

# Overseas Education Limited

Company Registration No: 201131905D

## UNAUDITED SECOND 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 Second Quarter ended			30-Jun-16 \$'000	GROUP Year to Date ended				
	30-Jun-16 \$'000	30-Jun-15 \$'000	Change %		30-Jun-15 \$'000	Change %	Change %		
<b>Revenue</b>									
Tuition fees	23,595	24,199	(2.5)	46,656	96.9%	48,017	96.7%	(2.8)	
Registration fees	509	528	(3.6)	774	1.6%	854	1.7%	(9.4)	
School shop revenue	93	102	(8.8)	206	0.4%	243	0.5%	(15.2)	
Enrichment programme revenue	137	157	(12.7)	272	0.6%	308	0.6%	(11.7)	
Interest income	71	70	1.4	207	0.4%	192	0.4%	7.8	
Other revenue	23	28	(17.9)	26	0.1%	46	0.1%	(43.5)	
<b>Total revenue</b>	<b>24,428</b>	<b>25,084</b>	<b>(2.6)</b>	<b>48,141</b>	<b>100.0%</b>	<b>49,660</b>	<b>100.0%</b>	<b>(3.1)</b>	
<b>Operating expenses</b>									
Personnel expenses	14,581	14,298	2.0	28,777	59.8%	28,012	56.4%	2.7	
School lease rental	-	1,704	n.m.	-	0.0%	3,412	6.9%	n.m.	
Depreciation expenses									
- Leasehold land	309	-	n.m.	618	1.3%	-	0.0%	n.m.	
- School buildings	914	-	n.m.	1,832	3.8%	-	0.0%	n.m.	
- Other plant and equipment	1,265	652	94.0	2,532	5.3%	1,299	2.6%	94.9	
Amortisation of intangible assets	171	169	1.2	346	0.7%	342	0.7%	1.2	
School shop costs	50	58	(13.8)	112	0.2%	137	0.3%	(18.2)	
Enrichment programme costs	111	75	48.0	184	0.4%	199	0.4%	(7.5)	
Utilities	269	298	(9.7)	528	1.1%	448	0.9%	17.9	
Upkeep and maintenance	176	154	14.3	374	0.8%	298	0.6%	25.5	
Finance costs - Bonds	2,054	-	n.m.	4,106	8.5%	-	0.0%	n.m.	
Other operating expenses	1,721	1,236	39.2	3,562	7.4%	2,329	4.7%	52.9	
Relocation to Pasir Ris	-	322	n.m.	-	0.0%	322	0.6%	n.m.	
<b>Total operating expenses</b>	<b>21,621</b>	<b>18,966</b>	<b>14.0</b>	<b>42,971</b>	<b>89.3%</b>	<b>36,798</b>	<b>74.1%</b>	<b>16.8</b>	
<b>Profit before taxation</b>	<b>2,807</b>	<b>6,118</b>	<b>(54.1)</b>	<b>5,170</b>	<b>10.7%</b>	<b>12,862</b>	<b>25.9%</b>	<b>(59.8)</b>	
Income tax expense - current tax	(5)	(882)		(22)		(2,067)			
- deferred tax	(679)	(18)		(1,682)		55			
	(684)	(900)	(24.0)	(1,704)	3.5%	(2,012)	4.1%	(15.3)	
<b>Profit for the period</b>	<b>2,123</b>	<b>5,218</b>	<b>(59.3)</b>	<b>3,466</b>	<b>7.2%</b>	<b>10,850</b>	<b>21.8%</b>	<b>(68.1)</b>	
Other comprehensive income for the period, net of tax	(+)	(+)	0.0	(+)		+		0.0	
<b>Total comprehensive income for the period</b>	<b>2,123</b>	<b>5,218</b>	<b>(59.3)</b>	<b>3,466</b>	<b>7.2%</b>	<b>10,850</b>	<b>21.8%</b>	<b>(68.1)</b>	
Attributable to:									
Owners of the Company	2,123	5,218	(59.3)	3,466	7.2%	10,850	21.8%	(68.1)	
	<b>2,123</b>	<b>5,218</b>	<b>(59.3)</b>	<b>3,466</b>	<b>7.2%</b>	<b>10,850</b>	<b>21.8%</b>	<b>(68.1)</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		
	Second Quarter ended			Year to Date ended		
	30-Jun-16	30-Jun-15	Change	30-Jun-16	30-Jun-15	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance for doubtful debt	141	20	605.0	141	20	605.0
(Gain)/loss on disposal of plant and equipment	(9)	2	n.m.	(13)	2	n.m.
Write-off for stock obsolescence	-	2	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	
		As at	As at	As at	As at
		30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment					
- Leasehold land		33,390	34,008	-	-
- School buildings		179,133	180,965	-	-
- Other property, plant and equipment		67,523	69,946	130	141
Intangible assets		2,413	2,626	-	-
Investment in subsidiaries		-	-	101,219	101,219
Inter-company loan to subsidiary		-	-	150,000	150,000
Bonds - Issuance expenses	1	783	999	783	999
Deposits		286	235	-	-
Staff housing deposits		352	395	-	-
		<u>283,880</u>	<u>289,174</u>	<u>252,132</u>	<u>252,359</u>
<b>Current assets</b>					
Inventories		557	589	-	-
Trade receivables		2,331	1,329	-	-
Other receivables and deposits		393	251	12	12
Amount owing by subsidiary		-	-	1,755	1,777
Bonds - Issuance expenses	1	436	436	436	436
Prepayments		1,152	1,338	58	16
Cash and bank balances		48,736	60,359	6,408	11,997
		<u>53,605</u>	<u>64,302</u>	<u>8,669</u>	<u>14,238</u>
<b>TOTAL ASSETS</b>		<u>337,485</u>	<u>353,476</u>	<u>260,801</u>	<u>266,597</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		411	245	-	-
Other payables and liabilities		8,182	7,060	498	521
Fees received in advance		16,119	32,615	-	-
Bonds - Interest payable		1,603	1,624	1,603	1,624
Goods and Services Tax payable		2,993	3,012	53	57
Central Provident Fund payable		375	503	6	5
Income tax payable		26	79	24	61
		<u>29,709</u>	<u>45,138</u>	<u>2,184</u>	<u>2,268</u>
<b>NET CURRENT ASSETS</b>		23,896	19,164	6,485	11,970
<b>Non-current liabilities</b>					
Borrowings - Bonds	1	150,000	150,000	150,000	150,000
Other liabilities		-	-	783	999
Deferred tax liabilities	2	5,002	3,320	-	-
		<u>155,002</u>	<u>153,320</u>	<u>150,783</u>	<u>150,999</u>
Net assets		<u>152,774</u>	<u>155,018</u>	<u>107,834</u>	<u>113,330</u>
<b>Equity attributable to owners of the Company</b>					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		79,690	81,934	8,581	14,077
Other reserves		(26,169)	(26,169)	-	-
		<u>152,774</u>	<u>155,018</u>	<u>107,834</u>	<u>113,330</u>

**GROUP**

	<b>As at 30-Jun-16 \$'000</b>	<b>As at 31-Dec-15 \$'000</b>
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Note 1:

Borrowings - Bonds

150,000 150,000

Bonds - Issuance expenses

- Non-current assets

(783) (999)

- Current assets

(436) (436)

(1,219) (1,435)

148,781 148,565

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

1,742 3,092

- Unabsorbed capital allowances

(60) (713)

Deferred tax charged to P&L during the period / year

1,682 2,379

Balance at end of the period / year

5,002 3,320

**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	
	30-Jun-16 \$'000	31-Dec-15 \$'000
Borrowings - Bonds	150,000	150,000
Bonds - Issuance expenses	(1,219)	(1,435)
	<u>148,781</u>	<u>148,565</u>
Total bonds issuance expenses incurred	2,181	2,181
Accumulated amortisation	(962)	(746)
	<u>1,219</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		GROUP	
	Second Quarter ended 30-Jun-16 \$'000	30-Jun-15 \$'000	Year to Date ended 30-Jun-16 \$'000	30-Jun-15 \$'000
<b>Cash flows from operating activities</b>				
Profit before taxation	2,807	6,118	5,170	12,862
Adjustments for:				
Depreciation and amortisation expenses	2,659	821	5,328	1,641
(Gain)/loss on disposal of plant and equipment	(9)	2	(13)	2
Finance costs - Bonds	2,054	-	4,106	-
Interest income	(71)	(70)	(207)	(192)
<b>Operating profit before working capital changes</b>	<u>7,440</u>	<u>6,871</u>	<u>14,384</u>	<u>14,313</u>
(Increase)/decrease in inventories	(21)	-	32	48
Increase in trade receivables	(1,563)	(1,785)	(1,002)	(1,417)
Decrease in other receivables and deposits and prepayments	1,056	3,931	44	1,602
Decrease/(increase) in non-current deposits	2	(571)	(8)	(1,432)
Decrease in trade payables, other payables and liabilities, and fees received in advance	(4,759)	(6,360)	(15,355)	(17,872)
<b>Cash generated from/(used in) operations</b>	<u>2,155</u>	<u>2,086</u>	<u>(1,905)</u>	<u>(4,758)</u>
Interest received	71	70	207	192
Income tax paid	(59)	(2,472)	(75)	(2,472)
<b>Net cash generated from/(used in) operating activities</b>	<u>2,167</u>	<u>(316)</u>	<u>(1,773)</u>	<u>(7,038)</u>
<b>Cash flows from investing activities</b>				
Additions of intangible assets	(56)	(114)	(132)	(235)
Acquisition of property, plant and equipment	(75)	(17,607)	(150)	(56,852)
Bond interest paid capitalised as construction-in-progress	-	(3,889)	-	(3,889)
Bond interest paid and expensed	(3,911)	-	(3,911)	-
Proceeds from disposal of plant and equipment	10	41	54	52
<b>Net cash used in investing activities</b>	<u>(4,032)</u>	<u>(21,569)</u>	<u>(4,139)</u>	<u>(60,924)</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(5,711)	(11,422)	(5,711)	(11,422)
<b>Net cash used in financing activities</b>	<u>(5,711)</u>	<u>(11,422)</u>	<u>(5,711)</u>	<u>(11,422)</u>
Net decrease in cash and cash equivalents	(7,576)	(33,307)	(11,623)	(79,384)
Cash and cash equivalents at beginning of the period	56,312	79,438	60,359	125,515
<b>Cash and cash equivalents at end of the period</b>	<u>48,736</u>	<u>46,131</u>	<u>48,736</u>	<u>46,131</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>2016</b>							
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 and 1 April 2016	99,253	83,278	(26,169)	1	(26,170)	-	156,362
Profit net of tax	-	2,123	-	-	-	-	2,123
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	2,123	-	(+)	-	-	2,123
Distribution to owners							
Dividends	-	(5,711)	-	-	-	-	(5,711)
Total transactions with owners in their capacity as owners	-	(5,711)	-	-	-	-	(5,711)
Balance at 30 June 2016	99,253	79,690	(26,169)	1	(26,170)	-	152,774
<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	99,253	43,560	13,831	1	(26,170)	40,000	156,644

+ 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)**

	<b>Attributable to owners of the Company</b>		
	<b>Share capital</b>	<b>Revenue reserve</b>	<b>Total equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>COMPANY</b>			
<b>2016</b>			
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 and 1 April 2016	99,253	14,213	113,466
Profit net of tax	-	79	79
Total comprehensive income for the period	-	79	79
Distribution to owners			
Dividends	-	(5,711)	(5,711)
Total transactions with owners in their capacity as owners	-	(5,711)	(5,711)
Balance at 30 June 2016	<u>99,253</u>	<u>8,581</u>	<u>107,834</u>
<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	<u>99,253</u>	<u>7,625</u>	<u>106,878</u>

**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 June 2016, the Company has no outstanding convertibles (30 June 2015: nil).

	<b>Group and company</b>
	No of shares
At 1 January 2016, 31 March 2016 and 30 June 2016	<u>415,363,548</u>

**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>	
	<u>30-Jun-16</u>	<u>31-Dec-15</u>
Total number of issued shares	<u>415,363,548</u>	<u>415,363,548</u>

**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 auditor.

**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 Second Quarter Ended		GROUP Year to Date Ended	
	30-Jun-16 cents	30-Jun-15 cents	30-Jun-16 cents	30-Jun-15 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	0.5	1.3	0.8	2.6
On a fully diluted basis	0.5	1.3	0.8	2.6
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	
	As at 30-Jun-16 cents	As at 31-Dec-15 cents	As at 30-Jun-16 cents	As at 31-Dec-15 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	36.8	37.3	26.0	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 total revenue of \$24.43 million and \$48.14 million for the second quarter ended 30 June 2016 (Q2 2016) and the six months ended 30 June 2016 (H1 2016) respectively. The decrease in total revenue compared to corresponding periods last year was due to the lower student enrolments in the junior schools for the academic semester January to June 2016 just ended.

Details of revenue lines are as follows:

Revenue from tuition fees was lower at \$23.60 million in Q2 2016 compared to \$24.20 million in Q2 2015. For the six-month period, tuition fees dropped to \$46.66 million in H1 2016 from \$48.02 million in H1 2015.

Revenue from registration fees was S\$0.51 million in Q2 2016 versus \$0.53 million in Q2 2015. For the six-month period, registration fees revenue was lower at \$0.77 million in H1 2016 compared to \$0.85 million in H1 2015.

School shop revenue was \$0.09 million in Q2 2016 versus \$0.10 million in Q2 2015. For the six-month period, school shop revenue was \$0.21 million in H1 2016 compared to \$0.24 million in H1 2015. Enrichment programme revenue dropped to \$0.14 million in Q2 2016 from \$0.16 million in Q2 2015. Similarly, enrichment programme revenue dropped to \$0.27 million in H1 2016 from \$0.31 million in H1 2015.

Interest income was stable at \$0.07 million in Q2 2016 and Q2 2015. Interest income ended higher at \$0.21 million in H1 2016 compared to \$0.19 million in H1 2015. Other revenue ended at \$0.02 million and \$0.03 million in Q2 2016 and H1 2016 respectively, compared to \$0.03 million and \$0.05 million for the comparable periods in 2015.

Total operating expenses increased by \$2.65 million to \$21.62 million for the current quarter Q2 2016 from \$18.97 million in Q2 2015. For the six-month period, total operating expenses increased by \$6.17 million to \$42.97 million in H1 2016 from \$36.80 million in H1 2015. The increase was due mainly to the depreciation expenses of the new school campus and finance costs on the bonds borrowings.

Personnel expenses were \$14.58 million in Q2 2016 as compared to \$14.30 million in Q2 2015. For the six-month period, personnel expenses increased by \$0.77 million (2.7%) to \$28.78 million in H1 2016 from \$28.01 million in H1 2015. The overall increase was due mainly 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 last year in Q2 2015 and H1 2015 was on the former Paterson Road campus. The Paterson Road lease ended on 30 June 2015.

Depreciation expenses of \$2.49 million in Q2 2016 and \$4.98 million in H1 2016 were substantially higher than \$0.65 million in Q2 2015 and \$1.30 million in H1 2015. The increase was due mainly to the depreciation on leasehold land and school buildings, and higher depreciation on other plant and equipment at the new school campus.

Utilities expenses were \$0.27 million and \$0.53 million in Q2 2016 and H1 2016 respectively, compared to \$0.30 million and \$0.45 million in the corresponding periods of last year.

Upkeep and maintenance increased to \$0.18 million in Q2 2016 and \$0.37 million in H1 2016, as compared to \$0.15 million and \$0.30 million in the corresponding periods of Q2 2015 and H1 2015.

Finance costs - Bonds of \$2.05 million in Q2 2016 and \$4.11 million in H1 2016 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 were higher by \$0.48 million and \$1.23 million in Q2 2016 and H1 2016 respectively. The increase was 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 to \$1.08 million per annum. Bus transport expenses have also increased due to the provision of shuttle buses and additional buses for the afterschool extra-curricular activities for the students.

Relocation expense of \$0.32 million was incurred last year for the relocation from the Paterson Road campus to the new school campus at Pasir Ris in Q2 2015.

Profit before taxation ended at \$2.81 million for Q2 2016 compared to \$6.12 million in Q2 2015. For the six-month period, profit before taxation ended at \$5.17 million for H1 2016 compared to \$12.86 million for H1 2015.

Income tax expense for Q2 2016 and H1 2016 were \$0.68 million and \$1.70 million respectively, comprised mainly of the accrual of net deferred tax liabilities of \$0.68 million and \$1.68 million respectively due to the recognition of capital allowances on new assets acquired for the new school campus. The income tax expense for Q2 2015 and H1 2015 of \$0.90 million and \$2.01 million respectively were mainly accrual of current tax on chargeable income for the respective periods.

Profit after taxation for the second quarter ended at \$2.12 million for Q2 2016 compared to \$5.22 million for Q2 2015. Profit after taxation for the half-year ended at \$3.47 million for H1 2016 compared to \$10.85 million for H1 2015.

### **Review of Group Balance Sheet as at 30 June 2016**

Total property, plant and equipment at 30 June 2016 amounted to \$280.05 million compared to \$284.92 million at 31 December 2015. The decrease of \$4.87 million was due mainly to the depreciation charge for the reporting period.

Inventories for school uniforms, books and stationery supplies for sale at the school shop were maintained at \$0.56 million at the end of Q2 2016 compared to \$0.59 million at 31 December 2015.

Trade receivables comprised amounts attributable to tuition fees, registration fees, school shop revenue and other revenue. The increase of \$1.00 million at the end of Q2 2016 from 31 December 2015 was due mainly to the timing of collection of the receivables for the reporting period.

Other receivables and deposits of \$0.39 million at 30 June 2016 were higher than \$0.25 million at 31 December 2015 due to the additional deposits placed for staff housing.

Prepayments decreased by \$0.19 million mainly due to amortisation of prepaid expenses being recognised in the income statement.

The Group's cash and bank balances amounted to \$48.74 million at 30 June 2016 and \$60.36 million at 31 December 2015. The decrease was due to cash used in investing and financing activities, and explained in the review of Group cash flow below.

Trade and other payables and liabilities increased by \$1.29 million at 30 June 2016 due mainly to accrual of the revised property tax and provision for operating expenses.

The fluctuation in fees received in advance of \$32.62 million at 31 December 2015 compared to \$16.12 million at 30 June 2016 was due to the timing of the receipts of the fees received in advance. The fees received in advance at 31 December 2015 were for tuition fees collected for the second semester commencing in January 2016. Fees received in advance at 30 June 2016 were for tuition fees for the first semester starting in August 2016. At the current reporting date 30 June 2016, the fees for the semester starting in August 2016 are not due yet.

Bonds - Interest payable at 30 June 2016 was for the interest accrued on the \$150 million bonds at 5.20% p.a. for the period from 17 April 2016 to 30 June 2016. The interest payable at 31 December 2015 was accrued for the period from 17 October 2015 to 31 December 2015.

Goods and Services Tax payable of \$2.99 million at 30 June 2016 arose mainly from the invoicing of semester one 2016/2017 tuition fees.

Deferred tax liabilities amounted to \$5.00 million at 30 June 2016. The increase from \$3.32 million at 31 December 2015 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 second quarter ended 30 June 2016**

In Q2 2016, net cash generated from operating activities was \$2.17 million, which consisted of cash inflow from operating profit before working capital changes of \$7.44 million, net working capital outflow of \$5.28 million, interest received of \$0.07 million and income tax paid of \$0.06 million.

The above-mentioned net working capital outflow of \$5.28 million arose mainly from cash outflow relating to the decrease in trade and other payables of \$4.76 million. There was also the increase in cash outflow from trade receivables of \$1.56 million, offset by the cash inflow from other receivables of \$1.06 million.

The net cash outflow in investing activities of \$4.03 million in Q2 2016 was mainly due to the payment of bond interest of \$3.91 million in April 2016.

The cash outflow in financing activities of \$5.71 million in Q2 2016 was for the payment of the final dividend in respect of FY 2015 in May 2016.

**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 second quarter and half year financial results ended 30 June 2016 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 payment of the \$6,011,575 retention sum to the main contractor.

**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  
8 August 2016