

# Overseas Education Limited

Company Registration No: 201131905D

## UNAUDITED THIRD QUARTER FINANCIAL STATEMENT

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

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 Third Quarter ended			30-Sep-15 \$'000	GROUP Year to Date ended		
	30-Sep-15 \$'000	30-Sep-14 \$'000	Change %		30-Sep-14 \$'000	Change %	
<b>Revenue</b>							
Tuition fees	22,539	23,592	(4.5)	70,556	96.4%	73,359	95.6% (3.8)
Registration fees	239	360	(33.6)	1,093	1.5%	1,385	1.8% (21.1)
School bookshop sales	548	610	(10.2)	791	1.1%	897	1.2% (11.8)
Enrichment programme revenue	69	113	(38.9)	377	0.5%	521	0.7% (27.6)
Interest income	94	203	(53.7)	286	0.4%	482	0.6% (40.7)
Other revenue	30	36	(16.7)	76	0.1%	91	0.1% (16.5)
<b>Total revenue</b>	<b>23,519</b>	<b>24,914</b>	<b>(5.6)</b>	<b>73,179</b>	<b>100.0%</b>	<b>76,735</b>	<b>100.0%</b> (4.6)
<b>Operating expenses</b>							
Personnel expenses	14,651	13,850	5.8	42,663	58.3%	43,064	56.1% (0.9)
School lease rental	4	1,708	(99.8)	3,416	4.7%	5,123	6.7% (33.3)
Depreciation and amortisation expenses	2,720	891	205.3	4,361	6.0%	2,844	3.7% 53.3
Cost of goods sold	335	393	(14.8)	473	0.6%	552	0.7% (14.3)
Enrichment programme cost	46	98	(53.1)	245	0.3%	357	0.5% (31.4)
Utilities	317	134	136.6	765	1.0%	527	0.6% 45.2
Upkeep and maintenance	145	191	(24.1)	442	0.6%	834	1.1% (47.0)
Finance costs	2,076	-	n.m.	2,076	2.8%	-	0.0% n.m.
Other operating expenses	1,416	1,271	11.4	3,745	5.1%	3,800	5.0% (1.4)
Relocation to Pasir Ris	-	-	n.m.	322	0.4%	-	0.0% n.m.
<b>Total operating expenses</b>	<b>21,710</b>	<b>18,536</b>	<b>17.1</b>	<b>58,508</b>	<b>80.0%</b>	<b>57,101</b>	<b>74.4%</b> 2.5
<b>Profit before taxation</b>	<b>1,809</b>	<b>6,378</b>	<b>(71.6)</b>	<b>14,671</b>	<b>20.0%</b>	<b>19,634</b>	<b>25.6%</b> (25.3)
Income tax expense	(41)	(1,030)	(96.0)	(2,053)	2.8%	(3,283)	4.3% (37.5)
<b>Profit for the period</b>	<b>1,768</b>	<b>5,348</b>	<b>(66.9)</b>	<b>12,618</b>	<b>17.2%</b>	<b>16,351</b>	<b>21.3%</b> (22.8)
Other comprehensive income for the period, net of tax	+	(+)	0.0	+		(+)	0.0
<b>Total comprehensive income for the period</b>	<b>1,768</b>	<b>5,348</b>	<b>(66.9)</b>	<b>12,618</b>	<b>17.2%</b>	<b>16,351</b>	<b>21.3%</b> (22.8)
Attributable to:							
Owners of the Company	1,768	5,348	(66.9)	12,618	17.2%	16,351	21.3% (22.8)
	<b>1,768</b>	<b>5,348</b>	<b>(66.9)</b>	<b>12,618</b>	<b>17.2%</b>	<b>16,351</b>	<b>21.3%</b> (22.8)

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-15	30-Sep-14	Change	30-Sep-15	30-Sep-14	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance for doubtful debt	23	44	(47.7)	43	52	(17.3)
(Over)/Under provision of tax in respect of prior year	-	-	n.m.	-	(25)	n.m.
Loss/(Gain) on disposal of plant and equipment	(4)	13	n.m.	(2)	18	n.m.
Write-off for stock obsolescence	-	-	n.m.	2	-	n.m.

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-15 \$'000	31-Dec-14 \$'000	30-Sep-15 \$'000	31-Dec-14 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment					
- Leasehold land		34,318	35,245	-	-
- School building, plant and equipment		254,048	179,086	148	168
Intangible assets		2,731	2,911	-	-
Investment in subsidiaries		-	-	101,219	66,219
Inter-company loan to subsidiary		-	-	150,000	131,181
Bonds - Issuance expenses	1	1,109	1,435	1,109	1,435
Deposits		210	120	-	-
Staff housing deposits		417	199	-	-
		<u>292,833</u>	<u>218,996</u>	<u>252,476</u>	<u>199,003</u>
<b>Current assets</b>					
Inventories		632	516	-	-
Trade receivables		1,101	1,185	-	-
Other receivables and deposits		292	2,430	12	15
Goods and Services Tax receivables		924	1,162	-	-
Amount owing by subsidiary		-	-	3,721	1,827
Bonds - Issuance expenses	1	436	436	436	436
Prepayments		1,994	1,661	29	18
Cash and bank balances		51,048	125,515	5,552	70,447
		<u>56,427</u>	<u>132,905</u>	<u>9,750</u>	<u>72,743</u>
<b>TOTAL ASSETS</b>		<u>349,260</u>	<u>351,901</u>	<u>262,226</u>	<u>271,746</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		469	289	-	-
Other payables and liabilities		9,824	711	520	513
Fees received in advance		23,584	35,986	-	-
Bonds - Interest payable		3,569	1,624	3,569	1,624
Goods and Services Tax payable		59	57	59	57
Central Provident Fund payable		327	457	6	10
Income tax payable		63	4,620	46	136
		<u>37,895</u>	<u>43,744</u>	<u>4,200</u>	<u>2,340</u>
<b>NET CURRENT ASSETS</b>		18,532	89,161	5,550	70,403
<b>Non-current liabilities</b>					
Borrowings - Bonds	1	150,000	150,000	150,000	150,000
Other liabilities		-	-	1,109	1,435
Deferred tax liabilities		2,953	941	-	-
		<u>152,953</u>	<u>150,941</u>	<u>151,109</u>	<u>151,435</u>
Net assets		<u>158,412</u>	<u>157,216</u>	<u>106,917</u>	<u>117,971</u>
<b>Equity attributable to owners of the Company</b>					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		85,328	44,132	7,664	18,718
Other reserves		(26,169)	13,831	-	-
		<u>158,412</u>	<u>157,216</u>	<u>106,917</u>	<u>117,971</u>
Note 1:					
Borrowings - Bonds		150,000	150,000		
Bonds - Issuance expenses					
- Non-current assets		(1,109)	(1,435)		
- Current assets		(436)	(436)		
		<u>(1,545)</u>	<u>(1,871)</u>		
		<u>148,455</u>	<u>148,129</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-15</b>	<b>31-Dec-14</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowings - Bonds	150,000	150,000
Bonds issuance expenses	(1,545)	(1,871)
	<u>148,455</u>	<u>148,129</u>
Total bonds issuance expenses incurred	2,181	2,181
Amortisation during the period	(636)	(310)
	<u>1,545</u>	<u>1,871</u>

**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>Year to Date ended</b>	
	<b>30-Sep-15</b>	<b>30-Sep-14</b>	<b>30-Sep-15</b>	<b>30-Sep-14</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	1,809	6,378	14,671	19,634
Adjustments for:				
Depreciation and amortisation expenses	2,720	891	4,361	2,844
(Gain)/loss on disposal of plant and equipment	(4)	13	(2)	18
Finance costs	2,076	-	2,076	-
Interest income	(94)	(203)	(286)	(482)
<b>Operating profit before working capital changes</b>	<u>6,507</u>	<u>7,079</u>	<u>20,820</u>	<u>22,014</u>
Increase in inventories	(164)	(1)	(116)	(11)
Decrease in trade receivables	1,502	1,626	85	263
Decrease/(increase) in other receivables and deposits and prepayments	439	(3,990)	2,041	(2,293)
Decrease/(increase) in non-current deposits	1,123	(57)	(309)	(102)
Increase/(decrease) in trade payables, other payables and liabilities, and fees received in advance	6,065	5,670	(11,807)	(14,958)
<b>Cash generated from operations</b>	<u>15,472</u>	<u>10,327</u>	<u>10,714</u>	<u>4,913</u>
Interest received	94	205	286	488
Income tax paid	(2,125)	(2,457)	(4,597)	(4,915)
<b>Net cash generated from operating activities</b>	<u>13,441</u>	<u>8,075</u>	<u>6,403</u>	<u>486</u>
<b>Cash flows from investing activities</b>				
Additions of intangible assets	(88)	(125)	(323)	(288)
Acquisition of property, plant and equipment	(8,450)	(40,121)	(65,302)	(92,377)
Bond interest paid capitalised as construction in progress	-	-	(3,889)	-
Proceeds from disposal of plant and equipment	14	15	66	60
<b>Net cash used in investing activities</b>	<u>(8,524)</u>	<u>(40,231)</u>	<u>(69,448)</u>	<u>(92,605)</u>
<b>Cash flows from financing activities</b>				
Issuance of bonds	-	-	-	150,000
Bonds issuance expenses	-	-	-	(2,181)
Dividends paid	-	-	(11,422)	(11,422)
<b>Net cash (used in)/generated from financing activities</b>	<u>-</u>	<u>-</u>	<u>(11,422)</u>	<u>136,397</u>
Net increase/(decrease) in cash and cash equivalents	4,917	(32,156)	(74,467)	44,278
Cash and cash equivalents at beginning of the period	46,131	201,137	125,515	124,703
<b>Cash and cash equivalents at end of the period</b>	<u>51,048</u>	<u>168,981</u>	<u>51,048</u>	<u>168,981</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 #)	(Note *)	
<b>GROUP</b>							
<b>2015</b>							
Balance at 1 January 2015	99,253	44,132	13,831	1	(26,170)	40,000	157,216
Profit net of tax	-	5,632	-	-	-	-	5,632
Other comprehensive income for the period	-	-	-	+	-	-	+
Total comprehensive income for the period	-	5,632	-	+	-	-	5,632
Balance at 31 March 2015 and 1 April 2015	99,253	49,764	13,831	1	(26,170)	40,000	162,848
Profit net of tax	-	5,218	-	-	-	-	5,218
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	5,218	-	(+)	-	-	5,218
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 2015 and 1 July 2015	99,253	43,560	13,831	1	(26,170)	40,000	156,644
Profit net of tax	-	1,768	-	-	-	-	1,768
Other comprehensive income for the period	-	-	-	+	-	-	+
Total comprehensive income for the period	-	1,768	-	+	-	-	1,768
Others							
Transfer to Revenue reserve	-	40,000	(40,000)	-	-	(40,000)	-
Total Others	-	40,000	(40,000)	-	-	(40,000)	-
Balance at 30 September 2015	99,253	85,328	(26,169)	1	(26,170)	-	158,412
<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
Balance at 30 September 2014	99,253	38,499	13,831	1	(26,170)	40,000	151,583

+ 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.

Note \* The capital reserve was previously allocated from revenue reserve established out of internally generated funds for purposes of building the new school. This capital reserve is now transferred back to revenue reserve upon completion of the new school.

**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

	<b>Attributable to owners of the Company</b>		
	<b>Share capital \$'000</b>	<b>Revenue reserve \$'000</b>	<b>Total equity \$'000</b>
<b>COMPANY</b>			
<b>2015</b>			
Balance at 1 January 2015	99,253	18,718	117,971
Profit net of tax	-	202	202
Total comprehensive income for the period	-	202	202
Balance at 31 March 2015 and 1 April 2015	99,253	18,920	118,173
Profit net of tax	-	127	127
Total comprehensive income for the period	-	127	127
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 2015 and 1 July 2015	99,253	7,625	106,878
Profit net of tax	-	39	39
Total comprehensive income for the period	-	39	39
Balance at 30 September 2015	99,253	7,664	106,917
<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
Balance at 30 September 2014	99,253	4,490	103,743

- 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 2015, the Company has no outstanding convertibles (30 September 2014 : nil).

	<b>Group and company</b>
	<b>No of shares</b>
At 1 January 2015, 31 March 2015, 30 June 2015 and 30 September 2015	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.**

	<b>As at</b>	
	<b>30-Sep-15</b>	<b>31-Dec-14</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 2014, 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 2015.

Depreciation on the new school buildings is calculated on an estimated useful life of 50 years from 1 July 2015, when operations commenced at the new school.

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	
	Third Quarter Ended 30-Sep-15 cents	30-Sep-14 cents	Year to Date Ended 30-Sep-15 cents	30-Sep-14 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	0.4	1.3	3.0	3.9
On a fully diluted basis	0.4	1.3	3.0	3.9
Weighted average number of ordinary shares for basic and diluted earnings per share computation	415,363,548	415,363,548	415,363,548	415,363,548

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-15 cents	31-Dec-14 cents	30-Sep-15 cents	31-Dec-14 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	38.1	37.9	25.7	28.4

**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 \$1.40 million (5.6%) and \$3.56 million (4.6%) for the third quarter ended 30 September 2015 (Q3 2015) and the nine months ended 30 September 2015 (9M 2015) respectively. The overall decrease was attributed to the softening of student enrolment numbers particularly in junior schools. Details of revenue lines are as follows:

Revenue for tuition fees was lower at \$22.54 million in Q3 2015 compared to \$23.59 million in Q3 2014. For the nine-month period, tuition fees decreased from \$73.36 million in 9M 2014 to \$70.56 million in 9M 2015.

Registration fees revenue decreased from \$0.36 million in Q3 2014 to \$0.24 million in Q3 2015. For 9M 2015, registration fees was lower at \$1.09 million in 9M 2015 compared to \$1.39 million in 9M 2014.

Revenue from school bookshop sales was \$0.55 million in Q3 2015, a slight reduction compared to Q3 2014 of \$0.61 million. For the nine months ended 30 September 2015, school bookshop sales contributed \$0.79 million in revenue compared to \$0.90 million in 9M 2014. Enrichment programme revenue decreased from \$0.11 million in Q3 2014 to \$0.07 million in Q3 2015. Similarly, enrichment programme revenue declined from \$0.52 million in 9M 2014 to \$0.38 million in 9M 2015.

Interest income was at \$0.09 million in Q3 2015 and \$0.29 million in 9M 2015 compared to \$0.20 million in Q3 2014 and \$0.48 million in 9M 2014 respectively. The lower interest income mainly due to funds being utilised for the building of the new school at Pasir Ris.

Total operating expenses increased by \$3.17 million from \$18.54 million in Q3 2014 to \$21.71 million in Q3 2015. Correspondingly, total operating expenses increased by \$1.41 million, from \$57.10 million in 9M 2014 to \$58.51 million for the nine-month period ended 30 Sep 2015. The increase was mainly due to higher depreciation and amortisation expenses and finance costs incurred on bond borrowings from 1 July 2015, offset by the absence of school lease rental after the move to the new campus in July 2015.

Personnel expenses were \$14.65 million in Q3 2015 as compared to \$13.85 million in Q3 2014, an increase of \$0.80 million or 5.8%. This was due to general increase in salaries and the corresponding CPF contribution for both administrative and academic staff at the beginning of the school year in August 2015. However, for the nine-month period, personnel expenses were lower by \$0.40 million or 0.9%, decreasing from \$43.06 million in 9M 2014 to \$42.66 million in 9M 2015 due to slightly higher headcount in prior period.

Depreciation and amortisation expenses of \$2.72 million and \$4.36 million in Q3 2015 and 9M 2015 respectively were substantially higher by 205.3% and 53.3% as compared to the corresponding periods of Q3 2014 and 9M 2014. The increase was due to the depreciation of the newly completed school, when operations at the new school commenced from 1 July 2015.

Utilities expenses increased from \$0.13 million in Q3 2014 to \$0.32 million in Q3 2015 mainly due to the initial phase of settling into the new school. Utilities expenses for the period ended 30 Sep 2015 were correspondingly higher as compared to the comparative period in 9M 2014.

Upkeep and maintenance decreased to \$0.15 million and \$0.44 million in Q3 2015 and 9M 2015 respectively, as compared to \$0.19 million and \$0.83 million in the corresponding periods of Q3 2014 and 9M 2014.

Finance costs of \$2.08 million were expensed in Q3 2015 as these costs were no longer capitalised as part of construction-in-progress upon completion of the school building and the commencement of operations at the new school from 1 July 2015.

Other operating expenses were higher by \$0.15 million in Q3 2015, from \$1.27 million in Q3 2014 to \$1.42 million in Q3 2015. However, for the nine-month period, other operating expenses of \$3.75 million was slightly lower than the \$3.80 million recorded in 9M 2014.

Profit before taxation decreased from \$6.38 million in Q3 2014 to \$1.81 million in Q3 2015. For the nine-month period, profit before taxation reduced by \$4.96 million, \$14.67 million in 9M 2015 as compared to \$19.63 million in the corresponding period in 2014.

Income tax expense was substantially lower at \$41,000 in Q3 2015 as compared to \$1.03 million in Q3 2014, mainly due to the recognition of capital allowances on new assets acquired for the new school. Consequently, the effective tax rate for 9M 2015 was lower at 14.0% as compared to the 16.7% for 9M 2014.

Profit after taxation reduced by \$3.58 million, from \$5.35 million in Q3 2014 to \$1.77 million in Q3 2015. Profit after taxation for the nine-month period was \$12.62 million as compared to \$16.35 million for 9M 2014.



### **Review of Group Balance Sheet as at 30 September 2015**

School building, plant and equipment increased by \$74.96 million from \$179.09 million as at 31 December 2014 to \$254.05 million as at 30 September 2015 due to capital expenditure of \$78.58 million incurred for the new school campus, offset by a depreciation charge of \$3.62 million for 9M 2015.

Inventories for school uniforms, books and stationery supplies for sale at the school bookshop were \$0.63 million as at end of Q3 2015 compared to \$0.52 million as at 31 December 2014.

Trade receivables balance as at 30 September 2015 was constant at \$1.10 million.

Other receivables and deposits reduced by \$2.14 million to \$0.29 million as at 30 September 2015 mainly due to the receipt of the deposits previously paid to the Commissioner of Lands for Paterson campus.

As at 30 September 2015, the Group's cash and cash equivalents amounted to \$51.05 million, a decrease from \$125.52 million as at 31 December 2014, which was mainly attributable to the capital expenditure in relation to the building of the new school and payment of the final dividend for FY 2014 in May 2015, offset by the cash generated from operations.

The increase in trade and other payables of \$9.29 million as at 30 September 2015 was mainly due to accrual of the remaining construction costs while awaiting for the finalisation of accounts with the main contractor.

Fees received in advance decreased from \$35.99 million as at 31 December 2014 to \$23.58 million as at 30 September 2015. The fees received in advance as at 31 December 2014 were for tuition fees due and collected for the second semester commencing in January 2015, while those as at 30 September 2015 were for tuition fees for the first semester of the academic year 2015/2016 starting in August 2015, less tuition fees recognised in Q3 2015.

Bonds - Interest Payable was for the interest accrued on the \$150 million bonds at 5.20% p.a. for the period from 17 April 2015 to 30 September 2015.

The increase in deferred tax liabilities arose from the capital allowances computed on the new school assets, offset by deferred tax asset. These capital allowances exceeded the chargeable income during the period, resulting in the recognition of deferred tax asset of \$0.42 million. Correspondingly, deferred tax liability of \$3.37 million was also recorded to account for the temporary differences between the net book value and the tax written down value of those qualifying assets.

### **Review of Group cash flow for the third quarter ended 30 September 2015**

In Q3 2015, net cash generated from operating activities was \$13.44 million, which consisted of cash flows from operating activities before working capital changes of \$6.51 million, net working capital inflow of \$8.97 million, interest received of \$94,000 and income tax paid of \$2.13 million.

The net working capital inflow of \$8.97 million in Q3 2015 arose mainly from the increase in payables of \$6.07 million which was mainly due to the increase in fees received in advance of \$7.65 million. There was a decrease in non-current deposits of \$1.12 million arising mainly from cash inflow from the refund of rental deposits upon the return of Paterson campus to Singapore Land Authority on its expiry in June 2015.

The net cash outflow in investing activities of \$8.52 million in Q3 2015 was mainly due to the capital expenditure for the construction of the new school.

**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 foreign system schools (FSS) in Singapore are to a large extent dependent upon the growth of the world economy and the ability of Singapore to attract foreign investments. The Group would not be able to predict any trends on the development of the world economy.

With the completion of the new school facility at Pasir Ris and school operations having commenced on 1 July 2015 at the new premises, the Group is well placed in the FSS market to support any expansion of foreign investments into Singapore.

Depreciation and amortisation expenses of the new school, and finance costs on bond borrowings have become the "new normal" expenses in the Group's Statement of Comprehensive Income from 1 July 2015. The Group continues its effort to monitor and contain costs particularly during the initial phase of settling into the new school facility.

**11 Dividend**

**(a) Current financial period reported on**

The Board of Directors (the "Board") is pleased to declare a Special Dividend to commemorate 24 successful years at our Paterson Road school and a successful transition to our new school at Pasir Ris.

The particulars of the Special Dividend declared for the current financial period are as follows:

Name of dividend	FY2015 Special Dividend
Dividend type	Cash
Dividend rate	S\$0.01375 per share
Tax rate	Tax-exempt (one-tier)
Date payable	27 November 2015

**Date Payable**

The Special Dividend shall be payable on 27 November 2015.

**Books closure date**

Registrable transfers received by the Company's Registrar, M&C Services Private Limited, of 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 19 November 2015 will be registered before entitlements to the Special Dividend are determined.

Notice is hereby given that the share registers will be closed on 20 November 2015 for the preparation of Special Dividend warrants.

**(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 2015 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>\$58,800,000</u>
Balance proceeds	<u>\$9,233,985</u>

BY ORDER OF THE BOARD

David Alan Perry  
Executive Chairman and Chief Executive Officer  
November 11, 2015