

Overseas Education Limited

Company Registration No: 201131905D

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT

PART 1 INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2,&Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		Change %		
	31-Mar-14 \$'000	First Quarter ended 31-Mar-13 \$'000			
Revenue					
Tuition fees	24,477	96.1%	24,134	95.8%	1.4
Registration fees	511	2.0%	471	1.9%	8.5
School bookshop sales	148	0.6%	194	0.8%	(23.7)
Enrichment programme revenue	227	0.9%	260	1.0%	(12.7)
Interest income	78	0.3%	115	0.4%	(32.2)
Other revenue	20	0.1%	14	0.1%	42.9
Total revenue	25,461	100.0%	25,188	100.0%	1.1
Operating expenses					
Personnel expenses	14,342	56.3%	13,413	53.3%	6.9
School lease rental	1,707	6.7%	1,708	6.8%	(0.1)
Depreciation and amortisation expenses	980	3.8%	1,042	4.1%	(6.0)
Cost of goods sold	95	0.4%	113	0.4%	(15.9)
Enrichment programme cost	162	0.6%	179	0.7%	(9.5)
Utilities	173	0.7%	172	0.7%	0.6
Upkeep and maintenance	243	1.0%	200	0.8%	21.5
Other operating expenses	1,113	4.4%	1,001	4.0%	11.2
Share subsidy for staff shareholders	-	0.0%	1,081	4.3%	n.m.
Total operating expenses	18,815	73.9%	18,909	75.1%	(0.5)
Profit before taxation	6,646	26.1%	6,279	24.9%	5.8
Income tax expense	(1,128)	4.4%	(1,077)	4.3%	4.7
Profit for the period	5,518	21.7%	5,202	20.6%	6.1
Other comprehensive income for the period, net of tax	(+)		+		0.0
Total comprehensive income for the period	5,518	21.7%	5,202	20.6%	6.1
Attributable to:					
Owners of the Company	5,518	21.7%	5,202	20.6%	6.1
	5,518	21.7%	5,202	20.6%	6.1

n.m. - Not meaningful
+ - Amount lower than S\$1,000

1(a)(ii) Breakdown and Explanatory Notes to Consolidated Statement of Comprehensive Income

	31-Mar-14	Group First Quarter ended 31-Mar-13	Change
	\$'000	\$'000	%
(Write back)/allowance for doubtful debt	(0)	20	n.m.
Under provision of tax in respect of prior year	-	3	n.m.
Loss on disposal of property, plant and equipment	3	15	(80.0)
Share subsidy for staff shareholders (Note A)	-	1,081	n.m.

Note A: Relates to the share subsidy provided by the Group of \$0.096 per share which was a discount of 20% to the invitation price for each reserved share subscribed by the staff shareholders in the IPO.

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS

	GROUP		COMPANY	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment				
- Leasehold land	36,173	36,482	-	-
- Other property, plant and equipment	40,952	22,330	282	218
Intangible assets	3,132	3,225	-	-
Investment in subsidiaries	-	-	66,219	46,219
School lease deposits	1,825	1,828	-	-
Staff housing deposits	314	304	-	-
	<u>82,396</u>	<u>64,169</u>	<u>66,501</u>	<u>46,437</u>
Current assets				
Inventories	567	596	-	-
Trade receivables	770	1,085	-	-
Other receivables and deposits	378	374	17	13
Goods and Services Tax receivables	1,469	-	-	-
Prepayments	2,234	1,117	63	18
Fee protection insurance deposits	-	2,031	-	-
Cash and bank balances	99,049	111,203	48,343	68,245
Fixed deposits	-	13,500	-	-
	<u>104,467</u>	<u>129,906</u>	<u>48,423</u>	<u>68,276</u>
TOTAL ASSETS	<u>186,863</u>	<u>194,075</u>	<u>114,924</u>	<u>114,713</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	596	193	-	-
Other payables	789	680	127	112
Fees received in advance	25,710	37,565	-	-
Goods and Services Tax payable	55	2,416	55	61
Central Provident Fund payable	322	476	7	32
Income tax payable	6,208	5,015	72	58
	<u>33,680</u>	<u>46,345</u>	<u>261</u>	<u>263</u>
NET CURRENT ASSETS	70,787	83,561	48,162	68,013
Non-current liabilities				
Deferred tax liabilities	1,011	1,076	-	-
Net assets	<u>152,172</u>	<u>146,654</u>	<u>114,663</u>	<u>114,450</u>
Equity attributable to owners of the Company				
Share capital	99,253	99,253	99,253	99,253
Revenue reserve	39,088	33,570	15,410	15,197
Other reserves	13,831	13,831	-	-
	<u>152,172</u>	<u>146,654</u>	<u>114,663</u>	<u>114,450</u>

1b(ii) Aggregate amount of Group's borrowings and debt securities

There were no borrowings or debt securities as at the end of the financial period reported on or at the end of the immediately preceding financial year.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding year.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	GROUP	
	First Quarter ended	
	31-Mar-14	31-Mar-13
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	6,646	6,279
Adjustments for:		
Depreciation expenses	802	848
Amortisation expenses	178	194
Loss on disposal of property, plant and equipment	3	15
Interest income	(78)	(115)
Operating profit before working capital changes	7,551	7,221
Decrease/(increase) in inventories	29	(62)
Decrease in trade receivables	315	495
(Increase)/decrease in other receivables and deposits, GST receivables and prepayments	(562)	478
(Increase)/decrease in non-current deposits	(7)	26
Decrease in trade payables and other payables and fees received in advance	(13,859)	(16,219)
Cash used in operations	(6,533)	(8,061)
Interest received	82	95
Income tax paid	-	(3)
Net cash used in operating activities	(6,451)	(7,969)
Cash flows from investing activities		
Additions of intangible assets	(85)	(125)
Acquisition of property, plant and equipment	(19,119)	(170)
Proceeds from disposal of property, plant and equipment	1	2
Net cash used in investing activities	(19,203)	(293)
Cash flows from financing activities		
Issuance of new ordinary shares on completion of IPO exercise	-	72,000
Share issuance expenses	-	(3,966)
Net cash generated from financing activities	-	68,034
Net (decrease)/increase in cash and cash equivalents	(25,654)	59,772
Cash and cash equivalents at beginning of the period	124,703	94,456
Cash and cash equivalents at end of the period	99,049	154,228

- 1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total equity \$'000
	Share capital \$'000	Revenue reserve \$'000	Other reserves, total \$'000	Foreign currency translation reserve \$'000	Merger reserve \$'000	Capital reserve \$'000	
GROUP							
2014							
Balance at 1 January 2014	99,253	33,570	13,831	1	(26,170)	40,000	146,654
Profit net of tax	-	5,518	-	-	-	-	5,518
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	5,518	-	(+)	-	-	5,518
Balance at 31 March 2014	99,253	39,088	13,831	1	(26,170)	40,000	152,172
2013							
Balance at 1 January 2013	31,219	22,382	13,831	1	(26,170)	40,000	67,432
Profit net of tax	-	5,202	-	-	-	-	5,202
Other comprehensive income for the period	-	-	-	+	-	-	+
Total comprehensive income for the period	-	5,202	-	+	-	-	5,202
Contributions by owners							
Shares issued for Initial Public Offering	72,000	-	-	-	-	-	72,000
Share issuance expenses	(3,966)	-	-	-	-	-	(3,966)
Total transactions with owners in their capacity as owners	68,034	-	-	-	-	-	68,034
Balance at 31 March 2013	99,253	27,584	13,831	1	(26,170)	40,000	140,668

+ Amount lower than S\$1,000

Note # Merger reserve represents the difference between the consideration paid by the Company and the share capital of the subsidiaries acquired under common control during FY 2011, following the application of the pooling of interest method. This reserve will remain until the subsidiaries are disposed.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
COMPANY			
2014			
Balance at 1 January 2014	99,253	15,197	114,450
Profit net of tax	-	213	213
Total comprehensive income for the period	-	213	213
Balance at 31 March 2014	99,253	15,410	114,663
2013			
Balance at 1 January 2013	31,219	12,223	43,442
Profit net of tax	-	11	11
Total comprehensive income for the period	-	11	11
Contributions by owners			
Shares issued for Initial Public Offering	72,000	-	72,000
Share issuance expenses	(3,966)	-	(3,966)
Total transactions with owners in their capacity as owners	68,034	-	68,034
Balance at 31 March 2013	99,253	12,234	111,487

- 1d(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 31 March 2014, the Company has no outstanding convertibles (31 March 2013: nil).

	Group and company	
	As at	
	31-Mar-14	31-Dec-13
At 1 January	No of shares 415,363,548	No of shares 265,363,548
Issuance of new ordinary shares pursuant to listing of the Company on SGX-ST	-	150,000,000
At the end of the period	415,363,548	415,363,548

- 1d(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at	
	31-Mar-14	31-Dec-13
Total number of issued shares	415,363,548	415,363,548

- 1d(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3 **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4 **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2013, except for the adoption of the new and revised Financial Reporting Standards (FRS) which become effective for the financial year beginning on or after 1 January 2014.

- 5 **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new and revised accounting standards referred to in paragraph 4 did not give rise to any significant changes to the financial statements.

- 6 **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	GROUP	
	31-Mar-14	31-Mar-13
	cents	cents
Earnings per ordinary share of the Group for the financial period based on net profit attributable to shareholders:		*
Based on weighted average number of ordinary shares on issue	1.3	1.5
On a fully diluted basis	1.3	1.5

- 7 **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	cents	cents	cents	cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	36.6	35.3	27.6	27.6

8 **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Review of performance

Review of Income statement

During the first quarter ended 31 March 2014 (Q1 2014), total revenue increased by \$0.27 million from \$25.19 million in the first quarter ended 31 March 2013 (Q1 2013) to \$25.46 million. This was mainly due to increase in revenue from tuition fees.

Tuition fees revenue increased from \$24.13 million in Q1 2013 to \$24.48 million in Q1 2014. The increase was mainly attributable to revision in tuition fees across all grades of the School for the academic year that commenced in August 2013.

Revenue from registration fees increased from \$0.47 million to \$0.51 million as the number of registrations increased in Q1 2014 compared with Q1 2013.

Revenue from school bookshop sales declined from \$0.19 million in Q1 2013 to \$0.15 million in Q1 2014. Enrichment programme revenue also decreased from \$0.26 million in Q1 2013 to \$0.23 million in Q1 2014 as a result of lower enrolment in enrichment programmes in Q1 2014 as compared to Q1 2013.

Interest income was lower at \$0.08 million in Q1 2014 compared to \$0.12 million in Q1 2013. Interest earning cash and bank balances and fixed deposits were higher in Q1 2013 due to IPO proceeds received. These proceeds have since been partially utilised for the construction of the new school. Other revenue increased from \$14,000 in Q1 2013 to \$20,000 in Q1 2014.

In Q1 2014, the total operating expenses decreased from \$18.91 million in Q1 2013 to \$18.82 million, mainly due to the absence of the one-off IPO share subsidy for staff shareholders offset by higher personnel expenses in Q1 2014.

Personnel expenses increased by \$0.93 million from \$13.41 million in Q1 2013 to \$14.34 million in Q1 2014. This was mainly due to general increase in salaries and the corresponding CPF contribution for both administrative and academic staff.

Depreciation and amortisation expenses were lower from \$1.04 million in Q1 2013 to \$0.98 million in Q1 2014 as more fixed assets (in particular renovations) had been fully depreciated in FY 2013.

Utilities remained stable at \$0.17 million as compared to Q1 2013. Upkeep and maintenance expenses increased from \$0.20 million in Q1 2013 to \$0.24 million in Q1 2014, due to more work done on maintenance in Q1 2014.

Other operating expenses increased by \$0.11 million, from \$1.00 million in Q1 2013 to \$1.11 million in Q1 2014, mainly due to the fee protection insurance scheme premium incurred for Q1 2014 which was not incurred in Q1 2013.

The share subsidy of \$1.08 million was for the subsidy provided by the Group of \$0.096 per share which was a discount of 20% to the invitation price for each reserved share subscribed by 166 staff shareholders in the IPO exercise completed in Q1 2013.

Profit before taxation increased from \$6.28 million in Q1 2013 to \$6.65 million in Q1 2014, an increase of \$0.37 million.

Effective tax rate remained at 17% for both Q1 2014 and Q1 2013.

Profit after taxation increased by \$0.32 million from \$5.20 million in Q1 2013 to \$5.52 million in Q1 2014.

Review of Balance Sheet as at 31 March 2014

Other property, plant and equipment increased by \$18.62 million from \$22.33 million as at 31 December 2013 to \$40.95 million as at 31 March 2014, mainly due to capital expenditure of \$18.90 million incurred for the development of the new school campus, offset by depreciation charge of \$0.80 million in Q1 2014.

Trade receivables decreased by \$0.32 million mainly due to collection of outstanding receivables as at 31 December 2013.

Goods and services tax receivables as at 31 March 2014 of \$1.47 million were mainly due to GST receivables on expenditure incurred for the construction of the new school campus.

Prepayments increased by \$1.12 million mainly due to increase in prepaid insurance for fee protection scheme.

As at 31 March 2014, the Group's cash and bank balances and fixed deposits stood at \$99.05 million, a decrease from \$124.70 million as at 31 December 2013. The decrease was mainly due to the acquisition of property, plant and equipment as explained in the review of Group cash flow below.

The increase in trade payables and other payables of \$0.40 million and \$0.11 million respectively as at 31 March 2014 was mainly due to more expenses being incurred by the School during school term as compared to the end of December 2013, when the first semester of the academic year had ended and it was the School vacation.

Fees received in advance decreased from \$37.57 million as at 31 December 2013 to \$25.71 million as at 31 March 2014. The fees received in advance as at 31 December 2013 were for tuition fees collected for the second semester commencing in January 2014. As the semester progressed, fees received in advance and recorded as current liability on the balance sheet decreased as these fees received in advance were recognised over the course of the semester as revenue on a straight-line basis.

Review of Group cash flow for the first quarter ended 31 March 2014

In Q1 2014, net cash used in operating activities was \$6.45 million, which consisted of cash flows from operating activities before working capital changes of \$7.55 million, net working capital outflow of \$14.08 million and interest received of \$82,000.

The net working capital outflow of \$14.08 million arose mainly from the decrease in fees received in advance of \$11.86 million. Fees received in advance as at 31 December 2013 were gradually recognised as revenue over the course of the semester. In addition, the GST payable as at 31 December 2013 of \$2.42 million was paid before the end of 31 March 2014.

The net cash used in investing activities of \$19.20 million was mainly due to the capital expenditure for the development of the new school campus.

9 Where a forecast , or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The Company had completed the issuance of \$150 million Bonds on 17 April 2014. The Bonds are for a tenor of five years and bear interest at 5.20% per annum, payable semi-annually in arrear on 17 October and 17 April of each year. The net proceeds from this will be used by the Group for the building of the new school campus of Overseas Family School at Pasir Ris Drive 3, Singapore.

Inflationary pressures worldwide continue to be of concern as it could translate into higher personnel expenses. Since these expenses form the largest component of the Group's operating expenses, the ability to pass on any such increase to the Clients could affect the Group's operational results.

11 Dividend

(a) Current financial period reported on

The directors do not recommend any declaration of dividend for the current financial period reported on.

(b) Corresponding period of the immediately preceding financial year

No dividend was declared for the corresponding period of the preceding financial year.

12 If the Group has obtained a general mandate from the shareholders for Interested Person Transactions (IPT), the aggregate value of such transactions as required under Rule 920(1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

13 Negative confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual.

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial results to be false or misleading in any material aspect.

14 Disclosure of the status on the use of proceeds raised from IPO.

The Company raised net proceeds of S\$68,033,985 (after deducting IPO expenses of S\$3,966,015) from its IPO on 7 February 2013. The amount utilised as at the date of this report is as follows:

Building of a new school campus	<u>17,100,000</u>
Balance proceeds	<u>50,933,985</u>

BY ORDER OF THE BOARD

David Alan Perry
Executive Chairman and Chief Executive Officer
9 May, 2014

The initial public offering of the Company's shares was sponsored by United Overseas Bank Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this Announcement.