

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				
	31-Mar-16	First Quarter ended		31-Mar-15	
	\$'000		\$'000		Change %
Revenue					
Tuition fees	23,061	97.3%	23,818	96.9%	(3.2)
Registration fees	265	1.1%	326	1.3%	(18.7)
School bookshop sales	113	0.5%	141	0.6%	(19.9)
Enrichment programme revenue	135	0.5%	151	0.6%	(10.6)
Interest income	136	0.6%	122	0.5%	11.5
Other revenue	3	0.0%	18	0.1%	(83.3)
Total revenue	<u>23,713</u>	100.0%	<u>24,576</u>	100.0%	(3.5)
Operating expenses					
Personnel expenses	14,195	59.8%	13,714	55.8%	3.5
School lease rental	-	0.0%	1,708	7.0%	n.m.
Depreciation expenses					
- Leasehold land	309	1.3%	-	0.0%	n.m.
- School buildings	918	3.9%	-	0.0%	n.m.
- Other plant and equipment	1,267	5.3%	647	2.7%	95.8
Amortisation of intangible assets	175	0.8%	173	0.7%	1.2
Cost of goods sold	62	0.3%	79	0.3%	(21.5)
Enrichment programme cost	73	0.3%	124	0.5%	(41.1)
Utilities	259	1.1%	150	0.6%	72.7
Upkeep and maintenance	198	0.8%	144	0.6%	37.5
Finance costs	2,052	8.6%	-	0.0%	n.m.
Other operating expenses	1,841	7.8%	1,093	4.4%	68.4
Total operating expenses	<u>21,349</u>	90.0%	<u>17,832</u>	72.6%	19.7
Profit before taxation	2,364	10.0%	6,744	27.4%	(64.9)
Income tax expense - current tax	(17)	0.1%	(1,185)	4.8%	(98.6)
- deferred tax	(1,003)	4.2%	73	-0.3%	n.m.
Profit for the period	<u>1,344</u>	5.7%	<u>5,632</u>	22.9%	(76.1)
Other comprehensive income for the period, net of tax	(+)		+		0.0
Total comprehensive income for the period	<u><u>1,344</u></u>	5.7%	<u><u>5,632</u></u>	22.9%	(76.1)
Attributable to:					
Owners of the Company	1,344	5.7%	5,632	22.9%	(76.1)
	<u><u>1,344</u></u>	5.7%	<u><u>5,632</u></u>	22.9%	(76.1)

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-16	Group	
	\$'000	First Quarter ended	
	\$'000	31-Mar-15	Change
	\$'000	\$'000	%
Gain on disposal of property, plant and equipment	(4)	-	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	
		As at 31-Mar-16 \$'000	As at 31-Dec-15 \$'000	As at 31-Mar-16 \$'000	As at 31-Dec-15 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land		33,699	34,008	-	-
- School buildings		180,046	180,965	-	-
- Other property, plant and equipment		68,714	69,946	135	141
Intangible assets		2,528	2,626	-	-
Investment in subsidiaries		-	-	101,219	101,219
Inter-company loan to subsidiary		-	-	150,000	150,000
Bonds - Issuance expenses	1	892	999	892	999
Deposits		235	235	-	-
Staff housing deposits		405	395	-	-
		<u>286,519</u>	<u>289,174</u>	<u>252,246</u>	<u>252,359</u>
Current assets					
Inventories		536	589	-	-
Trade receivables		767	1,329	-	-
Other receivables and deposits		233	251	12	12
Goods and Services Tax receivables		89	-	-	-
Amount owing by subsidiary		-	-	3,721	1,777
Bonds - Issuance expenses	1	436	436	436	436
Prepayments		2,280	1,338	42	16
Cash and bank balances		56,312	60,359	12,112	11,997
		<u>60,653</u>	<u>64,302</u>	<u>16,323</u>	<u>14,238</u>
TOTAL ASSETS		<u>347,172</u>	<u>353,476</u>	<u>268,569</u>	<u>266,597</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		303	245	-	-
Other payables and liabilities		8,164	7,060	503	521
Fees received in advance		23,947	32,615	-	-
Bond-Interest payable		3,569	1,624	3,569	1,624
Goods and Services Tax payable		55	3,012	55	57
Central Provident Fund payable		369	503	6	5
Income tax payable		80	79	78	61
		<u>36,487</u>	<u>45,138</u>	<u>4,211</u>	<u>2,268</u>
NET CURRENT ASSETS		24,166	19,164	12,112	11,970
Non-current liabilities					
Borrowings - Bonds	1	150,000	150,000	150,000	150,000
Other liabilities		-	-	892	999
Deferred tax liabilities	2	4,323	3,320	-	-
		<u>154,323</u>	<u>153,320</u>	<u>150,892</u>	<u>150,999</u>
Net assets		<u>156,362</u>	<u>155,018</u>	<u>113,466</u>	<u>113,330</u>
Equity attributable to owners of the Company					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		83,278	81,934	14,213	14,077
Other reserves		(26,169)	(26,169)	-	-
		<u>156,362</u>	<u>155,018</u>	<u>113,466</u>	<u>113,330</u>

	GROUP	
	As at	As at
	31-Mar-16	31-Dec-15
	\$'000	\$'000
Note 1:		
Borrowings - Bonds	150,000	150,000
Bonds - Issuance expenses		
- Non-current assets	(892)	(999)
- Current assets	(436)	(436)
	<u>(1,328)</u>	<u>(1,435)</u>
	<u>148,672</u>	<u>148,565</u>
Note 2:		
Deferred tax liabilities		
Balance at beginning of the period / year	3,320	941
Movements during the period / year comprising:		
- Difference in net book value and tax-written-down-value of property, plant and equipment	1,066	3,092
- Unabsorbed capital allowances	(63)	(713)
Deferred tax charged to P&L during the period / year	<u>1,003</u>	<u>2,379</u>
Balance at end of the period / year	<u>4,323</u>	<u>3,320</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.

	As at	
	31-Mar-16 \$'000	31-Dec-15 \$'000
Borrowings - Bonds	150,000	150,000
Bonds issuance expenses	(1,328)	(1,435)
	<u>148,672</u>	<u>148,565</u>
Total bonds issuance expenses incurred	2,181	2,181
Accumulated amortisation	(853)	(746)
	<u>1,328</u>	<u>1,435</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

	GROUP	
	First Quarter ended	
	31-Mar-16 \$'000	31-Mar-15 \$'000
Cash flows from operating activities		
Profit before taxation	2,364	6,744
Adjustments for:		
Depreciation and amortisation expenses	2,669	820
Gain on disposal of property, plant and equipment	(4)	-
Finance costs	2,052	-
Interest income	(136)	(122)
Operating profit before working capital changes	<u>6,945</u>	<u>7,442</u>
Decrease in inventories	53	48
Decrease in trade receivables	561	368
(Increase) in other receivables, deposits and prepayments	(1,013)	(2,329)
(Increase) in non-current deposits	(10)	(861)
(Decrease) in trade payables, other payables, liabilities and fees received in advance	(10,596)	(11,512)
Cash used in operations	<u>(4,060)</u>	<u>(6,844)</u>
Interest received	136	122
Income tax paid	(16)	-
Net cash used in operating activities	<u>(3,940)</u>	<u>(6,722)</u>
Cash flows from investing activities		
Additions of intangible assets	(76)	(121)
Acquisition of property, plant and equipment	(75)	(39,245)
Proceeds from disposal of plant and equipment	44	11
Net cash used in investing activities	<u>(107)</u>	<u>(39,355)</u>
Net decrease in cash and cash equivalents	(4,047)	(46,077)
Cash and cash equivalents at beginning of the period	60,359	125,515
Cash and cash equivalents at end of the period	<u>56,312</u>	<u>79,438</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 (Note #)	Capital reserve \$'000 (Note *)	
GROUP							
2016							
Balance at 1 January 2016	99,253	81,934	(26,169)	1	(26,170)	-	155,018
Profit net of tax	-	1,344	-	-	-	-	1,344
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	1,344	-	(+)	-	-	1,344
Balance at 31 March 2016	99,253	83,278	(26,169)	1	(26,170)	-	156,362
2015							
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	99,253	49,764	13,831	1	(26,170)	40,000	162,848

+ 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 established as a contingency reserve fund out of the revenue reserve for the purpose of building the new school. This capital reserve was not needed on the completion of the new school and was transferred back to revenue reserve in Q3 2015.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
COMPANY			
2016			
Balance at 1 January 2016	99,253	14,077	113,330
Profit net of tax	-	136	136
Total comprehensive income for the period	-	136	136
Balance at 31 March 2016	99,253	14,213	113,466
2015			
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	99,253	18,920	118,173

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 2016, the Company has no outstanding convertibles (31 March 2015: nil).

	Company
At 31 December 2015 and 31 March 2016	No of shares 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-16	31-Dec-15
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 2015, 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 2016.

- 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-16	31-Mar-15
	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	0.3	1.4
On a fully diluted basis	0.3	1.4
Weighted average number of ordinary shares for basic and diluted earnings per share computation	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	
	As at	As at	As at	As at
	31-Mar-16	31-Dec-15	31-Mar-16	31-Dec-15
	cents	cents	cents	cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	37.6	37.3	27.3	27.3

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

The Group posted a total revenue of \$23.71 million for the first quarter ended 31 March 2016 (Q1 2016) as compared to \$24.58 million for the corresponding quarter ended 31 March 2015 (Q1 2015). The overall decrease of 3.5% was due to the softening of student enrolments in the junior schools after the move to the new school campus in July 2015. Details of revenue lines are as follows:

Tuition fees revenue was lower by \$0.76 million, from \$23.82 million in Q1 2015 to \$23.06 million in Q1 2016.

Revenue from registration fees decreased by \$0.06 million from \$0.33 million in Q1 2015 to \$0.27 million in Q1 2016.

Revenue from school bookshop sales decreased from \$0.14 million in Q1 2015 to \$0.11 million in Q1 2016. Enrichment programme revenue was constant at \$0.14 million in Q1 2016 compared to \$0.15 million in Q1 2015.

Interest income increased marginally to \$0.14 million in Q1 2016 compared to \$0.12 million in Q1 2015 due to rising interest rates. Other revenue in Q1 2015 was mainly due to parking income collected at the previous Paterson Road campus. There is currently no charge for parking at the new school campus.

Total operating expenses increased by 19.7%, from \$17.83 million in Q1 2015 to \$21.35 million in Q1 2016. The increase was due mainly to the "new normal" depreciation expenses of the new school campus and finance costs on the bonds borrowings.

Personnel expenses increased by \$0.48 million or 3.5%, from \$13.71 million in Q1 2015 to \$14.19 million in Q1 2016 due to additional teachers required for the new programmes, in particular the Mother Tongue programme. CPF rates and contributions have also increased from 1 January 2016 for administrative staff.

The school lease rental paid in Q1 2015 was for the Paterson Road campus.

The increase in depreciation expenses was mainly due to the depreciation on leasehold land and school buildings of \$1.23 million and higher depreciation expense of \$0.62 million for other plant and equipment at the new school campus.

Utilities and Upkeep and maintenance expenses were higher at \$0.26 million and \$0.20 million respectively in Q1 2016, compared to \$0.15 million and \$0.14 million respectively in Q1 2015.

Finance costs of \$2.05 million comprised interest cost and amortised bond issuance expenses on the bonds borrowings. Finance costs were expensed with effect from 1 July 2015 upon the completion of the new school campus, as these costs were no longer capitalised as part of construction-in-progress.

Other operating expenses increased from \$1.09 million in Q1 2015 to \$1.84 million this quarter due mainly to the revision of property tax for the new school campus with effect from the issuance of the Temporary Occupancy Permit. The property tax has been revised from \$0.23 million per annum to \$1.08 million per annum.

Profit before taxation decreased from \$6.74 million in Q1 2015 to \$2.36 million in Q1 2016; a decrease of \$4.38 million (64.9%).

Income tax expense for Q1 2016 comprised mainly of the accrual of net deferred tax liabilities of \$1.00 million due to the recognition of capital allowances on new assets acquired for the new school campus. The income tax expense for Q1 2015 was mainly accrual of current tax on chargeable income for Q1 2015.

Profit after taxation decreased from \$5.63 million in Q1 2015 to \$1.34 million in Q1 2016; a decrease of \$4.29 million (76.1%).

Review of Balance Sheet as at 31 March 2016

Total property, plant and equipment as at 31 March 2016 was \$282.46 million as compared to \$284.92 million as at 31 December 2015. The decrease of \$2.46 million was due mainly to the depreciation charge during this quarter.

Inventories for school uniforms, books and stationery supplies for sale at the school bookshop were \$0.54 million as at end of Q1 2016 compared to \$0.59 million as at 31 December 2015.

Trade receivables decreased by \$0.56 million due to collection of outstanding receivables as at 31 December 2015.

Other receivables and deposits of \$0.23 million as at 31 March 2016 were comparable to \$0.25 million as at 31 December 2015.

Prepayments increased by \$0.94 million due to increase in prepaid insurance and other prepaid expenses.

As at 31 March 2016, the Group's cash and bank balances were at \$56.31 million, a decrease from \$60.36 million as at 31 December 2015. The decrease was due to cash used in operating activities as explained in the review of Group cash flow below.

Trade and other payables and liabilities increased by \$1.16 million as at 31 March 2016, due mainly to accrual of the revised property tax.

Fees received in advance decreased from \$32.62 million as at 31 December 2015 to \$23.95 million as at 31 March 2016. The fees received in advance as at 31 December 2015 were for tuition fees collected for the second semester commencing in January 2016. Fees received in advance, together with fees collected during the school term, are recognised as revenue over the duration of the course.

Bonds - Interest Payable as at 31 March 2016 was for the interest accrued on the \$150 million bonds at 5.20% p.a. for the period from 17 October 2015 to 31 March 2016. Bonds - Interest Payable as at 31 December 2015 was for the bonds interest for the period from 17 October 2015 to 31 December 2015.

The GST payable of \$3.01 million as at 31 December 2015 was mainly related to the billing of semester two 2015/2016 tuition fees and was paid in Q1 2016.

Deferred tax liabilities as at 31 March 2016 increased by \$1.00 million. The net deferred tax liabilities of \$4.32 million as at 31 March 2016 arose from the tax effect on temporary differences between the net book value and the tax-written-down-value of qualifying assets, offset by deferred tax asset from unabsorbed capital allowances.

Review of Group cash flow for the first quarter ended 31 March 2016

In Q1 2016, net cash used in operating activities was \$3.94 million, which consisted of cash inflow from operating activities before working capital changes of \$6.94 million, net working capital outflow of \$11.00 million and interest received of \$0.14 million and income tax paid of \$0.02 million.

The net working capital outflow of \$11.00 million arose mainly from cash outflow relating to the decrease in trade and other payables of \$10.60 million. There was also the increase in cash outflow from other receivables and deposits and prepayments of \$1.01 million, offset by the cash inflow from trade receivables of \$0.56 million.

The net cash used in investing activities of \$0.11 million was for the capital expenditure in the normal course of business.

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 ability of Singapore to continue to attract foreign direct investments.

With the completion of the new school campus at Pasir Ris and the launch of quality school programmes, the Group is well placed in the FSS market to compete and to support any expansion of foreign investments into Singapore.

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>59,623,970</u>
Balance proceeds	<u>8,410,015</u>

It is intended that the balance \$8,410,015 of the IPO Proceeds also be used wholly towards capital expenditure for the new school campus including \$6,011,575 retention sum.

15 Disclosure of confirmation of undertakings from Directors and Executive Officers pursuant to Rule 720(1) of the Listing Manual.

The Company has procured undertakings on 16 February 2016 in the format set out in Appendix 7.7 from all its directors and executive officers under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

David Alan Perry
Executive Chairman and Chief Executive Officer
10 May 2016