

# Overseas Education Limited

Company Registration No: 201131905D

## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT

### PAR 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			30-Sep-14 \$'000	GROUP			Change %
	Third Quarter ended 30-Sep-14 \$'000	30-Sep-13 \$'000	Change %		Year to Date ended 30-Sep-13 \$'000	Change %		
<b>Revenue</b>								
Tuition fees	23,592	24,443	(3.5)	73,359	95.6%	73,449	95.2%	(0.1)
Registration fees	360	329	9.4	1,385	1.8%	1,441	1.9%	(3.9)
School bookshop sales	610	730	(16.4)	897	1.2%	1,070	1.4%	(16.2)
Enrichment programme revenue	113	202	(44.1)	521	0.7%	691	0.9%	(24.6)
Interest income	203	122	66.4	482	0.6%	370	0.5%	30.3
Other revenue	36	68	(47.1)	91	0.1%	96	0.1%	(5.2)
<b>Total revenue</b>	<b>24,914</b>	<b>25,894</b>	<b>(3.8)</b>	<b>76,735</b>	<b>100.0%</b>	<b>77,117</b>	<b>100.0%</b>	<b>(0.5)</b>
<b>Operating expenses</b>								
Personnel expenses	13,850	14,287	(3.1)	43,064	56.1%	41,387	53.7%	4.1
School lease rental	1,708	1,708	0.0	5,123	6.7%	5,123	6.6%	0.0
Depreciation and amortisation expenses	891	987	(9.7)	2,844	3.7%	3,014	3.9%	(5.6)
Cost of goods sold	393	491	(20.0)	552	0.7%	694	0.9%	(20.5)
Enrichment programme cost	98	97	1.0	357	0.5%	378	0.5%	(5.6)
Utilities	134	136	(1.5)	527	0.6%	535	0.7%	(1.5)
Upkeep and maintenance	191	309	(38.2)	834	1.1%	944	1.2%	(11.7)
Other operating expenses	1,271	1,029	23.5	3,800	5.0%	3,224	4.2%	17.9
Share subsidy for staff shareholders	-	-	0.0	-	0.0%	1,081	1.4%	n.m.
<b>Total operating expenses</b>	<b>18,536</b>	<b>19,044</b>	<b>(2.7)</b>	<b>57,101</b>	<b>74.4%</b>	<b>56,380</b>	<b>73.1%</b>	<b>1.3</b>
<b>Profit before taxation</b>	<b>6,378</b>	<b>6,850</b>	<b>(6.9)</b>	<b>19,634</b>	<b>25.6%</b>	<b>20,737</b>	<b>26.9%</b>	<b>(5.3)</b>
Income tax expense	(1,030)	(1,202)	(14.3)	(3,283)	4.3%	(3,624)	4.7%	(9.4)
<b>Profit for the period</b>	<b>5,348</b>	<b>5,648</b>	<b>(5.3)</b>	<b>16,351</b>	<b>21.3%</b>	<b>17,113</b>	<b>22.2%</b>	<b>(4.4)</b>
Other comprehensive income for the period, net of tax	+	+	0.0	+		+		0.0
<b>Total comprehensive income for the period</b>	<b>5,348</b>	<b>5,648</b>	<b>(5.3)</b>	<b>16,351</b>	<b>21.3%</b>	<b>17,113</b>	<b>22.2%</b>	<b>(4.4)</b>
Attributable to:								
Owners of the Company	5,348	5,648	(5.3)	16,351	21.3%	17,113	22.2%	(4.4)
	<b>5,348</b>	<b>5,648</b>	<b>(5.3)</b>	<b>16,351</b>	<b>21.3%</b>	<b>17,113</b>	<b>22.2%</b>	<b>(4.4)</b>

n.m. - Not meaningful

+ - Amount lower than S\$1,000

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

	GROUP			Group		
	Third Quarter ended			Year to Date ended		
	30-Sep-14	30-Sep-13	Change	30-Sep-14	30-Sep-13	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance for doubtful debt	44	26	69.2	52	60	(13.3)
(Over)/Under provision of tax in respect of prior year	-	-	n.m.	(25)	3	n.m.
Loss/(Gain) on disposal of plant and equipment	13	15	(13.3)	18	26	(30.8)
Share subsidy for staff shareholders (Note A)	-	-	0.0	-	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**

	Note	GROUP		COMPANY	
		30-Sep-14 \$'000	31-Dec-13 \$'000	30-Sep-14 \$'000	31-Dec-13 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment					
- Leasehold land		35,554	36,482	-	-
- Other property, plant and equipment		117,014	22,330	222	218
Intangible assets		2,979	3,225	-	-
Investment in subsidiaries		-	-	66,219	46,219
Inter-company loan to subsidiary		-	-	68,181	-
Bonds - Issuance expenses	1	1,545	-	1,545	-
School lease deposits		2,035	1,828	-	-
Staff housing deposits		199	304	-	-
		<u>159,326</u>	<u>64,169</u>	<u>136,167</u>	<u>46,437</u>
<b>Current assets</b>					
Inventories		607	596	-	-
Trade receivables		822	1,085	-	-
Other receivables and deposits		477	374	12	13
Goods and Services Tax receivables		3,116	-	-	-
Amount owing by subsidiary		-	-	3,722	-
Bonds - Issuance expenses	1	436	-	436	-
Prepayments		2,218	1,117	31	18
Fee protection insurance deposits		-	2,031	-	-
Cash and bank balances		168,981	111,203	119,210	68,245
Fixed deposits		-	13,500	-	-
		<u>176,657</u>	<u>129,906</u>	<u>123,411</u>	<u>68,276</u>
<b>TOTAL ASSETS</b>		<u>335,983</u>	<u>194,075</u>	<u>259,578</u>	<u>114,713</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		256	193	-	-
Other payables and liabilities		1,081	680	573	112
Fees received in advance		24,679	37,565	-	-
Bonds - Interest payable		3,569	-	3,569	-
Goods and Services Tax payable		56	2,416	56	61
Central Provident Fund payable		301	476	5	32
Income tax payable		3,498	5,015	87	58
		<u>33,440</u>	<u>46,345</u>	<u>4,290</u>	<u>263</u>
<b>NET CURRENT ASSETS</b>		143,217	83,561	119,121	68,013
<b>Non-current liabilities</b>					
Borrowings - Bonds	1	150,000	-	150,000	-
Other liabilities		-	-	1,545	-
Deferred tax liabilities		960	1,076	-	-
		<u>150,960</u>	<u>1,076</u>	<u>151,545</u>	<u>-</u>
Net assets		<u>151,583</u>	<u>146,654</u>	<u>103,743</u>	<u>114,450</u>
<b>Equity attributable to owners of the Company</b>					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		38,499	33,570	4,490	15,197
Other reserves		13,831	13,831	-	-
		<u>151,583</u>	<u>146,654</u>	<u>103,743</u>	<u>114,450</u>
Note 1:					
Borrowings - Bonds		150,000			
Bonds - Issuance expenses					
- Non-current assets		(1,545)			
- Current assets		(436)			
		<u>(1,981)</u>			
		<u>148,019</u>			

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

The Company issued \$150 million bonds on 17 April 2014 with maturity on 17 April 2019. The Bonds are unsecured and bear interest from 17 April 2014 at the rate of 5.20 per cent. per annum, payable semi-annually in arrear on 17 October and 17 April in each year.

	<b>30-Sep-14</b>
	<b>\$'000</b>
Borrowings - Bonds	150,000
Bonds issuance expenses	(1,981)
	<u>148,019</u>
Total bonds issuance expenses incurred	2,181
Amortisation during the period	(200)
	<u>1,981</u>

There were no borrowings or debt securities as 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**

	<b>GROUP</b>		<b>GROUP</b>	
	<b>Third Quarter ended</b>	<b>30-Sep-13</b>	<b>Year to Date ended</b>	<b>30-Sep-13</b>
	<b>30-Sep-14</b>	<b>30-Sep-13</b>	<b>30-Sep-14</b>	<b>30-Sep-13</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	6,378	6,850	19,634	20,737
Adjustments for:				
Depreciation expenses	713	808	2,311	2,462
Amortisation expenses	178	179	533	552
Loss/(Gain) on disposal of plant and equipment	13	15	18	26
Interest income	(203)	(122)	(482)	(370)
<b>Operating profit before working capital changes</b>	<u>7,079</u>	<u>7,730</u>	<u>22,014</u>	<u>23,407</u>
Increase in inventories	(1)	-	(11)	(82)
Increase in trade receivables	1,626	1,768	263	459
Decrease in other receivables and deposits and prepayments	(3,990)	(1,953)	(2,293)	(991)
(Increase)/decrease in non-current deposits	(57)	58	(102)	93
Decrease in trade payables, other payables and liabilities, and fees received in advance	5,670	6,139	(14,958)	(14,015)
<b>Cash generated from operations</b>	<u>10,327</u>	<u>13,742</u>	<u>4,913</u>	<u>8,871</u>
Interest received	205	65	488	265
Income tax paid	(2,457)	(2,007)	(4,915)	(4,022)
<b>Net cash generated from operating activities</b>	<u>8,075</u>	<u>11,800</u>	<u>486</u>	<u>5,114</u>
<b>Cash flows from investing activities</b>				
Additions of intangible assets	(125)	(77)	(288)	(322)
Acquisition of property, plant and equipment	(40,121)	(12,384)	(92,377)	(41,988)
Proceeds from disposal of plant and equipment	15	25	60	36
<b>Net cash used in investing activities</b>	<u>(40,231)</u>	<u>(12,436)</u>	<u>(92,605)</u>	<u>(42,274)</u>
<b>Cash flows from financing activities</b>				
Issuance of bonds	-	-	150,000	-
Bonds issuance expenses	-	-	(2,181)	-
Issuance of new ordinary shares on completion of IPO exercise	-	-	-	72,000
Share issuance expenses	-	-	-	(3,966)
Dividends paid	-	-	(11,422)	(11,422)
<b>Net cash generated from financing activities</b>	<u>-</u>	<u>-</u>	<u>136,397</u>	<u>56,612</u>
Net increase/(decrease) in cash and cash equivalents	(32,156)	(636)	44,278	19,452
Cash and cash equivalents at beginning of the period	201,137	114,544	124,703	94,456
<b>Cash and cash equivalents at end of the period</b>	<u>168,981</u>	<u>113,908</u>	<u>168,981</u>	<u>113,908</u>

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	
					(Note #)		
<b>GROUP</b>							
<b>2014</b>							
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 and 1 April 2014	99,253	39,088	13,831	1	(26,170)	40,000	152,172
Profit net of tax	-	5,485	-	-	-	-	5,485
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	5,485	-	(+)	-	-	5,485
Distribution to owners							
Dividends	-	(11,422)	-	-	-	-	(11,422)
Total transactions with owners in their capacity as owners	-	(11,422)	-	-	-	-	(11,422)
Balance at 30 June 2014 and 1 July 2014	99,253	33,151	13,831	1	(26,170)	40,000	146,235
Profit net of tax	-	5,348	-	-	-	-	5,348
Other comprehensive income for the period	-	-	-	+	-	-	-
Total comprehensive income for the period	-	5,348	-	+	-	-	5,348
Distribution to owners							
Dividends	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Balance at 30 September 2014	99,253	38,499	13,831	1	(26,170)	40,000	151,583
<b>2013</b>							
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 and 1 April 2013	99,253	27,584	13,831	1	(26,170)	40,000	140,668
Profit net of tax	-	6,263	-	-	-	-	6,263
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	6,263	-	(+)	-	-	6,263
Distribution to owners							
Dividends	-	(11,422)	-	-	-	-	(11,422)
Total transactions with owners in their capacity as owners	-	(11,422)	-	-	-	-	(11,422)
Balance at 30 June 2013 and 1 July 2013	99,253	22,425	13,831	1	(26,170)	40,000	135,509
Profit net of tax	-	5,648	-	-	-	-	5,648
Other comprehensive income for the period	-	-	-	+	-	-	+
Total comprehensive income for the period	-	5,648	-	+	-	-	5,648
Distribution to owners							
Dividends	-	-	-	-	-	-	-
owners	-	-	-	-	-	-	-
Balance at 30 September 2013	99,253	28,073	13,831	1	(26,170)	40,000	141,157

+ 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
<b>COMPANY</b>			
<b>2014</b>			
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 and 1 April 2014	99,253	15,410	114,663
Profit net of tax	-	232	232
Total comprehensive income for the period	-	232	232
Distribution to owners			
Dividends	-	(11,422)	(11,422)
Total transactions with owners in their capacity as owners	-	(11,422)	(11,422)
Balance at 30 June 2014 and 1 July 2014	99,253	4,220	103,473
Profit net of tax	-	270	270
Total comprehensive income for the period	-	270	270
Distribution to owners			
Dividends	-	-	-
Total transactions with owners in their capacity as owners	-	-	-
Balance at 30 September 2014	99,253	4,490	103,743
<b>2013</b>			
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 and 1 April 2013	99,253	12,234	111,487
Profit net of tax	-	42	42
Total comprehensive income for the period	-	42	42
Distribution to owners			
Dividends	-	(11,422)	(11,422)
Total transactions with owners in their capacity as owners	-	(11,422)	(11,422)
Balance at 30 June 2013 and 1 July 2013	99,253	854	100,107
Profit net of tax	-	195	195
Total comprehensive income for the period	-	195	195
Distribution to owners			
Dividends	-	-	-
Total transactions with owners in their capacity as owners	-	-	-
Balance at 30 September 2013	99,253	1,049	100,302

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 30 September 2014, the Company has no outstanding convertibles (30 September 2013 : nil).

	<b>Group and company</b>
	No of shares
At 1 January 2014, 31 March 2014, 30 June 2014 and 30 September 2014	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	
	<b>30-Sep-14</b>	<b>31-Dec-13</b>
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 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		GROUP	
	30-Sep-14 cents	30-Sep-13 cents	30-Sep-14 cents	30-Sep-13 cents
<b>Earnings per ordinary share of the Group for the financial period based on net profit attributable to shareholders:</b>				
Based on weighted average number of ordinary shares on issue	1.3	1.4	3.9	4.4
On a fully diluted basis	1.3	1.4	3.9	4.4
Weighted average number of ordinary shares for basic and diluted earnings per share computation	415,363,548	415,363,548	415,363,548	391,828,749 *

\* This represents the weighted average number of ordinary shares after the IPO exercise in February 2013.

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	
	30-Sep-14 cents	31-Dec-13 cents	30-Sep-14 cents	31-Dec-13 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	36.5	35.3	25.0	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**

Total revenue decreased by \$0.98 million and \$0.38 million during the third quarter ended 30 September 2014 (Q3 2014) and the nine-month period ended 30 September 2014 (9M 2014) respectively. This was a slight decrease of 3.8% and 0.5% respectively as compared to the total revenue recorded in the third quarter ended 30 September 2013 (Q3 2013) and the nine-month period ended 30 September 2013 (9M 2013). The lower revenue in Q3 2014 was mainly due to the decrease in revenue from tuition fees. For the 9M 2014, the decrease was mainly attributed to lower revenue from school bookshop sales and enrichment programme.

Tuition fees revenue decreased from \$24.44 million in Q3 2013 to \$23.59 million in Q3 2014. This was mainly due to some softness in the enrolments in the junior school. For the nine-month period tuition fees decreased from \$73.45 million in 9M 2013 to \$73.36 million in 9M 2014.

Revenue from registration fees improved by 9.4% from \$0.33 million in Q3 2013 to \$0.36 million in Q3 2014. For 9M 2014, registration fees reduced from \$1.44 million in 9M 2013 to \$1.39 million in 9M 2014.

Revenue from school bookshop sales was \$0.61 million in Q3 2014, a reduction of \$0.12 million compared to Q3 2013. For the nine months ended 30 September 2014, school bookshop sales contributed \$0.90 million in revenue compared to \$1.07 million in 9M 2013. Enrichment programme revenue decreased from \$0.20 million in Q3 2013 to \$0.11 million in Q3 2014. Similarly, enrichment programme revenue declined from \$0.69 million in 9M 2013 to \$0.52 million in 9M 2014.

Interest income improved to \$0.20 million in Q3 2014 and \$0.48 million for 9M 2014 compared to \$0.12 million in Q3 2013 and \$0.37 million for 9M 2013 respectively. Interest earning cash and bank balances increased mainly due to the bond proceeds received in the second quarter of 2014. Other revenue decreased from \$68,000 in Q3 2013 to \$36,000 in Q3 2014 and from \$96,000 in 9M 2013 to \$91,000 in 9M 2014.

In Q3 2014, total operating expenses decreased by \$0.50 million from \$19.04 million in Q3 2013 to \$18.54 million. All expenses, other than rental and other operating expenses, contributed to the lower expenses. However, total operating expenses was slightly higher by 1.3% in 9M 2014 as compared to 9M 2013. The increase was mainly due to the increase in personnel expenses and other operating expenses.

Personnel expenses were \$13.85 million in Q3 2014 as compared to \$14.29 million in Q3 2013, a reduction of \$0.44 million. This was mainly due to lower headcount of faculty staff for the new academic year that commenced in August 2014. The personnel expenses were higher in 9M 2014 as compared to 9M 2013 by \$1.67 million, increasing from \$41.39 million to \$43.06 million. This was due to general increase in salaries and the corresponding CPF contribution for both administrative and academic staff for the first half of 2014, resulting from the increase in salaries at the beginning of the school year in August 2013, compared to the corresponding first half of 2013.

Depreciation and amortisation expenses of \$0.89 million and \$2.84 million in Q3 2014 and 9M 2014 respectively were lower as compared to the corresponding periods of Q3 2013 and 9M 2013. This was due to more fixed assets (in particular renovations) being fully depreciated in FY 2013. As the school is preparing for its impending move to new premises in 2015, new asset purchases continued to be closely monitored, resulting in lower depreciation.

Utilities remained constant at \$0.13 million in Q3 2014 and \$0.53 million in 9M 2014 as compared to Q3 2013 and 9M 2013 respectively.

Upkeep and maintenance decreased to \$0.19 million and \$0.83 million in Q3 2014 and 9M 2014 respectively, as compared to \$0.31 million and \$0.94 million for the corresponding periods of Q3 2013 and 9M 2013.

Other operating expenses were higher by \$0.24 million in Q3 2014, from \$1.03 million in Q3 2013 to \$1.27 million and by \$0.58 million in 9M 2014, from \$3.22 million in 9M 2013 to \$3.80 million. The increase was mainly due to the fee protection insurance scheme premium incurred for Q1 and Q2 2014 which was not incurred in the previous comparable periods, following the School's receipt of Edutrust certification on 23 December 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 decreased from \$6.85 million in Q3 2013 to \$6.38 million in Q3 2014. For the nine-month period, profit before taxation reduced by \$1.10 million in 9M 2014 (\$19.63 million) as compared to the corresponding period in 2013 (\$20.73 million).

Effective tax rates for Q3 2014 and 9M 2014 were 16.1% and 16.7% respectively, as compared to 17.5% for both Q3 2013 and 9M 2013.

Profit after taxation reduced by \$0.30 million, from \$5.65 million in Q3 2013 to \$5.35 million in Q3 2014. For the nine-month period, profit after taxation of \$16.35 million in 9M 2014 was lower by \$0.76 million as compared to \$17.11 million in 9M 2013.

#### **Review of Group Balance Sheet as at 30 September 2014**

Other property, plant and equipment increased from \$22.33 million as at 31 December 2013 to \$117.01 million as at 30 September 2014, due to capital expenditure of \$95.19 million incurred for the development of the new school campus plus \$0.93 million depreciation on leasehold land that was transferred to construction-in-progress as part of other property, plant and equipment, and other additions of \$0.87 million, offset by depreciation charge of \$2.31 million in 9M 2014.

Trade receivables decreased by \$0.26 million mainly due to collection of outstanding tuition fees.

As at 30 September 2014, the Group's cash and cash equivalents was \$168.98 million, increased from \$124.70 million as at 31 December 2013. This was mainly contributed by the net proceeds from the issuance of bonds in Q2 2014, which sole purpose is to fund the building of the new school, less the payment to-date for capital expenditure in relation to the construction of the new school campus.

The trade payables as at 30 September 2014 was constant at \$0.26 million.

Fees received in advance decreased from \$37.57 million as at 31 December 2013 to \$24.68 million as at 30 September 2014. The fees received in advance as at 31 December 2013 were for tuition fees due and collected for the second semester of the academic year 2013/2014 commencing in January 2014, while those as at 30 September 2014 were for tuition fees for the semester of the academic year 2014/2015 starting in August 2014, less tuition fees recognised in Q3 2014.

Bonds - Interest Payable was for the interest accrued on the \$150 million bonds at 5.20% p.a. for the period from 17 April 2014 to 30 September 2014.

As at 30 September 2014, GST receivable was \$3.12 million and GST payable was \$56,000, compared to GST payable of \$2.42 million as at 31 December 2013, the difference mainly due to GST receivable on expenditure relating to the construction of the new school campus.

#### **Review of Group cash flow for the third quarter ended 30 September 2014**

In Q3 2014, net cash generated from operating activities was \$8.08 million, which consisted of cash flows from operating activities before working capital changes of \$7.08 million, net working capital inflow of \$3.25 million, interest received of \$205,000 and income tax paid of \$2.46 million.

The net working capital inflow of \$3.25 million in Q3 2014 arose mainly from the increase in payables of \$5.67 million which was mainly due to increase in fees received in advance of \$6.63 million, offset by lower GST payable of \$0.73 million in Q3 2014. There was a decrease in receivables of \$3.99 million arising mainly from increase in GST receivables of \$3.12 million in Q3 2014 which related primarily to the GST on expenditure incurred for the construction of the new school campus.

The net cash outflow in investing activities of \$40.23 million in Q3 2014 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.**

Personnel expenses continue to form the largest part of the Group's operating expenses. Any worldwide inflationary pressures are likely to impact the Group's costs and its operational results. The Group's ability to revise the School's tuition fees rates will affect the Group's operational results.

Construction of the new school in Pasir Ris is proceeding according to schedule and the expected date on or before which temporary occupation permit(TOP) is expected to be obtained remains unchanged at 30 April 2015, ahead of the start of the new school year in August 2015.

#### **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 third quarter and nine months' financial results ended 30 September 2014 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  
November 12, 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.