due to :

a) increase of RMB 40.7 million in cash and cash equivalents mainly generated from operations; partially offset by
b) decrease of RMB 0.7 million in amount due from related parties relating to outstanding management fees due from Oriental Pearl College; and
c) reduction in receivables and prepayments of RMB 2.8 million due mainly to reclassification of advances for renovation contract of RMB 2.5 million to plant and equipment (construction-in-progress) and decrease in trade receivables and prepayments of RMB 0.3 million.

Non-current assets increased by RMB 4.5 million to RMB 36.5 million due mainly to additions of plant and equipment including construction-in-progress of RMB 7.6 million relating to the new Humen Oriental Pearl Kindergarten, partially offseted by depreciation of plant and equipment of RMB 1.3 million, amortisation of lease prepayments of RMB1.7 million and reduction in deferred tax assets of RMB 0.1 million.

Current liabilities increased by RMB 3.2 million to RMB 23.5 million due mainly to increase of RMB 1.9 million in receipts in advance, increase in accruals and other payables of RMB 0.4 million and increase in current tax payable of RMB 0.9 million.

CASH POSITION

The Group remained in a strong financial position with cash and cash equivalents increasing to RMB 190.4 million as at 31 December 2007 from RMB 149.6 million as at 31 December 2006 mainly due to cashflows generated from operating activities of RMB 43.9 million, partially offset by cash outflows from investing activities amounting to RMB 3.1 million. The Group has no gearing or borrowings as at the end of the year under review.

BUSINESS SEGMENTS

During the financial year, the Group has changed its segment presentation from provision of basic education and other educational services to managed school and owned schools to provide a more informative illustration of the Group's operations. Managed school constitutes Oriental Pearl College, a school not owned by the Group but where the Group manages and earns management fees. Owned schools constitute Nanchang No.3 Oriental Pearl High School and the new Humen Oriental Pearl Kindergarten which are owned and operated by the Group itself.

MANAGED SCHOOL - Management fee revenue earned from management of third party school Oriental Pearl College rose RMB 2.2 million (5.1%) to RMB 46.2million from RMB 44.0million in FY2006, reflecting higher student intake from Oriental Pearl College which had average of 2,808 students for FY2007 compared to 2,661 students for FY2006. Revenue from managed school contributed 62.6 % of the Group's total revenue in FY2007.

OWNED SCHOOLS - School fee revenue from owned school Nanchang No.3-Oriental Pearl High School rose RMB 3.8million (15.9 %) from RMB 23.9million in FY2006 to RMB 27.7million in FY2007 as average student headcount increased from 1,583 in FY2006 to 1,785 in FY2007. School fee revenue from owned school contributed 37.4 % of the Group's total revenue in FY2007. The new Humen Oriental Pearl Kindergarten has not commenced operation in FY2007 and therefore did not contribute to the Group's total revenue.

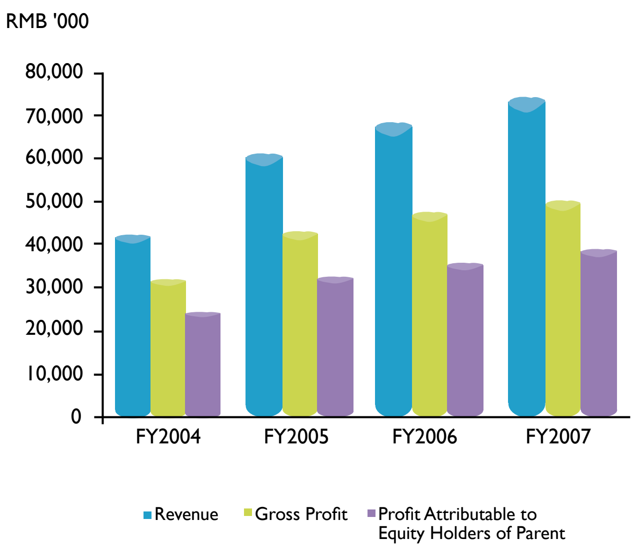
Financial Highlights

RMB '000 (FY ended 31 Dec)	FY2004	FY2005	FY2006	FY2007
Profitability				
Revenue	42,066	60,514	67,860	73,907
Gross Profit	31,611	42,901	47,442	50,268
Profit Before Tax	23,916	33,494	38,711	43,027
Profit Attributable to Equity Holders of Parent	23,881	32,529	33,925	38,490
Earnings Per Share (RMB cents)*	19.18	24.99	22.58	23.16
Balance Sheet				
Total Assets	82,023	115,245	193,908	235,630
Total Liabilities	55,336	55,654	20,256	23,448
Equity Attributable to Equity Holders of the Parent	26,267	58,796	172,569	211,059
Net Assets Value Per Share (RMB cents)**	NM	NM	103.85	127.01
Cash Flow				
Net Cash from Operations	11,185	49,954	34,912	43,891
Cash Flow from Investing Activities	(16,738)	(632)	510	(3,139)
Cash Flow from Financing Activities	(1,431)	(3,150)	49,397	0
Cash & Equivalents at End of Year	18,631	64,803	149,622	190,374

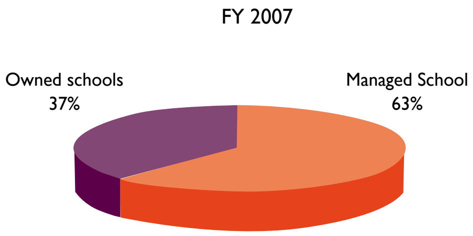
* Based on weighted average of 166,177,000 shares for FY2007, 152,310,333 shares for FY2006 and 132,897,000 shares for FY2005 and FY2004 after adjusting for conversion of the Company's convertible loan notes.

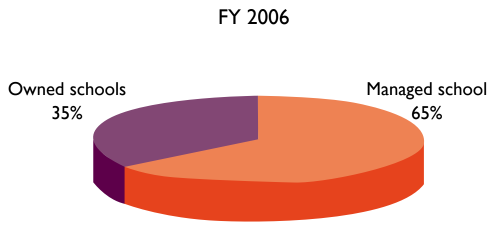
** NAV per share as at 31 December 2005 and 31 December 2004 is not meaningful as issued share capital comprised only 20,000 shares.

STRONG INCOME GROWTH



REVENUE BREAKDOWN BY BUSINESS SEGMENTS





Corporate Information

Board of Directors

Mr Wang Yuean	Executive Chairman and Chief Executive Officer
Mr Leow Poh Chin	Non-Executive Director
Mr Lai Seng Kwoon	Independent Director
Prof. Tan Teck Meng	Independent Director

Joint Company Secretaries

Chan Kheng Yong Hock, Certified Public Accountant
Lotus Isabella Lim Mei Hua

Principal Bankers

1) Industrial and Commercial Bank of China, Beijing City Asian Games Village Sub-Branch
407 Hui Zhong Bei Li, Chaoyang District
Beijing, People's Republic of China

2) Guangdong Development Bank
Beijing Zhongguancun Sub-Branch
No.45 Zhongguancun Street , Haidian District
Beijing, People's Republic of China

Auditors

KPMG
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Mr Tan Huay Lim
(Appointed since 2003)

Share Registrar

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

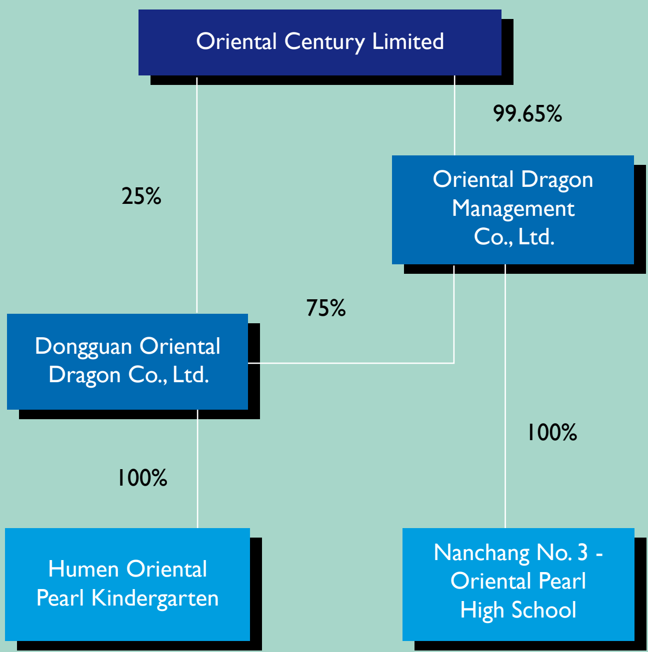
Registered Office

8 Cross Street
#11-00 PWC Building
Singapore 048424

Head Office

Room 303A, Wanghe Building
35 Er Li Zhuang
Hai Dian District
Beijing, People's Republic of China

Corporate Structure



Board of Directors

Mr Wang Yuean is one of the founders of our Group, and was appointed as the Executive Chairman and Chief Executive Officer of our Company on 24 April 2003. He also holds a concurrent position as a director of Oriental Dragon since 2003 and further oversees our International Business Development Department. Prior to this, he was Deputy General Manager of Shenzhen Bao Li De Fashion Tie Co., Ltd from 1992 to 1994, and Deputy Chief Executive Officer of Shenzhen City Wei Guo Investment Development Co., Ltd from 1994 to 1998. He was also a prosecutor with the Navy Prosecution Office of the Central Armed Forces Committee from 1983 to 1988.

Mr Wang graduated from the China University of Political Science and Law majoring in Law in 1987.

Mr Leow Poh Chin was appointed first appointed as a Director of our Company on 2 October 2003 and was subsequently re-appointed on 18 May 2005. He is currently a Non-Executive Director of the Company. He has more than a decade of experience in the private equity, venture capital investments and fund management sectors with cross-disciplinary training in engineering, design, and project management.

Mr Leow has MBAs in Investment & Finance and in General Business Administration from University of Hull, United Kingdom, and a Masters of Engineering in Marine Technology from University of Newcastle Upon Tyne, United Kingdom. He is a member of numerous professional bodies such as the Professional Engineers Board of Singapore, Chartered Engineer of UK Engineering Council and European Engineer of FEANI, Europe.

Mr Lai Seng Kwoon was appointed as an Independent Director of our Company on 29 March 2006. He is a certified public accountant practising under the name and style of SK Lai & Co. He has more than 27 years of extensive and varied experience in accounting, tax, corporate and financial matters and had previously worked with KPMG in Singapore and in the United States of America before he set up his own practice in 1994.

Mr Lai is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Certified Public Accountants of Singapore (ICPAS). He is currently a member of the Audit Committee of the Singapore Sports Council and the Finance Committee of the Singapore Scouts Association. He also serves as an Independent Director on a number of other companies listed on SGX.

Board of Directors

Professor Tan Teck Meng was appointed as an Independent Director of our Company on 5 April 2007. He is currently Professor of Accounting in the School of Accountancy at Singapore Management University. He chairs the Singapore National Council for Pacific Economic Cooperation (SINCPEC), K K Women's & Children Hospital's Medifund Committee and the Advisory Committee of Meridian Junior College. In October 2007, he was appointed as a Council Member of the Accounting Standard Council. Professor Tan is currently a board member of Hyflux Ltd; k1 Ventures Ltd; Kim Eng Holdings Limited; Raffles Education Corporation; Singapore Reinsurance Corporation Limited and Singapore Shipping Corporation Ltd.

Professor Tan has a Bachelor of Accountancy (BAcc) Degree from the University of Singapore and a Masters of Commerce (MCom) (Honours) from the University of New South Wales in Australia. In 1997, he became the first Singaporean to garner the (US-based) Wilford L. White Award. He holds Fellowships in the Institute of Certified Public Accountants of Singapore (ICPAS), Australian Society of CPAs (FCPA), and the Institute of Chartered Secretaries and Administrators (FCIS).

Financial Contents

Corporate Governance Statement

The Board of Directors of Oriental Century Limited (the "Company") is committed to high standards of corporate governance and adopting the corporate governance practices contained in the new Code of Corporate Governance 2005 (the "Code") so as to ensure greater transparency and protection of shareholders' interests. The Board recognizes the need to keep balance with accountability, in creating and preserving shareholder value and achieving its corporate vision for the Group of companies.

This report sets out the Company's corporate governance processes for the financial year ended 31 December 2007 with specific reference to the Code.

1. BOARD MATTERS

1.1 The Board's Conduct of its Affairs

The Board has the responsibility for the overall management of the Company. It establishes the corporate strategies of the Company, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Company.

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall business strategy for the Company and its subsidiaries (the "Group"); reviews and approve annual budgets, financial plans and monitor the Group's performance; approves major acquisitions and disposal of asset; approves the annual reports and accounts, the release of financial results announcements; and ensure the Group's compliance with all the laws and regulations that are relevant to the business.

The Board carries out these functions directly or through various committees which would make recommendations to the Board. These committees constituted by the Board are the Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit Committee ("AC"). Each Committee has its own defined terms of reference and operating procedures.

The Company was listed on the Stock Exchange of Singapore on 1 June 2006. There were four Board meetings, including tele-conferences, in the financial year under review. The attendance of the Directors at meetings of the Board and Board Committee were as follows:-

	Board	Audit Committee	Nomination Committee	Remuneration Committee
	No. of Meetings Held : 4	No. of Meetings Held : 2	No. of Meetings Held : 1	No. of Meetings Held : 2
	Attendance	Attendance	Attendance	Attendance
Mr Wang Yuean	4	2	1	2
Mr Leow Poh Chin	4	2	1	2
Mr Zhu Xiaolin **	1	1	1	1
Mr Bi Hao**	1	1	1	1
Mr Lai Seng Kwoon	4	2	1	2
Mr Hee Theng Fong**	-	1	-	1
Mr Ho Yew Mun ***	1	1	1	1
Prof. Tan Teck Meng ****	3	1	-	1

* Number of Meetings held/attended during the financial year from 1 January 2007 to 31 December 2007 or during the period the person was a director.

** Resigned on 26 April 2007.

*** Mr Ho Yew Mun did not seek for re-election as director at the Annual General Meeting held on 26 April 2007.

**** Prof. Tan Teck Meng was appointed as Director on 5 April 2007.

Corporate Governance Statement

1. BOARD MATTERS (cont'd)

1.2 Board Composition

The Board of Directors comprises 4 directors, 2 of whom are independent directors. The members of the Board as at the date of this statement are:-

(i)	Mr Wang Yuean	-	Executive Chairman and Chief Executive Officer
(ii)	Mr Leow Poh Chin	-	Non-Executive Director
(iii)	Mr Lai Seng Kwoon	-	Lead Independent Director
(iv)	Prof. Tan Teck Meng	-	Independent Director

The Board examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations.

Key information regarding the Directors is given in "Board of Directors" on pages 10 and 11.

1.3 Independent Directors

The Board of Directors has two directors who are independent members. The Board reviews the independence of each Director on a yearly basis. The criteria for independence are determined based on the definition as provided in the Code.

The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent judgement of the Company's affairs.

1.4 Chairman and CEO

The role of Chairman and Chief Executive Officer ("CEO") of the Company are both held by Mr Wang Yuean, who is the second largest single shareholder of the Company, holding approximately 25.4% of the issued shares of the Company as at the date of this statement.

The Board believes that at present the scope of business and structure of the organisation does not warrant the additional costs which would be incurred in appointing different persons for the post of Chairman of the Board and CEO. The Board believes that Mr Wang's position as Chairman and CEO will not compromise the interests of minority shareholders since he is a major shareholder of the Company himself and will endeavour to preserve and enhance shareholder's value.

The Board also believes that as major decisions made by the Executive Chairman and the CEO are being reviewed by other independent committees such as the Audit Committee, Nominating Committee and Remuneration Committee, chaired by the Independent Directors or Non-executive Director of the Company, there are adequate safeguards against an uneven concentration of power and authority in a single individual.

The Executive Chairman is responsible for the day-to-day running of the Company as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the management. He also ensures that board meetings are held when necessary and ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Company.

Corporate Governance Statement

1. BOARD MATTERS (cont'd)

1.5 Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee, Nominating Committee and Remuneration Committee. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee will be constantly reviewed by the Board.

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise.

1.6 Matters Requiring Board Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. Interested Persons Transactions and the Company's internal control procedures are also reviewed by the Board. Major investments and funding decisions are approved by the Board.

The Board also meets to consider the following corporate matters:-

- Approval of the Periodic Results Announcements, Annual Reports and Accounts;
- Convening of Shareholder's Meetings;
- Approval of Corporate Strategies; and
- Material Acquisitions and Disposal of Assets.

1.7 Access to Information

The Board has separate and independent access to senior management and the Company Secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with quarterly reports of the Company's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

The Company Secretary attends all board meetings. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are complied with.

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional adviser to render professional advice.

Corporate Governance Statement

2. BOARD COMMITTEES

2.1 Nominating Committee

The Nominating Committee ("NC"), established on 30 March 2006 and reconstituted on 25 May 2007 comprises three members, two of whom are independent. The members of the NC are:

- Mr Leow Poh Chin
  Chairman and Non-Executive Director

- Mr Lai Seng Kwoon
  Lead Independent Director

- Prof. Tan Teck Meng
  Independent Director

The NC's principal functions are as follows:

(a) recommend to the Board on all board appointments and re-appointments;
(b) determine independence of the Directors annually;
(c) determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company; and
(d) evaluate the performance and effectiveness of the Board as a whole.

The Articles of Association of the Company require that one-third of the Board retire from office at each Annual General Meeting ("AGM"). Accordingly, the Directors submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years.

As the Company was listed on the Stock Exchange of Singapore on 1 June 2006, the NC has conducted a formal assessment of the Board's performance as a whole for financial year ended 31 December 2007.

2.2 Audit Committee

The Audit Committee ("AC"), established on 30 March 2006 and reconstituted on 25 May 2007, comprises three members, two of whom, including the Chairman, are independent. At the date of this report, the AC comprises the following members:

- Mr Lai Seng Kwoon
  Chairman and Lead Independent Director

- Prof. Tan Teck Meng
  Independent Director

- Mr Leow Poh Chin
  Non-executive Director

Corporate Governance Statement

2. BOARD COMMITTEES (cont'd)

2.2 Audit Committee (cont'd)

The functions of the AC are as follows:

(a) review with the internal and external auditors of the Company, their audit plan, evaluation of the internal accounting controls, audit report and ensures co-operation is given by the Company's management to the internal and external auditors;

(b) review the interim and annual financial statements and the Auditors' report on the Company's annual financial statements before they are presented to the Board;

(c) review with the management, external and internal auditors the adequacy and effectiveness of the company's internal controls, business and service systems and practices;

(d) review related and interested party transactions; and

(e) consider the appointment and re-appointment of the external auditors.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses will to be borne by the Company.

The AC will have full access to and co-operation of the Company's management and has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC, having reviewed the range and value of non-audit services performed by the external auditors, KPMG, for the year ended 31 December 2007 and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, are pleased to confirm their re-nomination.

2.2.1 Internal Audit and Internal Controls

The Company has outsourced its internal audit functions to an external professional firm, who reports directly to the Chairman of AC. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, are adequate and functioning in the required manner. The Audit Committee will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board is responsible for the overall control framework and is fully aware of the needs to put in place a system of internal control within the Group to safeguard shareholders' interests and the Group's assets. The Board has review and is satisfied with the adequacy of the Group's internal controls established by the Management for the financial year 2007.

Corporate Governance Statement

2. BOARD COMMITTEES (cont'd)

2.3 Remuneration Committee

The Remuneration Committee ("RC"), established on 30 March 2006 and reconstituted on 25 May 2007, comprises three members, all of whom are independent or non-executive. The members of the RC are:

- Prof. Tan Teck Meng
  Chairman and Independent Director
- Mr Lai Seng Kwoon
  Lead Independent Director
- Mr Leow Poh Chin
  Non-executive Director

The functions of the RC are to review and recommend the remuneration packages of the Executive Directors, CEO and key executives of the Company, and to review the appropriateness of compensation for the Non-Executive Directors including but not limited to fees, allowances, share options and other benefits.

The payment of fees to Directors is subject to approval of the shareholders at the annual general meeting of the Company. No director is involved in deciding his own remuneration.

2.3.1 Remuneration Matters

A breakdown showing the level and mix of each individual director's remuneration payable for FY2007 is as follows:

	FY2006	FY2007
$500,000 and above	0	0
$250,000 to below $500,000	2	1
Below $250,000	5	7
Total	7	8

Name	Remuneration Band S$	Directors' Fees %	Total %
Wang Yuean	Below $250,000	0	100
Leow Poh Chin*	Below $250,000	37	100
Zhu Xiaolin**	Below $250,000	100	100
Bi Hao**	Below $250,000	100	100
Lai Seng Kwoon	Below $250,000	100	100
Hee Theng Fong**	Below $250,000	100	100
Ho Yew Mun***	Below $250,000	100	100
Prof. Tan Teck Meng****	Below $250,000	100	100

Notes :-

* *Mr Leow Poh Chin resigned on 26 April 2007 as Executive Director and was reappointed as Non-Executive Director on same date.*

** *Mr Zhu Xiaolin, Mr Bi Hao and Mr Hee Theng Fong resigned as Directors on 26 April 2007.*

*** *Mr Ho Yew Mun did not seek for re-election as director at the Annual General Meeting held on 26 April 2007.*

**** *Prof. Tan Teck Meng was appointed as Independent Director on 5 April 2007.*

Corporate Governance Statement

2. BOARD COMMITTEES (cont'd)

2.3 Remuneration Committee (cont'd)

2.3.1 Remuneration Matters (cont'd)

Remuneration of the top 5 key executives

Name	Remuneration Band	Salary %	Bonus %	Total %
Wang Yuean	$250,000 to below $500,000	59	41	100
Leow Poh Chin *	Below $250,000	100	0	100
Chan Kheng Yong Hock	Below $250,000	100	0	100
Ma Xiangdong	Below $250,000	100	0	100
Zhao Zhong	Below $250,000	100	0	100

*Note :- * Remuneration for Mr Leow Poh Chin was for the period from 1Jan 2007 to 26 April 2007 before he resigned as Executive Director. Since 26 April 2007, he performs consultancy services to the Company for which he has received a fee amounting to S$128,000 for the financial year ended 31 December 2007.*

The Company does not have any employee who is an immediate family member of a Director or CEO.

3. COMMUNICATION WITH SHAREHOLDERS

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Company.

Information will be disseminated to shareholders on a timely basis through:

- SGXNET announcements and press releases;
- Annual Report prepared and issued to all shareholders; and
- Company's website at www.orientalcentury.com at which shareholders can access information on the Company.

At the Company's annual general meetings, shareholders are given the opportunity to voice their views and ask directors or management questions regarding the Company. The Chairmen of the Audit, Remuneration and Nominating Committees will be normally present at future annual general meetings to answer any questions relating to the work of these committees.

4. RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board. The risk issues are highlighted on pages 54 to 57.

5. DEALING IN SECURITIES

In line with the Listing Rule 1207(18) of the Listing Manual, the Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of one month prior to the announcement of the Company's half yearly and yearly results as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

Corporate Governance Statement

6. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.

7. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. Other than as disclosed in the accompanying financial statements, there were no interested person transactions for the financial year ended 31 December 2007.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	RMB'000	RMB'000
Oriental Pearl College		
Management Fees received and receivable	0	44,910
Operating Lease Income received and receivable	0	3,750
Bai Sheng Investments Development Co., Ltd.		
Operating Lease expense paid and payable	0	3,750

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2007.

Directors

The directors in office at the date of this report are as follows:

Wang Yuean	
Leow Poh Chin	
Lai Seng Kwoon	
Tan Teck Meng	(Appointed on 5 April 2007)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings at beginning of the year	**Holdings at end of the year**
The Company		
Ordinary shares		
Wang Yuean	41,006,698	42,209,698

By virtue of Section 7 of the Act, Wang Yuean is deemed to have interests in the shares held by the Company in all its subsidiaries at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2008.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

A subsidiary of the Company had entered into a lease agreement dated 31 December 2003 and an education management services agreement dated 1 January 2004 with entities in which a director of the Company, namely Wang Yuean has substantial financial interests as disclosed in note 20 to the financial statements. However, the director has neither received nor become entitled to receive any benefits arising out of these transactions other than those to which he is ordinarily entitled to as shareholder of those entities.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 20 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Report

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The members of the Audit Committee at the date of this report are:

Lai Seng Kwoon (Chairman)	Independent director
Tan Teck Meng	Independent director
Leow Poh Chin	Non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 2 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- bi-annually financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

Directors' Report

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Wang Yuean
Director

Leow Poh Chin
Director

13 March 2008

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 27 to 58 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Wang Yuean
Director

Leow Poh Chin
Director

13 March 2008

Independent Auditors' Report

Members of the Company
Oriental Century Limited

We have audited the financial statements of Oriental Century Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 58.

Directors' responsibility for the financial statement

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 financial statements.

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

Independent Auditors' Report

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG
Certified Public Accountants

Singapore
13 March 2008

Balance Sheets
As at 31 December 2007

	Note	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Non-current assets					
Plant and equipment	3	9,770	3,413	34	45
Lease prepayments	4	26,638	28,338	–	–
Subsidiaries	5	–	–	49,867	37,846
Deferred tax assets	6	64	174	–	–
		36,472	31,925	49,901	37,891
Current assets					
Trade receivables	7	–	129	–	–
Other receivables and prepayments	8	5,345	8,078	232	167
Amounts due from related parties	9	3,439	4,154	36,863	11,046
Cash and cash equivalents	10	190,374	149,622	13,907	23,754
		199,158	161,983	51,002	34,967
Total assets		235,630	193,908	100,903	72,858
Equity attributable to equity holders of the Company					
Share capital	11	84,451	84,451	84,451	84,451
Development reserve	12	335	247	–	–
Accumulated profits/(losses)		126,273	87,871	14,112	(15,009)
		211,059	172,569	98,563	69,442
Minority interests		1,123	1,083	–	–
Total equity		212,182	173,652	98,563	69,442
Current liabilities					
Trade and other payables	13	17,312	15,027	2,340	3,416
Current tax payable		6,136	5,229	–	–
		23,448	20,256	2,340	3,416
Total liabilities		23,448	20,256	2,340	3,416
Total equity and liabilities		235,630	193,908	100,903	72,858

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

Consolidated Income Statement
Year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Revenue	14	73,907	67,860
Cost of services		(23,639)	(20,418)
Gross profit		50,268	47,442
Other operating income		4,834	5,875
Administrative expenses		(11,781)	(13,680)
Other operating expenses		(294)	(382)
Results from operating activities		43,027	39,255
Finance costs	15	–	(544)
Profit before income tax		43,027	38,711
Income tax expense	17	(4,371)	(4,498)
Profit for the year	16	38,656	34,213
Attributable to:			
Equity holders of the parent		38,490	33,925
Minority interests		166	288
Profit for the year		38,656	34,213
Earnings per share			
Basic/Diluted earnings per share (RMB Cents)	18	23.16	22.58

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2007

	Share capital RMB'000	Share premium RMB'000	Development reserve RMB'000	Convertible loan reserve RMB'000	Accumulated profits RMB'000	Total attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Group								
At 1 January 2006	94	72	111	4,437	54,082	58,796	795	59,591
New shares issued in connection with the initial public offering	59,368	–	–	–	–	59,368	–	59,368
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	72	(72)	–	–	–	–	–	–
Conversion of convertible loan notes	43,912	–	–	(4,437)	–	39,475	–	39,475
Share issue expenses (i)	(18,995)	–	–	–	–	(18,995)	–	(18,995)
Net loss recognised directly in equity	(18,995)	–	–	–	–	(18,995)	–	(18,995)
Net profit for the year	–	–	–	–	33,925	33,925	288	34,213
Total recognised income and expense for the year	(18,995)	–	–	–	33,925	14,930	288	15,218
Transfer from accumulated profits	–	–	136	–	(136)	–	–	–
At 31 December 2006	84,451	–	247	–	87,871	172,569	1,083	173,652

(i) Included in share issue expenses are non-audit fee of RMB5,284,000 paid to the Company's auditors and their affiliate entities for services rendered as Reporting Accountants in connection with the initial public offering of the Company's shares.

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2007

	Share capital RMB'000	Development reserve RMB'000	Accumulated profits RMB'000	Total attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Group						
At 1 January 2007	84,451	247	87,871	172,569	1,083	173,652
Net profit for the year	–	–	38,490	38,490	166	38,656
Total recognised income for the year	–	–	38,490	38,490	166	38,656
Transfer from accumulated profits	–	88	(88)	–	–	–
Dividend payable to minority interest	–	–	–	–	(126)	(126)
At 31 December 2007	84,451	335	126,273	211,059	1,123	212,182

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

Consolidated Cash Flows Statement

Year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Operating activities			
Profit for the year		38,656	34,213
Adjustments for:			
Amortisation of discount on convertible loan notes		–	421
Amortisation of transaction costs incurred in connection with the issue of convertible loan notes		–	123
Amortisation of lease prepayments		1,700	1,688
Depreciation of plant and equipment		1,282	1,114
Interest income		(1,961)	(1,161)
Income tax expense		4,371	4,498
		44,048	40,896
Changes in working capital:			
Trade receivables		129	1,011
Other receivables and prepayments		194	(3,668)
Trade and other payables		2,159	(700)
Trade balances with related parties		715	(2,627)
Cash generated from operation		47,245	34,912
Income tax paid		(3,354)	–
Cash flows from operating activities		43,891	34,912
Investing activities			
Purchase of plant and equipment		(5,119)	(446)
Lease prepayments		–	(205)
Interest received		1,980	1,161
Cash flows from investing activities		(3,139)	510
Financing activities			
Proceeds from issue of ordinary shares		–	59,368
Issue expenses		–	(9,971)
Cash flows from financing activities		–	49,397
Net increase in cash and cash equivalents		40,752	84,819
Cash and cash equivalents at beginning of year		149,622	64,803
Cash and cash equivalents at end of year	10	190,374	149,622

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

Notes to the Financial Statements
Year ended 31 December 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 March 2008.

1. DOMICILE AND ACTIVITIES

Oriental Century Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 8 Cross Street, #11-00 PWC Building, Singapore 048424.

The principal activities of the Company are those of an investment holding company. The principal activities of its subsidiaries are set out in note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value. The methods used to measure fair values are discussed further in note 22. Non-current assets are measured at the lower of the carrying amount and fair value less costs to sell.

The financial statements are presented in Chinese Renminbi (RMB) which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may defer from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in note 3 relating to depreciation of property, plant and equipment.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity (the functional currency). The financial statements of the Group and of the Company are presented in RMB, which is the functional currency of the Company.

2.3 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on retranslation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of asset. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

Depreciation on plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease terms, if shorter) of plant and equipment. The estimated useful lives are as follows:

Equipment	5 years
Furniture and fixtures	5 years

No depreciation is provided on assets under construction. Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.6 Lease prepayments

Leases of land and buildings under which the lessor has not transferred substantially all the risks and benefits of ownership are classified as operating leases.

Lease prepayments for the use of land and buildings are stated at cost less accumulated amortisation and impairment losses. Amortisation of lease prepayments is based on a straight-line basis over the term of the lease.

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Financial instruments (cont'd)

Non-derivative financial instruments *(cont'd)*

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

Impairment losses in respect of financial assets measured at amortised cost is reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, net of any tax effects, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

2.8 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Impairment – non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss of an asset recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.10 Convertible notes

Convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest method over the life of the convertible notes.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.12 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax based on estimates of additional taxes will be due.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements
Year ended 31 December 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Revenue recognition

Management fee

Revenue from provision of management services is recognised when the services have been rendered and excludes business tax. No revenue is recognised if there are significant uncertainties regarding the amount of consideration to be received or recoverability of the consideration due.

School fee

School fee is recognised when the related educational services have been rendered.

Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

2.14 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the period in which they are incurred.

2.15 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Notes to the Financial Statements
Year ended 31 December 2007

3. PLANT AND EQUIPMENT

	Equipment RMB'000	Furniture and fixtures RMB'000	Assets under construction RMB'000	Total RMB'000
Group				
Cost				
At 1 January 2006	5,575	133	–	5,708
Additions	446	–	–	446
At 31 December 2006	6,021	133	–	6,154
At 1 January 2007	6,021	133	–	6,154
Additions	1,179	–	6,460	7,639
At 31 December 2007	7,200	133	6,460	13,793
Accumulated depreciation				
At 1 January 2006	1,583	44	–	1,627
Depreciation charge for the year	1,088	26	–	1,114
At 31 December 2006	2,671	70	–	2,741
At 1 January 2007	2,671	70	–	2,741
Depreciation charge for the year	1,256	26	–	1,282
At 31 December 2007	3,927	96	–	4,023
Carrying amounts				
At 1 January 2006	3,992	89	–	4,081
At 31 December 2006	3,350	63	–	3,413
At 31 December 2007	3,273	37	6,460	9,770

Company	Equipment RMB'000
Cost	
At 1 January 2006	13
Additions	42
At 31 December 2006	55
At 1 January and 31 December 2007	55
Accumulated depreciation	
At 1 January 2006	3
Depreciation charge for the year	7
At 31 December 2006	10
At 1 January 2007	10
Depreciation charge for the year	11
At 31 December 2007	21
Carrying amounts	
At 1 January 2006	10
At 31 December 2006	45
At 31 December 2007	34

Notes to the Financial Statements
Year ended 31 December 2007

3. PLANT AND EQUIPMENT (cont'd)

Assets under construction comprise costs incurred on buildings, and plant and equipment not yet completed at balance sheet date.

If circumstances indicate that the carrying value of plant and equipment and lease prepayment may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with FRS 36 *Impairment of Assets*. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

4. LEASE PREPAYMENTS

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Cost		
At 1 January	32,805	32,600
Additions	–	205
At 31 December	32,805	32,805
Accumulated amortisation		
At 1 January	4,467	2,779
Amortisation charge for the year	1,700	1,688
At 31 December	6,167	4,467
Carrying amount at 31 December	26,638	28,338

The Group entered into a lease agreement with a third party for the use of certain land and buildings for the operations of a subsidiary for a lease period of 20 years. According to the terms of the lease agreement, the Group is allowed to construct new school buildings and facilities (School Properties) on the land for the operations of the said subsidiary. In this connection, the Group has the right to use the School Properties during the lease period of the land. However, the ownership of the School Properties shall belong to the lessor and upon expiration of the lease period, the right to use the School Properties shall be transferred to the lessor without compensation.

The Group has constructed certain School Properties on the above-mentioned piece of land and the costs incurred by the Group for the construction of the said School Properties have been accounted for as lease prepayments. Accordingly, such lease prepayments are amortised over the remaining lease period of the land on a straight-line basis.

Notes to the Financial Statements
Year ended 31 December 2007

5. SUBSIDIARIES

	Company 2007 RMB'000	Company 2006 RMB'000
Unquoted equity investments at cost	49,867	37,846

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of establishment	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %
Oriental Dragon Management Co., Ltd.[1] and its subsidiaries	Provision of education management services, development and sales of school management system software and investment holding	People's Republic of China	99.65	99.55
Nanchang No.3 Oriental Pearl High School[2]	Provision of senior high school education	People's Republic of China	99.65	99.55
Dongguan Oriental Dragon Co., Ltd.[3]	Investment holding	People's Republic of China	99.74	–

(1) Audited by 北京普洋会计师事务所, a member of the Chinese Institute of Certified Public Accountants, for statutory purposes. Audited by another member firm of KPMG International for consolidation purposes.

(2) Audited by 江西大信诚信会计师事务所有限责任公司, a member of the Chinese Institute of Certified Public Accountants, for statutory purposes. Audited by another member firm of KPMG International for consolidation purposes.

(3) Audited by 东莞市大正会计师事务所, a member of the Chinese Institute of Certified Public Accountants, for statutory purposes. Audited by another member firm of KPMG International for consolidation purposes.

Notes to the Financial Statements
Year ended 31 December 2007

6 DEFERRED TAX

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 January 2006 RMB'000	Charged/ (Credited) to income statement (note 17) RMB'000	Credited to equity RMB'000	At 31 December 2006 RMB'000	Charged to income statement (note 17) RMB'000	At 31 December 2007 RMB'000
Group						
Deferred tax assets						
Pre-operating expenses	(284)	110	–	(174)	110	(64)
Deferred tax liabilities						
Convertible loan notes	311	(84)	(227)	–	–	–
Company						
Deferred tax liabilities						
Convertible loan notes	311	(84)	(227)	–	–	–

7 TRADE RECEIVABLES

	Group 2007 RMB'000	Group 2006 RMB'000
Trade receivables	–	129

There was no allowance for doubtful debts arising from the outstanding balances.

The ageing of trade receivables at the reporting date was:

	Group 2007 RMB'000	Group 2006 RMB'000
Not past due	–	129
Past due 0 – 30 days	–	–
Past due 31 – 120 days	–	–
More than one year	–	–
	–	129

The Group's exposure to credit and currency risks related to trade receivables is discussed in note 22.

Notes to the Financial Statements
Year ended 31 December 2007

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	285	3,667	18	32
Prepayments and deposits	5,060	4,411	214	135
	5,345	8,078	232	167

Included in prepayments of the Group is prepaid lease rental of RMB3,750,000 (2006: RMB3,750,000) paid to an affiliated entity, Dongguan Bai Sheng Investment Development Co., Ltd. (Bai Sheng) (东莞市百盛投资发展有限公司).

The Group's and the Company's exposure to currency risk related to other receivables and prepayments is disclosed in note 22.

9 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from:				
- an affiliated entity, Oriental Pearl College (trade)	3,439	4,154	–	–
- a subsidiary				
- non-trade	–	–	13	895
- loan	–	–	–	10,151
- dividends receivable	–	–	36,850	–
	3,439	4,154	36,863	11,046

An affiliated entity refers to one:

(a) in which a director of the Company has substantial financial interest or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries, is under the control of one or more common shareholders.

The amounts due from related parties are denominated in RMB.

The loan to a subsidiary was unsecured, bears interest at a fixed rate of 3% per annum. The loan amount was fully repaid during the financial year 2007.

There is no allowance for doubtful debts arising from the above outstanding balances.

Notes to the Financial Statements
Year ended 31 December 2007

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Cash at banks and in hand	177,491	126,625	1,024	757
Fixed deposit with a bank	12,883	22,997	12,883	22,997
Cash and cash equivalents in the cash flow statement	190,374	149,622	13,907	23,754

The effective interest rate per annum of the fixed deposit with a bank at the balance sheet date is 1.60% (2006: 3.09%).

The Group's and the Company's exposure to currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

11 SHARE CAPITAL

	Group and Company	
	2007 No. of shares ('000)	2006 No. of shares ('000)
Fully paid ordinary shares, with no par value:		
At 1 January	166,177	20
Issue of new shares upon conversion of convertible loan notes.[a]	–	132,877
Issue of new shares pursuant to the initial public offering[b]	–	33,280
At 31 December	166,177	166,177

(a) On 21 March 2006, pursuant to the notices of conversion given by the Company to each of the Pre-IPO Investors, the convertible loan notes were converted into 132,877,000 new fully paid ordinary shares of the Company, of which 47,842,920 new ordinary shares were issued and allotted to the Pre-IPO Investors while the balance of 85,034,080 new ordinary shares were renounced by the Pre-IPO Investors in favour of the Company's then existing shareholders and were issued and allotted to these shareholders on 21 March 2006.

(b) On 1 June 2006, pursuant to the initial public offering of the Company's shares, the Company issued 33,280,000 new fully-paid ordinary shares at S$0.35 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding minority interest. The Board also monitors the level of dividends to ordinary shareholders.

Notes to the Financial Statements
Year ended 31 December 2007

11 SHARE CAPITAL (cont'd)

Capital management (cont'd)

The Board seeks to leverage on the advantages and security afforded by a sound capital position while preserving a sustainable level of returns. The Group achieved a return on shareholders' equity of 18.3% in 2007 (2006: 19.8%).

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

12 RESERVES

Development reserve

Under the Regulations on the Implementation of the Non-State Education Promotion Law of the People's Republic of China (PRC) (中华人民共和国民办教育促进法实施條例) promulgated by the State Council on 5 March 2004, the subsidiary, Nanchang No.3 Oriental Pearl High School, is required to appropriate 25% of its net profit determined in accordance with the generally accepted accounting principles in the PRC for each year to a development reserve. The development reserve is a non-distributable reserve, which can only be used for school expansion, repair and maintenance purposes.

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Dividend payable to minority shareholder	126	–	–	–
Unearned school fees received in advance	7,653	5,738	–	–
Other payables and accruals	9,533	9,289	2,340	3,416
	17,312	15,027	2,340	3,416

The Group's and the Company's exposure to currency and liquidity risks related to trade and other payables is discussed in note 22.

Notes to the Financial Statements
Year ended 31 December 2007

14 REVENUE

	Group 2007 RMB'000	Group 2006 RMB'000
Management fees in respect of:		
- Basic education	23,095	20,968
- Other educational services	21,440	21,214
- Retainer fee	375	375
	44,910	42,557
Operating lease income	3,750	3,750
	48,660	46,307
Less: Business tax	(3,008)	(2,871)
	45,652	43,436
School fees and related income	28,255	24,424
	73,907	67,860

Management fees and operating lease income are subject to business tax at 5% in the PRC.

School fees derived from the provision of senior high school education are exempt from business tax in the PRC. School fees charged by Nancang High School are subject to approval by the Nancang Price Bureau.

15 FINANCE COSTS

	Group 2007 RMB'000	Group 2006 RMB'000
Amortisation of discount on convertible loan notes (CLN)	–	421
Amortisation of transaction costs incurred in connection with the issue of CLN	–	123
	–	544

16 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group 2007 RMB'000	Group 2006 RMB'000
Reversal of impairment loss for trade receivables	–	(280)
Interest income from bank deposits	(1,961)	(1,161)
Foreign exchange loss	247	380
Depreciation of plant and equipment	1,282	1,114
Operating lease expenses*	4,452	4,237
Amortisation of lease prepayments included in operating lease expenses	1,700	1,688
Staff costs	14,461	13,509
Contributions to defined contribution plans, included in staff costs	642	403

*No contingent rent is payable under the Group's operating lease arrangements.

Notes to the Financial Statements
Year ended 31 December 2007

17 INCOME TAX EXPENSE

	Group 2007 RMB'000	Group 2006 RMB'000
Current tax expense		
Current year	4,254	4,472
Deferred tax expense		
Origination and reversal of temporary differences	110	26
Foreign withholding tax suffered	7	–
Total income tax expense	4,371	4,498

Reconciliation of effective tax rate

	2007 RMB'000	2006 RMB'000
Profit for the year	38,656	34,213
Tax income tax expense	4,371	4,498
Profit excluding income tax	43,027	38,711
Income tax using domestic rates applicable to profits in each country	6,487	5,700
Expenses not deductible for tax purposes	1,521	2,162
Tax concession	(3,644)	(3,364)
Foreign withholding tax suffered	7	–
	4,371	4,498

The subsidiary, Oriental Dragon Management Co., Ltd., is recognised as a "New High Technology Enterprise" in the Zhongguancun (Haidian) Science Park Digital Park (中关村科技园区海淀区数字园). According to the prevailing tax regulations, Oriental Dragon Management Co., Ltd. is entitled to income tax exemption from 2003 to 2005, a reduced income tax rate of 7.5% from 2006 to 2008 and an income tax rate of 15% thereafter. The applicable income tax rate for current year is 7.5%.

The Company's subsidiaries, Nanchang High School and Dongguan Oriental Dragon, are subject to an income tax rate of 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (New Tax Law) which will take effect on 1 January 2008. As a result of the New Tax Law, it is expected that the income tax rate applicable to Nanchang High School and Dongguan Oriental Dragon will be reduced from 33% to 25% from 1 January 2008.

Up to the date of approval of these financial statements, the Group has not received approval from the local tax bureau that Nanchang High School could be eligible under the Private Education Promotion Law to enjoy on income tax exemption from its education income. In the circumstances, management considers it is appropriate to make provision for income tax at the applicable tax rate of 33% on its education income.

Notes to the Financial Statements
Year ended 31 December 2007

17 INCOME TAX EXPENSE (cont'd)

According to the Notice on the Implementation Rules of the Grandfathering relief under the Corporate Income Tax Laws, Guofa (2007) No. 39 issued on 26 December 2007 by the State Council, the reduced tax rate of 15% will be phasing up to the standard rate of 25% in a period of 5 years from 2008 to 2012.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in respect of current tax recoverable or payable.

18 EARNINGS PER SHARE

	Group	
	2007 RMB'000	**2006 RMB'000**
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	38,490	33,925
After-tax effect of imputed interest on CLN	–	459
Net profit attributable to ordinary shareholders, adjusted for the effect of conversion of CLN	38,490	34,384

	2007 No. of shares ('000)	**2006 No. of Shares ('000)**
Issued ordinary shares at the beginning of the year	166,177	20
Issue of new ordinary shares during the year	–	19,413
Effect of conversion of CLN	–	132,877
Weighted average number of ordinary shares at the end of the year	166,177	152,310
Basic earnings per share (RMB cents)	23.16	22.58

Diluted earnings per share is the same as basic earnings per share as the Company does not have any dilutive potential ordinary shares.

19 COMMITMENTS

(a) Operating lease commitments – Group

At the balance sheet date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2007 RMB'000	**2006 RMB'000**
Payable:		
Within 1 year	471	525
After 1 year but within 5 years	17,796	17,890
After 5 years	52,011	56,512
	70,278	74,927

Notes to the Financial Statements
Year ended 31 December 2007

19 COMMITMENTS (cont'd)

(a) Operating lease commitments – Group (cont'd)

The Group leases land and school facilities under operating leases. The leases typically run for an initial period of 20 years, with an option to renew the lease after that date.

The lease rentals for one of the above operating leases are subject to a minimum annual increase of 5% per annum.

One of the above operating leases relates to the lease of school premises and facilities from an affiliated entity, Bai Sheng, as disclosed in note 20(c).

At the balance sheet date, the total future minimum lease receivables of the Group under non-cancellable operating leases are as follows:

	2007 RMB'000	2006 RMB'000
Receivable:		
Within 1 year	3,750	3,750
After 1 year but within 5 years	15,000	15,000
After 5 years	41,250	45,000
	60,000	63,750

The above operating lease commitments represent the future minimum lease receivables from leasing the school premises and facilities to Oriental Pearl College. Further details of the arrangement are set out in note 20(b).

(b) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for in the financial statements are as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Authorised and contracted for	3,500	1,000	–	250

(c) Other commitments – Group

The Group has contracted to pay an annual fee of RMB1,000,000 to a third party, Nanchang No.3 High School, for a period of 5 years commencing from 1 September 2003 for the provision of the following rights and services to the subsidiary, Nanchang No.3 Oriental Pearl High School:

(i) right to use the name of Nanchang No.3 High School;

(ii) relevant education related materials and part-time teaching staff where necessary; and

(iii) assistance in the promotion of Nanchang No.3 Oriental Pearl High School and recruitment of students and teaching staff.

Notes to the Financial Statements
Year ended 31 December 2007

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

In addition to the related party information disclosed elsewhere in the financial statements, there were the following significant transactions carried out with related parties in the normal course of business on terms agreed between the parties during the year:

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Directors' fee	868	1,049
Short-term employee benefits	3,525	5,026
Post-employment benefits	50	156
	4,443	6,231

Included in short-term employee benefits and post-employment benefits are directors' remuneration of RMB2,239,000 (2006: RMB3,318,000).

		Group	
	Note	**2007**	**2006**
		RMB'000	**RMB'000**
Affiliated entities			
Management fees received and receivable from Oriental Pearl College in respect of:			
- Basic education	(a)(i)	23,095	20,968
- Other educational services	(a)(ii)	21,440	21,214
- Retainer fee	(a)(iii)	375	375
Operating lease income received and receivable from Oriental Pearl College	(b)	3,750	3,750
Operating lease expense paid and payable to Bai Sheng	(c)	3,750	3,750

Notes:

(a) Education Management Services Agreement

Pursuant to the education management services agreement between the Group and Oriental Pearl College (东莞市东方明珠学校) dated 1 January 2004, the Group provides education management services and school premises and facilities to Oriental Pearl College for an annual management fee, which is calculated as follows:

(i) Basic education

For basic education, which comprises primary and junior high school education, the annual management fee is calculated based on the respective weighted average number of primary and junior high school students enrolled in Oriental Pearl College multiplied by a chargeable fee per student for the respective types of student where the chargeable fee per student is subject to revision half-yearly.

Notes to the Financial Statements
Year ended 31 December 2007

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Affiliated entities (cont'd)

(ii) Other educational services

For other educational services, the annual management fee is calculated based on 90% of the nominal value of the annual school fees earned by Oriental Pearl College from its kindergarten, senior high school, summer and winter education camps, short courses and other school related activities before deduction of business tax less 90% of the annual operating expenses incurred by Oriental Pearl College in providing such educational services excluding interest expense and taxes.

(iii) Retainer fee

The annual management fee includes a fixed retainer fee of RMB375,000 per annum.

The payment terms of the management fee are set out in note 22.

The above education management services agreement has an initial contract term of 20 years commencing on 1 January 2004 and expiring on 31 December 2023. Upon expiration of the initial contract term on 31 December 2023, the agreement will be automatically extended for another 10 years unless one of the parties to the agreement decides otherwise. Upon expiration of the extended term on 31 December 2033, the agreement may be renewed when all terms and conditions are renegotiated and agreed between both parties.

(b) Operating lease income from Oriental Pearl College

In accordance with INT FRS104 *Determining whether an Arrangement contains a Lease*, the Group separated the lease and service elements of the education management services agreement with Oriental Pearl College. In this connection, management attributed RMB3,750,000 of the annual management fees income to the lease element based on the annual lease payment of the same amount charged by Bai Sheng to the Group for the lease of the school premises and properties occupied by Oriental Pearl College. Accordingly, the remaining balance of the annual management fees receivable from Oriental Pearl College would be attributed to the service element of the education management services agreement with Oriental Pearl College.

(c) Lease agreement

Pursuant to the lease agreement between the Group and Bai Sheng dated 31 December 2003, the Group leases from Bai Sheng the land and buildings occupied by Oriental Pearl College at an annual lease rental of RMB3,750,000 payable on or before 15 January of each year for an initial lease term of 20 years commencing on 1 January 2004 and expiring on 31 December 2023. Upon expiration of the initial lease term on 31 December 2023, the lease agreement will be automatically extended for another 10 years unless one of the parties to the agreement decides otherwise. Upon expiration of the extended term on 31 December 2033, the lease agreement may be renewed when all terms and conditions are renegotiated and agreed between both parties.

During the lease term, Bai Sheng is obliged to obtain the Group's written consent before it could transfer the ownership of the said school premises and facilities to another party. In addition, Bai Sheng is obliged to procure the transferee to become bound by the above lease agreement.

Notes to the Financial Statements
Year ended 31 December 2007

21 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In prior years, segment information was presented in respect of the Group's business segments, which comprise the provision of basic education and other educational services. No geographical segment information is presented as the Group operates mainly in the PRC.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest income, interest expense and related assets and liabilities.

In the current year, management has changed the Group's presentation of business segments from provision of basic education and other educational services to managed school and owned school to provide a more informative illustration of the Group's operations.

Business segments

	Managed school RMB'000	Owned school RMB'000	Consolidated RMB'000
2007			
Revenue and expenses			
Management fees	42,671	–	42,671
Operating lease income	3,563	–	3,563
School fees and related income	–	27,673	27,673
Total revenue	46,234	27,673	73,907
Segment results	37,460	7,829	45,289
Unallocated income			4,834
Unallocated expenses			(7,096)
Income tax			(4,371)
Profit for the year			38,656
Assets and liabilities			
Segment assets	8,768	28,335	37,103
Deferred tax assets			64
Other unallocated assets			198,463
Total assets			235,630
Segment liabilities	–	11,942	11,942
Other unallocated liabilities			11,506
Total liabilities			23,448
Other segment information			
Capital expenditure	953	6,686	7,639
Amortisation of lease prepayments	–	1,700	1,700
Depreciation of plant and equipment	421	861	1,282

Notes to the Financial Statements
Year ended 31 December 2007

21 SEGMENT REPORTING (cont'd)

Business segments

	Managed school RMB'000	Owned school RMB'000	Consolidated RMB'000
2006			
Revenue and expenses			
Management fees	40,429	–	40,429
Operating lease income	3,563	–	3,563
School fees and related income	–	23,868	23,868
Total revenue	43,992	23,868	67,860
Segment results	33,796	7,150	40,946
Unallocated income			5,875
Unallocated expenses			(7,566)
Finance costs			(544)
Income tax			(4,498)
Profit for the year			34,213
Assets and liabilities			
Segment assets	8,933	30,807	39,740
Deferred tax assets			174
Other unallocated assets			154,994
Total assets			193,908
Segment liabilities	–	8,635	8,635
Current tax payable			8,205
Other unallocated liabilities			3,416
Total liabilities			20,256
Other segment information			
Capital expenditure	271	380	651
Amortisation of lease prepayments	–	1,688	1,688
Depreciation of plant and equipment	284	830	1,114

The effects of restating the comparative segment information for the year ended 31 December 2006 based on prior year's business segmentation has not been presented as it is impracticable to do so. Accordingly, comparative segment information based on provision of basic education and other educational services has been re-presented for the purpose of comparison.

Notes to the Financial Statements
Year ended 31 December 2007

21 SEGMENT REPORTING (cont'd)

Business segments

	Basic education RMB'000	Other educational services RMB'000	Consolidated RMB'000
2006			
Revenue and expenses			
Management fees	20,097	19,777	39,874
Operating lease income	2,050	1,512	3,562
School fees and related income	–	24,424	24,424
Total revenue	22,147	45,713	67,860
Segment results	18,651	26,936	45,587
Unallocated income			5,873
Unallocated expenses			(12,205)
Finance costs			(544)
Income tax			(4,498)
Profit for the year			34,213
Assets and liabilities			
Segment assets	3,929	35,312	39,241
Deferred tax assets			174
Other unallocated assets			154,493
Total assets			193,908
Segment liabilities	–	6,927	6,927
Current tax payable			5,229
Other unallocated liabilities			8,100
Total liabilities			20,256
Other segment information			
Capital expenditure	–	651	651
Amortisation of lease prepayments	–	1,688	1,688
Depreciation of plant and equipment	172	942	1,114

22 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Notes to the Financial Statements
Year ended 31 December 2007

22 FINANCIAL RISK MANAGEMENT (cont'd)

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a student or a counter-party to settle its financial and contractual obligations to the Group, as and when they fall due.

Managed school

The Group has established credit terms for the affiliated entity, Oriental Pearl College, in the education management services agreement set out in note 20(a) to mitigate its credit risk. In accordance with the terms of the education management services agreement, the Group invoices Oriental Pearl College for its management fees on a monthly basis with a credit term of 30 days. In addition, the Group and Oriental Pearl College have set up an escrow bank account whereby Oriental Pearl College shall be responsible for maintaining a sum equivalent to the total amount of three months of management fees in the escrow bank account. In the event of partial payment, non-payment, or delay in payment of the monthly invoiced amount of the management fees from Oriental Pearl College, the Group has the right to draw down from the escrow bank account the corresponding amount.

Owned school

Students are required to pay school fees in advance and long outstanding debts due from students are not significant. As such, the Group does not expect material financial loss to arise from its debts due from students.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance is specific loss that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the balance sheet date, there was no significant concentration of credit risk except for the trade amount due from the affiliated entity, Oriental Pearl College amounting to RMB3,439,000 (2006: RMB4,154,000). The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements
Year ended 31 December 2007

22 FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The Group's and the Company's financial liabilities including estimated interest payments approximate their carrying amounts. The contractual maturities of these financial liabilities are repayable within one year or on demand.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's bank deposits with financial institution. Interest rates on bank deposits are determined based on floating market rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the reporting date, the interest rate profile of the Group's and the Company's interest bearing financial instruments is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Variable rate instruments				
Cash and cash equivalents	189,351	148,865	12,883	22,997

Sensitivity analysis

A change of 100 basis points (bp) in interest rates at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2006.

	Group Profit before tax 100bp		Company Profit before tax 100bp	
	Increase RMB'000	Decrease RMB'000	Increase RMB'000	Decrease RMB'000
31 December 2007				
Variable rate instruments	1,894	(1,894)	129	(129)
31 December 2006				
Variable rate instruments	1,489	(1,489)	230	(230)

Notes to the Financial Statements
Year ended 31 December 2007

22 FINANCIAL RISK MANAGEMENT (cont'd)

Foreign currency risk

The Group is exposed to foreign currency risk on bank deposits and operating expenses that are denominated a currency other than RMB. The currencies giving rise to this risk are primarily the United States dollar (USD) and the Singapore dollar (SGD). The Group does not use derivative financial instruments to hedge its foreign currency risk.

The Group's and Company's exposures to foreign currency are as follows:

	2007		2006	
	USD	SGD	USD	SGD
	RMB'000	RMB'000	RMB'000	RMB'000
Group and Company				
Trade and other receivables	–	232	–	167
Cash and cash equivalents	724	13,183	2	23,752
Trade and other payables	–	(2,340)	–	(3,416)
	724	11,075	2	20,503

Sensitivity analysis

A 10% strengthening of RMB against the following currencies at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2007		2006	
	USD	SGD	USD	SGD
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or Loss	(72)	(1,108)	–	(2,050)

A 10% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Notes to the Financial Statements
Year ended 31 December 2007

23. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowing Costs*
- FRS 108 *Operating Segments*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Other than the change in disclosures relating to FRS 108, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Shareholding Statistics
as at 12 March 2008

No. of Issued Shares : 166,177,000 Ordinary Shares
Class of shares : Ordinary Shares
Voting rights : 1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	8	1.06	1,544	0.00
1,000 - 10,000	498	65.79	2,976,000	1.79
10,001 - 1,000,000	236	31.17	15,244,869	9.17
1,000,001 and above	15	1.98	147,954,587	89.04
	757	100.00	166,177,000	100.00

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Raffles Education Corporation Limited	45,879,000	27.61
2	UOB Kay Hian Pte Ltd	38,702,000	23.29
3	DBS Nominees Pte Ltd	9,443,215	5.68
4	HSBC (Singapore) Nominees Pte Ltd	8,578,000	5.16
5	Waterworth Pte Ltd	8,300,000	4.99
6	Raffles Nominees Pte Ltd	8,175,000	4.92
7	Citibank Nominees Singapore Pte Ltd	7,780,225	4.68
8	Wang Yuean	3,716,698	2.24
9	HL Bank Nominees (S) Pte Ltd	3,532,389	2.13
10	DMG & Partners Securities Pte Ltd	3,232,000	1.94
11	CIMB-GK Securities Pte. Ltd.	2,899,000	1.74
12	Kim Eng Securities Pte. Ltd.	2,657,000	1.60
13	Yap Chong Hin Gabriel	2,000,000	1.20
14	United Overseas Bank Nominees Pte Ltd	1,612,000	0.97
15	DBSN Services Pte Ltd	1,448,060	0.87
16	Phillip Securities Pte Ltd	781,000	0.47
17	DBS Vickers Securities (S) Pte Ltd	723,000	0.44
18	BNP Paribas Nominees S'pore Pte Ltd	645,000	0.39
19	Lim & Tan Securities Pte Ltd	635,000	0.38
20	Chang Yeh Hong	565,000	0.34
		151,303,587	91.04

Shareholding Held in Hands of Public

Based on information available to the Company as at 12 March 2008, approximately 45.39% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Substantial Shareholders

	Direct Interest		Deemed Interest	
Name	No. of shares	%	No. of shares	%
Wang Yuean	42,209,698	25.40	-	-
Raffles Education Corporation Limited	48,537,000	29.21	-	-
Chew Hua Seng	-	-	48,537,000	29.21

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Waterfront Ballroom 3, Level 2, Grand Copthorne Waterfront Singapore, 392 Havelock Road, Singapore 169663 on Monday, 28 April 2008 at 2.30 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2007 and the Directors' Report and the Auditors Report thereon. **(Resolution 1)**

2. To declare a Final (tax-exempt one-tier) Dividend of S$0.005 per ordinary share for the financial year ended 31 December 2007. **(Resolution 2)**

3. To re-elect Prof. Tan Teck Meng retiring pursuant to Article 93 of the Company's Articles of Association. **(Resolution 3)**

   Prof. Tan Teck Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee respectively. He will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Lai Seng Kwoon retiring pursuant to Article 93 of the Company's Articles of Association. **(Resolution 4)**

   Mr Lai Seng Kwoon will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee respectively. He will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve payment of Directors' fees of S$170,027 for the financial year ended 31 December 2007 (2006: S$206,667). **(Resolution 5)**

6. To approve Directors' fees of $200,000 payable for the financial year ending 31 December 2008. **(Resolution 6)**

7. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolution with or without modifications:-

8. **Authority to allot and issue shares**

   (a) "That, pursuant to Section 161 of the Companies Act (Cap. 50), and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to :

      (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

      (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

      (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

Notice of Annual General Meeting

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

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) a new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

(See Explanatory Note)

Notice of Annual General Meeting

9. To consider and, if thought fit, to pass the following ordinary resolution with or without modifications:-

Renewal of Shareholders' Mandate for Interested Person Transactions

(a) "That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company and its subsidiaries and associated companies (if any) or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Circular to Shareholders dated 11 April 2008 (the "Circular"), with any party who is of the class of Interested Persons described in the Circular, provided that such transactions are made at arm's length on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Circular;

(b) That such approval given in the paragraph (a) above (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

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

(Resolution 9)

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

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

Singapore, 11 April 2008

Notice of Annual General Meeting

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2. A proxy need not be a member of the Company.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Cross Street #11-00 PWC Building Singapore 048424 not later than 48 hours before the time appointed for the Meeting.

Explanatory Note:-

The ordinary resolution in item no. 8 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2008 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00 Singapore 068906 up to 5.00 p.m. on 7 May 2008 will be registered to determine shareholders' entitlements to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 May 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 28 April 2008 will be made on 21 May 2008.

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Oriental Century Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 200303707R)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy Oriental Century Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We ____

of ____

being * a member/members of Oriental Century Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Fifth Annual General Meeting of the Company to be held at Waterfront Ballroom 3, Level 2, Grand Copthorne Waterfront Singapore, 392 Havelock Road, Singapore 169663 on Monday, 28 April 2008 at 2.30 p.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of Directors and Auditors thereon.		
2.	To declare a Final (tax-exempt one-tier) Dividend of S$0.005 per ordinary share for the financial year ended 31 December 2007.		
3.	To re-elect Prof. Tan Teck Meng pursuant to Article 93 of the Company's Articles of Association.		
4.	To re-elect Mr Lai Seng Kwoon pursuant to Article 93 of the Company's Articles of Association.		
5.	To approve payment of Directors' fees of S$170,027 for the financial year ended 31 December 2007.		
6.	To approve Directors' fees of $200,000 payable for the financial year ending 31 December 2008.		
7.	To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
9.	Approval of Renewal of Shareholders' Mandate for Interested Person Transactions.		

Dated this ________day of ____________________ 2008

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Cross Street #11-00 PWC Building Singapore 048424 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

AFFIX
STAMP

The Company Secretary
ORIENTAL CENTURY LIMITED
8 Cross Street #11-00
PWC Building
Singapore 048424

ORIENTAL CENTURY LIMITED
Company Registration No.: 200303707R

Registered Office
8 Cross Street
#11-00, PWC Building
Singapore 048424

Head Office
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