

Overseas Education Limited

Company Registration No: 201131905D

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT

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

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

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

	GROUP		Change %		
	31-Mar-17 \$'000	First Quarter ended 31-Mar-16 \$'000			
Revenue					
Tuition fees	21,540	97.6%	23,061	97.3%	(6.6)
Registration fees	237	1.1%	265	1.1%	(10.6)
School shop revenue	104	0.5%	113	0.5%	(8.0)
Enrichment programme revenue	122	0.5%	135	0.5%	(9.6)
Interest income	73	0.3%	136	0.6%	(46.3)
Other revenue	4	0.0%	3	0.0%	33.3
Total revenue	<u>22,080</u>	100.0%	<u>23,713</u>	100.0%	(6.9)
Expenses					
Personnel expenses	13,252	60.0%	14,195	59.9%	(6.6)
School shop costs	61	0.3%	62	0.3%	(1.6)
Enrichment programme costs	93	0.4%	73	0.3%	27.4
Utilities	212	1.0%	259	1.1%	(18.1)
Upkeep and maintenance	438	2.0%	198	0.8%	121.2
Finance costs - Bonds	1,936	8.8%	2,052	8.6%	(5.7)
Other operating expenses	1,444	6.5%	1,841	7.8%	(21.6)
Expenses before depreciation and amortisation	<u>17,436</u>	79.0%	<u>18,680</u>	78.8%	(6.7)
Profit before depreciation and amortisation	4,644	21.0%	5,033	21.2%	(7.7)
Depreciation expenses					
- Leasehold land	309	1.4%	309	1.3%	0.0
- School buildings	914	4.2%	918	3.9%	(0.4)
- Other plant and equipment	1,241	5.6%	1,267	5.3%	(2.1)
Amortisation of intangible assets	160	0.7%	175	0.7%	(8.6)
	<u>2,624</u>	11.9%	<u>2,669</u>	11.2%	(1.7)
Profit before taxation	2,020	9.1%	2,364	10.0%	(14.6)
Income tax expense - current tax	(15)		(17)		
- deferred tax	(565)		(1,003)		
	<u>(580)</u>	2.6%	<u>(1,020)</u>	4.3%	(43.1)
Net profit for the period	<u>1,440</u>	6.5%	<u>1,344</u>	5.7%	7.1
Other comprehensive income for the period, net of tax	(+)		(+)		0.0
Total comprehensive income for the period	<u><u>1,440</u></u>	6.5%	<u><u>1,344</u></u>	5.7%	7.1
Attributable to:					
Owners of the Company	1,440	6.5%	1,344	5.7%	7.1
	<u><u>1,440</u></u>	6.5%	<u><u>1,344</u></u>	5.7%	7.1

n.m. - Not meaningful

(+)/+ - Amount lower than S\$1,000

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

	Group		
	First Quarter ended		Change
	31-Mar-17	31-Mar-16	%
	\$'000	\$'000	
Loss/(gain) on disposal of plant and equipment	12	(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-17 \$'000	As at 31-Dec-16 \$'000	As at 31-Mar-17 \$'000	As at 31-Dec-16 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land		32,462	32,772	-	-
- School buildings		176,477	177,391	-	-
- Other plant and equipment		64,319	65,549	109	116
Intangible assets		2,213	2,270	-	-
Investment in subsidiaries		-	-	101,219	101,219
Inter-company loan to subsidiary		-	-	143,000	143,000
Bonds - Issuance expenses	1	434	537	434	537
Deposits		312	249	-	-
Staff housing deposits		248	255	-	-
Other long term asset		334	334	-	-
		<u>276,799</u>	<u>279,357</u>	<u>244,762</u>	<u>244,872</u>
Current assets					
Inventories		440	472	-	-
Trade receivables		897	1,207	-	-
Other receivables and deposits		385	379	12	12
Goods and Services Tax receivables		91	-	-	-
Amount owing by subsidiary		-	-	3,535	1,701
Bonds - Issuance expenses	1	416	416	416	416
Prepayments		2,169	1,052	42	16
Cash and cash equivalents		48,580	53,908	9,879	9,760
		<u>52,978</u>	<u>57,434</u>	<u>13,884</u>	<u>11,905</u>
TOTAL ASSETS		<u>329,777</u>	<u>336,791</u>	<u>258,646</u>	<u>256,777</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		436	295	-	-
Other payables and liabilities		1,104	1,138	504	493
Fees received in advance		22,161	30,753	-	-
Bonds - Interest payable		3,382	1,548	3,382	1,548
Goods and Services Tax payable		52	2,362	52	57
Central Provident Fund payable		347	419	6	6
Income tax payable		69	54	67	52
		<u>27,551</u>	<u>36,569</u>	<u>4,011</u>	<u>2,156</u>
NET CURRENT ASSETS		25,427	20,865	9,873	9,749
Non-current liabilities					
Borrowings - Bonds	1	143,000	143,000	143,000	143,000
Other liabilities		-	-	434	537
Deferred tax liabilities	2	6,072	5,507	-	-
		<u>149,072</u>	<u>148,507</u>	<u>143,434</u>	<u>143,537</u>
Net assets		<u>153,154</u>	<u>151,715</u>	<u>111,201</u>	<u>111,084</u>
Equity attributable to owners of the Company					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		80,071	78,631	11,948	11,831
Other reserves		(26,170)	(26,169)	-	-
		<u>153,154</u>	<u>151,715</u>	<u>111,201</u>	<u>111,084</u>

	GROUP	
	As at	As at
	31-Mar-17	31-Dec-16
	\$'000	\$'000
Note 1:		
Borrowings - Bonds	143,000	143,000
Bonds - Issuance expenses		
- Non-current assets	(434)	(537)
- Current assets	(416)	(416)
	<u>(850)</u>	<u>(953)</u>
Bonds at amortised cost	<u>142,150</u>	<u>142,047</u>
Note 2:		
Deferred tax liabilities		
Balance at beginning of the period / year	5,507	3,320
Movements during the period / year comprising:		
- Difference in net book value and tax-written-down-value of property, plant and equipment	748	2,355
- Unabsorbed capital allowances	(183)	(168)
Deferred tax charged to P&L during the period / year	<u>565</u>	<u>2,187</u>
Balance at end of the period / year	<u>6,072</u>	<u>5,507</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 arrears on 17 October and 17 April in each year.

During the third quarter of FY 2016, the Company repurchased \$7,000,000 of the Bonds. The repurchased Bonds have been cancelled and delisted from SGX-ST on 22 September 2016. Following the cancellation of the Bonds, the Company has a balance of \$143 million in aggregated principal amount of Bonds.

	As at	
	31-Mar-17	31-Dec-16
	\$'000	\$'000
Borrowings - Bonds	143,000	143,000
Bonds issuance expenses	(850)	(953)
Bonds at amortised cost	<u>142,150</u>	<u>142,047</u>
Total bonds issuance expenses incurred	2,181	2,181
Accumulated amortisation	<u>(1,331)</u>	<u>(1,228)</u>
	<u>850</u>	<u>953</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-17	31-Mar-16
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	2,020	2,364
Adjustments for:		
Depreciation and amortisation expenses	2,624	2,669
Loss/(gain) on disposal of property, plant and equipment	12	(4)
Finance costs	1,936	2,052
Interest income	(73)	(136)
Operating profit before working capital changes	<u>6,519</u>	<u>6,945</u>
Decrease in inventories	32	53
Decrease in trade receivables	310	561
Increase in other receivables, deposits and prepayments	(1,214)	(1,013)
Increase in non-current deposits	(56)	(10)
Decrease in trade payables, other payables, liabilities and fees received in advance	<u>(10,867)</u>	<u>(10,596)</u>
Cash used in operations	<u>(5,276)</u>	<u>(4,060)</u>
Interest received	73	136
Income tax paid	-	(16)
Net cash used in operating activities	<u>(5,203)</u>	<u>(3,940)</u>
Cash flows from investing activities		
Additions of intangible assets	(102)	(76)
Acquisition of property, plant and equipment	(43)	(75)
Proceeds from disposal of plant and equipment	20	44
Net cash used in investing activities	<u>(125)</u>	<u>(107)</u>
Net decrease in cash and cash equivalents	(5,328)	(4,047)
Cash and cash equivalents at beginning of the period	<u>53,908</u>	<u>60,359</u>
Cash and cash equivalents at end of the period	<u>48,580</u>	<u>56,312</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	
GROUP					(Note #)	
2017						
Balance at 1 January 2017	99,253	78,631	(26,169)	1	(26,170)	151,715
Profit net of tax	-	1,440	-	-	-	1,440
Other comprehensive income for the period	-	-	(+)	(+)	-	(+)
Total comprehensive income for the period	-	1,440	(+)	(+)	-	1,439
Balance at 31 March 2017	99,253	80,071	(26,170)	1	(26,170)	153,154
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

+ Amount lower than S\$1,000

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
COMPANY			
2017			
Balance at 1 January 2017	99,253	11,831	111,084
Profit net of tax	-	117	117
Total comprehensive income for the period	-	117	117
Balance at 31 March 2017	99,253	11,948	111,201
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

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2017, the Company has no outstanding convertibles (31 March 2016: nil).

As at 31 March 2017, the Company has no treasury shares (31 March 2016: nil) and no subsidiary holdings (31 March 2016: nil).

Company

At 31 December 2016 and 31 March 2017

No of shares
<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.

	As at	
	31-Mar-17	31-Dec-16
Total number of issued shares	415,363,548	415,363,548

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

Not applicable.

1d(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 2016, 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 2017.

- 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-17	31-Mar-16
	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	<u>0.4</u>	<u>0.3</u>
On a fully diluted basis	<u>0.4</u>	<u>0.3</u>
Weighted average number of ordinary shares for basic and diluted earnings per share computation	<u>415,363,548</u>	<u>415,363,548</u>

- 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-17	31-Dec-16	31-Mar-17	31-Dec-16
	cents	cents	cents	cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	<u>36.9</u>	<u>36.5</u>	<u>26.8</u>	<u>26.7</u>

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 \$22.08 million for the first quarter ended 31 March 2017 (Q1 2017) compared to \$23.71 million for the corresponding quarter ended 31 March 2016 (Q1 2016). The overall decrease of 6.9% was due to lower student enrolments compared to the same period last year.

Details of revenue lines are as follows:

Tuition fees revenue was lower at \$21.54 million in Q1 2017 compared to \$23.06 million in Q1 2016.

Revenue from registration fees was \$0.24 million in Q1 2017 compared to \$0.27 million in Q1 2016.

School shop revenue was \$0.10 million in Q1 2017 compared to \$0.11 million in Q1 2016. Enrichment programme revenue was \$0.12 million in Q1 2017 compared to \$0.14 million in Q1 2016.

Interest income was \$0.07 million in Q1 2017 compared to \$0.14 million in Q1 2016.

Total expenses before depreciation and amortisation was lower at \$17.44 million in Q1 2017 compared to \$18.68 million in Q1 2016. The decrease was due to lower personnel expenses, finance costs on the bonds borrowings and other operating expenses as explained below.

Personnel expenses decreased to \$13.25 million in Q1 2017 from \$14.19 million in Q1 2016 due to non-renewal of contracts of academic staff from second half of last year. The cost-cutting measure was implemented due to the lower student numbers.

Utilities expenses decreased to \$0.21 million in Q1 2017 from \$0.26 million in Q1 2016. The increase in upkeep and maintenance expenses from \$0.20 million in Q1 2016 to \$0.44 million in Q1 2017 was due to renewal of several maintenance contracts after the expiry of the maintenance free period which ended in first half of last year.

Finance costs - Bonds of \$1.94 million in Q1 2017 was lower than the \$2.05 million in Q1 2016 as a result of the interest savings arising from the repurchase of \$7,000,000 Bonds in Q3 2016.

Other operating expenses were lower at \$1.44 million in Q1 2017 compared to \$1.84 million in Q1 2016 due mainly to the revision of property tax for the new school campus in Q1 2016. The property tax was revised from \$0.23 million per annum to \$1.08 million per annum with effect from the issuance of the Temporary Occupancy Permit in May 2015, and the backdated upward property tax adjustment was charged to the Group in Q1 2016.

Depreciation and amortisation expenses was constant at \$2.62 million in Q1 2017 as compared to \$2.67 million in Q1 2016.

Profit before taxation ended at \$2.02 million in Q1 2017 compared to \$2.36 million in Q1 2016.

Income tax expense for Q1 2017 comprised mainly of the accrual of net deferred tax liabilities of \$0.57 million compared to \$1.00 million for Q1 2016. The net deferred tax liabilities arose from the recognition of capital allowances on new assets acquired for the new school campus.

Net profit after taxation for Q1 2017 ended at \$1.44 million compared to \$1.34 million for Q1 2016.

Review of Balance Sheet as at 31 March 2017

Total property, plant and equipment as at 31 March 2017 amounted to \$273.26 million compared to \$275.71 million as at 31 December 2016. The decrease of \$2.45 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 \$0.44 million as at end of Q1 2017 compared to \$0.47 million as at 31 December 2016.

Trade receivables comprised amounts attributable to tuition fees, registration fees, school shop revenue and other revenue. Trade receivables balance as at 31 March 2017 decreased to \$0.90 million due to collection of outstanding receivables at 31 December 2016.

Other receivables and deposits was constant at \$0.38 million as at 31 March 2017 and as at 31 December 2016.

Prepayments increased by \$1.12 million due to increase in prepaid expenses incurred at the beginning of the year.

The Group's cash and cash equivalents amounted to \$48.58 million at 31 March 2017 and \$53.91 million at 31 December 2016. The decrease was due to cash used in operating and investing activities as explained in the review of Group cash flow below.

Trade and other payables and liabilities was slightly higher at \$1.54 million as at 31 March 2017 compared to \$1.43 million as at 31 December 2016 due to timing of payments.

Fees received in advance decreased to \$22.16 million as at 31 March 2017 from \$30.75 million as at 31 December 2016. The fees received in advance as at 31 December 2016 were for tuition fees collected for the second semester commencing in January 2017. 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 2017 was for the interest accrued on the remaining balance of \$143 million bonds at 5.20% p.a. for the period from 17 October 2016 to 31 March 2017. Bonds - Interest Payable as at 31 December 2016 was for the bonds interest for the period from 17 October 2016 to 31 December 2016.

The GST payable of \$2.36 million as at 31 December 2016 was mainly related to the billing of semester two 2016/2017 tuition fees and was paid in Q1 2017.

Deferred tax liabilities amounted to \$6.07 million at 31 March 2017 compared to \$5.51 million at 31 December 2016. The net deferred tax liabilities 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 2017

The net cash used in operating activities in Q1 2017 was \$5.20 million, which consisted of cash inflow from operating activities before working capital changes of \$6.52 million, net working capital outflow of \$11.79 million and interest received of \$0.07 million.

The above-mentioned net working capital outflow of \$11.79 million arose mainly from cash outflow relating to the decrease in trade payables, other payables, liabilities and fees received in advance of \$10.87 million. There was also the increase in cash outflow from other receivables, deposits and prepayments of \$1.21 million, offset by the cash inflow from trade receivables of \$0.31 million.

The net cash used in investing activities of \$0.13 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.

Current economic outlook expects to remain challenging. The Group will continue to focus on quality school programmes, and will maintain a conservative stance on its expenditure.

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, and 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:

Total amount utilised for the building of a new school campus	<u>65,635,545</u>
Balance proceeds	<u>2,398,440</u>

It is intended that the balance \$2,398,440 of the IPO Proceeds also be used wholly towards capital expenditure for the new school campus.

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
9 May 2017