

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-13 \$'000 | First Quarter ended 31-Mar-12 \$'000 | |
| Revenue | | | |
| Tuition fees | 24,134 | 95.8% 21,602 | 94.7% 11.7 |
| Registration fees | 471 | 1.9% 719 | 3.1% (34.5) |
| School bookshop sales | 194 | 0.8% 202 | 0.9% (4.0) |
| Enrichment programme revenue | 260 | 1.0% 219 | 1.0% 18.7 |
| Interest income | 115 | 0.4% 54 | 0.2% 113.0 |
| Other revenue | 14 | 0.1% 26 | 0.1% (46.2) |
| Total revenue | 25,188 | 100.0% 22,822 | 100.0% 10.4 |
| Operating expenses | | | |
| Personnel expenses | 13,413 | 53.3% 12,961 | 56.8% 3.5 |
| School lease rental | 1,708 | 6.8% 1,691 | 7.4% 1.0 |
| Depreciation and amortisation expenses | 1,042 | 4.1% 1,111 | 4.9% (6.2) |
| Cost of goods sold | 113 | 0.4% 119 | 0.5% (5.0) |
| Enrichment programme cost | 179 | 0.7% 145 | 0.6% 23.4 |
| Utilities | 172 | 0.7% 220 | 1.0% (21.8) |
| Upkeep and maintenance | 200 | 0.8% 194 | 0.8% 3.1 |
| Other operating expenses | 1,001 | 4.0% 1,025 | 4.5% (2.3) |
| Share subsidy for staff shareholders | 1,081 | 4.3% - | 0.0% n.m. |
| Total operating expenses | 18,909 | 75.1% 17,466 | 76.5% 8.3 |
| Profit before taxation | 6,279 | 24.9% 5,356 | 23.5% 17.2 |
| Income tax expense | (1,077) | 4.3% (926) | 4.1% 16.3 |
| Profit for the period | 5,202 | 20.6% 4,430 | 19.4% 17.4 |
| Other comprehensive income for the period, net of tax | (+) | + | 0.0 |
| Total comprehensive income for the period | 5,202 | 20.6% 4,430 | 19.4% 17.4 |
| Attributable to: | | | |
| Owners of the Company | 5,202 | 20.6% 4,430 | 19.4% 17.4 |
| | 5,202 | 20.6% 4,430 | 19.4% 17.4 |

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-13 | Group First Quarter ended 31-Mar-12 | Change |
|---|----------------------|--|---------------|
| | <u>\$'000</u> | <u>\$'000</u> | % |
| Allowance for doubtful debt | 20 | - | n.m. |
| Under provision of tax in respect of prior year | 3 | - | n.m. |
| Loss on disposal of plant and equipment | 15 | 4 | 275.0 |
| Share subsidy for staff shareholders (Note A) | 1,081 | - | n.m. |

Note A: Relates to the share subsidy provided by the Group of \$0.096 per share which was a discount of 20% to the invitation price for each reserved share subscribed by the staff shareholders in the IPO.

- 1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 31-Mar-13 | 31-Dec-12 | 31-Mar-13 | 31-Dec-12 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Plant and equipment | 8,222 | 8,917 | 166 | 174 |
| Intangible assets | 3,480 | 3,549 | - | - |
| Investment in subsidiaries | - | - | 31,219 | 31,219 |
| Fee protection insurance deposits | 2,031 | 2,024 | - | - |
| School lease deposits | 1,787 | 1,787 | - | - |
| Staff housing deposits | 366 | 398 | - | - |
| | <u>15,886</u> | <u>16,675</u> | <u>31,385</u> | <u>31,393</u> |
| Current assets | | | | |
| Inventories | 629 | 567 | - | - |
| Trade receivables | 674 | 1,169 | - | - |
| Other receivables and deposits | 407 | 374 | 36 | 6 |
| Goods and Services Tax receivables | 262 | - | 174 | - |
| Prepayments | 1,252 | 2,005 | 32 | 1,134 |
| Cash and bank balances | 2,675 | 2,456 | 604 | 723 |
| Fixed deposits | 151,553 | 92,000 | 80,553 | 12,000 |
| | <u>157,452</u> | <u>98,571</u> | <u>81,399</u> | <u>13,863</u> |
| TOTAL ASSETS | <u>173,338</u> | <u>115,246</u> | <u>112,784</u> | <u>45,256</u> |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables | 649 | 205 | - | - |
| Other payables | 841 | 734 | 120 | 123 |
| Amounts due to subsidiary | - | - | 1,116 | 1,500 |
| Fees received in advance | 24,392 | 37,836 | - | - |
| Goods and Services Tax payable | - | 3,191 | - | 104 |
| Central Provident Fund payable | 314 | 448 | 6 | 32 |
| Income tax payable | 5,146 | 4,072 | 55 | 55 |
| | <u>31,342</u> | <u>46,486</u> | <u>1,297</u> | <u>1,814</u> |
| NET CURRENT ASSETS | 126,110 | 52,085 | 80,102 | 12,049 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 1,328 | 1,328 | - | - |
| Net assets | <u>140,668</u> | <u>67,432</u> | <u>111,487</u> | <u>43,442</u> |
| Equity attributable to owners of the Company | | | | |
| Share capital | 99,253 | 31,219 | 99,253 | 31,219 |
| Revenue reserve | 27,584 | 22,382 | 12,234 | 12,223 |
| Other reserves | 13,831 | 13,831 | - | - |
| | <u>140,668</u> | <u>67,432</u> | <u>111,487</u> | <u>43,442</u> |

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

There were no borrowings or debt securities as at the end of the financial period reported on or at the end of the immediately preceding financial year.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding year.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | GROUP | |
|--|----------------------------|------------------|
| | First Quarter ended | 31-Mar-12 |
| | 31-Mar-13 | 31-Mar-12 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 6,279 | 5,356 |
| Adjustments for: | | |
| Depreciation expenses | 848 | 918 |
| Amortisation expenses | 194 | 193 |
| Loss on disposal of plant and equipment | 15 | 4 |
| Interest income | (115) | (54) |
| Operating profit before working capital changes | 7,221 | 6,417 |
| (Increase)/decrease in inventories | (62) | 4 |
| Decrease/(increase) in trade receivables | 495 | (522) |
| Decrease/(increase) in other receivables and deposits, GST receivables and prepayments | 478 | (1,240) |
| Decrease in non-current deposits | 26 | 9 |
| Decrease in trade payables and other payables and fees received in advance | (16,219) | (14,935) |
| Cash used in operations | (8,061) | (10,267) |
| Interest received | 95 | 54 |
| Income tax paid | (3) | (21) |
| Net cash used in operating activities | (7,969) | (10,234) |
| Cash flows from investing activities | | |
| Additions of intangible assets | (125) | (173) |
| Acquisition of plant and equipment | (170) | (105) |
| Proceeds from disposal of plant and equipment | 2 | 7 |
| Net cash used in investing activities | (293) | (271) |
| Cash flows from financing activities | | |
| Issuance of new ordinary shares on completion of IPO exercise | 72,000 | - |
| Share issuance expenses | (3,966) | - |
| Dividends paid | - | (8,000) |
| Net cash generated from/(used in) financing activities | 68,034 | (8,000) |
| Net increase/(decrease) in cash and cash equivalents | 59,772 | (18,505) |
| Cash and cash equivalents at beginning of the period | 94,456 | 79,629 |
| Cash and cash equivalents at end of the period | 154,228 | 61,124 |

- 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 | |
| GROUP | | | | | | | |
| 2013 | | | | | | | |
| Balance at 1 January 2013 | 31,219 | 22,382 | 13,831 | 1 | (26,170) | 40,000 | 67,432 |
| Profit net of tax | - | 5,202 | - | - | - | - | 5,202 |
| Other comprehensive income for the period | - | - | - | + | - | - | + |
| Total comprehensive income for the period | - | 5,202 | - | + | - | - | 5,202 |
| Contributions by owners | | | | | | | |
| Shares issued for Initial Public Offering | 72,000 | - | - | - | - | - | 72,000 |
| Share issuance expenses | (3,966) | - | - | - | - | - | (3,966) |
| Total transactions with owners in their capacity as owners | 68,034 | - | - | - | - | - | 68,034 |
| Balance at 31 March 2013 | 99,253 | 27,584 | 13,831 | 1 | (26,170) | 40,000 | 140,668 |
| 2012 | | | | | | | |
| Balance at 1 January 2012 | 31,219 | 9,726 | 13,831 | 1 | (26,170) | 40,000 | 54,776 |
| Profit net of tax | - | 4,430 | - | - | - | - | 4,430 |
| Other comprehensive income for the period | - | - | - | (+) | - | - | (+) |
| Total comprehensive income for the period | - | 4,430 | - | (+) | - | - | 4,430 |
| Distribution to owners | | | | | | | |
| Dividends | - | (8,000) | - | - | - | - | (8,000) |
| Total transactions with owners in their capacity as owners | - | (8,000) | - | - | - | - | (8,000) |
| Balance at 31 March 2012 | 31,219 | 6,156 | 13,831 | 1 | (26,170) | 40,000 | 51,206 |

+ 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)

| | <u>Attributable to owners of the Company</u> | | |
|--|--|----------------------------------|-------------------------------|
| | <u>Share capital</u> \$'000 | <u>Revenue reserve</u> \$'000 | <u>Total equity</u> \$'000 |
| COMPANY | | | |
| 2013 | | | |
| Balance at 1 January 2013 | 31,219 | 12,223 | 43,442 |
| Profit net of tax | - | 11 | 11 |
| Total comprehensive income for the period | - | 11 | 11 |
| Contributions by owners | | | |
| Shares issued for Initial Public Offering | 72,000 | - | 72,000 |
| Share issuance expenses | (3,966) | - | (3,966) |
| Total transactions with owners in their capacity as owners | 68,034 | - | 68,034 |
| Balance at 31 March 2013 | 99,253 | 12,234 | 111,487 |
| 2012 | | | |
| Balance at 1 January 2012 | 31,219 | (274) | 30,945 |
| Profit net of tax | - | 7,926 | 7,926 |
| Total comprehensive income for the period | - | 7,926 | 7,926 |
| Distribution to owners | | | |
| Dividends | - | (8,000) | (8,000) |
| Total transactions with owners in their capacity as owners | - | (8,000) | (8,000) |
| Balance at 31 March 2012 | 31,219 | (348) | 30,871 |

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 2013, the Company has no outstanding convertibles (31 March 2012 : nil).

| | Group and company |
|--|--------------------------|
| | No of shares |
| At 1 January 2013 | 265,363,548 |
| Issuance of new ordinary shares pursuant to listing of the Company on SGX-ST | 150,000,000 |
| At 31 March 2013 | <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 | |
|-------------------------------|------------------|------------------|
| | <u>31-Mar-13</u> | <u>31-Dec-12</u> |
| Total number of issued shares | 415,363,548 | 265,363,548 |

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 2012, 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 2013.

- 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-13 | 31-Mar-12 |
| | 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>1.5</u> | <u>1.7</u> |
| On a fully diluted basis | <u>1.5</u> | <u>1.7</u> |

* For comparative purposes, earnings per ordinary share of the Group for period ended 31 March 2012 has been computed based on share capital of 265,363,548 shares (after share split).

- 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 | |
|---|------------------|------------------|------------------|------------------|
| | 31-Mar-13 | 31-Dec-12 | 31-Mar-13 | 31-Dec-12 |
| | cents | cents | cents | cents |
| Net asset value per ordinary share based on issued share capital at the end of the period reported on | <u>33.9</u> | <u>25.4</u> | <u>26.8</u> | <u>16.4</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

During the first quarter ended 31 March 2013 (Q1 2013), total revenue increased by \$2.37 million from \$22.82 million in the first quarter ended 31 March 2012 (Q1 2012) to \$25.19 million. This was mainly due to increase in revenue from tuition fees.

Tuition fees revenue increased from \$21.60 million in Q1 2012 to \$24.13 million in Q1 2013. The increase was mainly attributable to revision in tuition fees across all grades of the School for the academic year that commenced in August 2012.

Revenue from registration fees decreased from \$0.72 million to \$0.47 million as the school approached full capacity and the number of registrations declined.

Revenue from school bookshop sales remained stable at \$0.19 million in Q1 2013 as compared to \$0.20 million in Q1 2012. Enrichment programme revenue increased from \$0.22 million in Q1 2012 to \$0.26 million in Q1 2013, resulting from higher enrolment in enrichment programmes in Q1 2013 as compared to Q1 2012.

Interest income was higher at \$0.12 million in Q1 2013 compared to \$0.05 million in Q1 2012. Interest earning deposits were higher mainly due to IPO proceeds received. Other revenue decreased from \$26,000 in Q1 2012 to \$14,000 in Q1 2013.

In Q1 2013, the total operating expenses increased by \$1.44 million from \$17.47 million in Q1 2012 to \$18.91 million, mainly due to personnel expenses and share subsidy for staff shareholders.

Personnel expenses increased by \$0.45 million from \$12.96 million in Q1 2012 to \$13.41 million in Q1 2013. This was mainly due to increase in both administrative and academic staff, resulting in an increase in salaries and CPF contribution of \$0.44 million.

Depreciation and amortisation expenses were lower from \$1.11 million in Q1 2012 to \$1.04 million in Q1 2013, on account of lower capital expenditure in Q1 2013 and more fixed assets (in particular renovations) that were fully depreciated by Q1 2013.

Utilities, upkeep and maintenance expenses decreased from \$0.41 million in Q1 2012 to \$0.37 million in Q1 2013. In Q1 2012, there were utilities costs of \$27,000 in relation to prior years. In addition, utilities costs were lower in Q1 2013 on account of refund of costs for Q4 2012.

Other operating expenses remained relatively stable at \$1.00 million in Q1 2013.

The share subsidy of \$1.08 million was for the subsidy provided by the Group of \$0.096 per share which was a discount of 20% to the invitation price for each reserved share subscribed by 166 staff shareholders in the recent IPO exercise completed in Q1 2013.

Profit before taxation increased from \$5.36 million in Q1 2012 to \$6.28 million in Q1 2013, an increase of \$0.92 million.

Effective tax rate remained at 17% for both Q1 2013 and Q1 2012.

Profit after taxation increased by \$0.77 million from \$4.43 million in Q1 2012 to \$5.20 million in Q1 2013.

Review of Balance Sheet as at 31 March 2013

Plant and equipment decreased by \$0.70 million from \$8.92 million as at 31 December 2012 to \$8.22 million as at 31 March 2013, mainly due to the low capital expenditure of \$0.17 million incurred in Q1 2013.

Trade receivables decreased by \$0.50 million mainly due to collection of outstanding receivables as at 31 December 2012.

Prepayments decreased by \$0.75 million due to all prepaid IPO expenses being netted against the gross proceeds raised from the IPO in Q1 2013.

As at 31 March 2013, the Group's cash and cash equivalents stood at \$154.23 million, up from \$94.46 million as at 31 December 2012, which was mainly contributed by the net proceeds from the issuance of shares pursuant to the IPO exercise. Correspondingly, share capital as at 31 March 2013 increased by \$68.03 million accordingly.

The increase in trade payables of \$0.44 million as at 31 March 2013 was mainly due to more purchase of supplies by the School during school term compared to the end of December 2012, when the first semester of the academic year had ended and it was the School vacation.

Fees received in advance decreased from \$37.84 million as at 31 December 2012 to \$24.39 million as at 31 March 2013. The fees received in advance as at 31 December 2012 were for tuition fees collected for the second semester commencing in January 2013. As the semester progressed, fees received in advance and recorded as current liability on the balance sheet decreased as these fees received in advance were recognised over the course of the semester as revenue on a straight-line basis.

Review of Group cash flow for the first quarter ended 31 March 2013

In Q1 2013, net cash used in operating activities was \$7.97 million, which consisted of cash flows from operating activities before working capital changes of \$7.22 million, net working capital outflow of \$15.28 million, interest received of \$95,000 and income tax paid of \$3,000.

The net working capital outflow of \$15.28 million arose mainly from the decrease in fees received in advance of \$13.45 million. Fees received in advance as at 31 December 2012 were gradually recognised as revenue over the course of the semester. In addition the GST payable as at 31 December 2012 of \$3.19 million was fully settled before the end of 31 March 2013.

The net cash inflow from financing activities of \$68.03 million was due to the net proceeds received from the issuance of shares pursuant to the IPO exercise completed by 8 March 2013.

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.

Inflationary pressures worldwide continue to be of concern as it could translate into higher personnel expenses. Such expenses form the largest component of the Group's operating expenses. Hence the ability to pass on any such increase to the Clients could affect the Group's operational results.

The growth of the foreign system school industry in Singapore is generally tied to Singapore's economic growth and its policies on foreign direct investments. The growing population of foreigners in Singapore is expected to be a key demand driver for foreign system schools in 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

| | |
|------------------|-------------------------|
| Name of dividend | FY2012 Interim dividend |
| Dividend type | Cash |
| Dividend rate | S\$0.26 per share * |
| Tax rate | Tax-exempt (one-tier) |
| Date paid | 30 March 2012 |

* The dividends were declared prior to the sub-division of shares during the year. The dividend per share is calculated based on 31,219,231 ordinary shares of the Company in issue as at date of declaration.

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.

There is no usage of proceeds raised from the IPO yet.

BY ORDER OF THE BOARD

David Alan Perry
Executive Chairman and Chief Executive Officer
9 May, 2013

The initial public offering of the Company's shares was sponsored by United Overseas Bank Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this Announcement.