

Overseas Education Limited

Company Registration No: 201131905D

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS

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.

	GROUP			GROUP				
	Third Quarter ended			Nine Months ended				
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change		
	\$'000	\$'000	%	\$'000	\$'000	%		%
Revenue								
Tuition fees	19,696	19,354	1.8	59,655	60,783	96.6%	96.7%	(1.9)
Registration fees	294	293	0.3	881	902	1.5%	1.4%	(2.3)
School shop revenue	387	345	12.2	555	513	0.9%	0.8%	8.2
Enrichment programme revenue	113	105	7.6	381	376	0.6%	0.6%	1.3
Interest income	83	115	(27.8)	251	300	0.4%	0.5%	(16.3)
Other revenue	4	7	(42.9)	18	16	0.0%	0.0%	12.5
Total revenue	20,577	20,219	1.8	61,741	62,890	100.0%	100.0%	(1.8)
Expenses								
Personnel expenses	11,011	11,616	(5.2)	32,555	35,717	52.7%	56.8%	(8.9)
School shop costs	251	213	17.8	350	314	0.6%	0.5%	11.5
Enrichment programme costs	94	87	8.0	280	271	0.4%	0.4%	3.3
Utilities	210	205	2.4	657	655	1.1%	1.0%	0.3
Upkeep and maintenance	390	425	(8.2)	1,056	1,148	1.7%	1.8%	(8.0)
Finance costs	1,063	1,762	(39.7)	4,567	5,385	7.4%	8.6%	(15.2)
Other operating expenses	1,439	1,522	(5.5)	4,449	4,398	7.2%	7.0%	1.2
Expenses before depreciation and amortisation	14,458	15,830	(8.7)	43,914	47,888	71.1%	76.1%	(8.3)
Profit before depreciation and amortisation	6,119	4,389	39.4	17,827	15,002	28.9%	23.9%	18.8
Depreciation expenses								
- Leasehold land	310	310	0.0	928	928	1.5%	1.5%	0.0
- School buildings	914	914	0.0	2,742	2,742	4.4%	4.4%	0.0
- Other plant and equipment	1,186	1,148	3.3	3,519	3,525	5.7%	5.6%	(0.2)
- Leased assets	883	-	n.m.	2,502	-	4.1%	0.0%	n.m.
Amortisation of intangible assets	113	125	(9.6)	346	391	0.6%	0.6%	(11.5)
	3,406	2,497	36.4	10,037	7,586	16.3%	12.1%	32.3
Profit before taxation	2,713	1,892	43.4	7,790	7,416	12.6%	11.8%	5.0
Income tax expense - current tax	(757)	(479)		(2,261)	(1,166)			
- deferred tax	49	(92)		161	(1,211)			
	(708)	(571)	24.0	(2,100)	(2,377)	3.4%	3.8%	(11.7)
Net profit for the period	2,005	1,321	51.8	5,690	5,039	9.2%	8.0%	12.9
Other comprehensive income for the period, net of tax	+	+	0.0	+	+			0.0
Total comprehensive income for the period	2,005	1,321	51.8	5,690	5,039	9.2%	8.0%	12.9
Attributable to:								
Owners of the Company	2,005	1,321	51.8	5,690	5,039	9.2%	8.0%	12.9
	2,005	1,321	51.8	5,690	5,039	9.2%	8.0%	12.9

n.m. - Not meaningful

+ - Amount lower than S\$1,000

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

	GROUP			Group		
	Third Quarter ended			Nine Months ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Impairment loss on financial assets	-	9	n.m.	121	28	332.1
Loss/(gain) on disposal of property, plant and equipment	-	3	n.m.	(2)	10	n.m.
Fair value loss on bonds repurchased	-	51	n.m.	-	99	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-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land		29,371	30,298	-	-
- School buildings		167,251	170,079	-	-
- Other plant and equipment		55,480	57,739	155	27
- Leased assets		4,515	-	67	-
Intangible assets		1,829	1,931	-	-
Investment in subsidiaries		-	-	101,219	101,219
Deposits		296	296	-	-
Staff housing deposits		300	151	-	-
Other long term asset		334	334	-	-
		<u>259,376</u>	<u>260,828</u>	<u>101,441</u>	<u>101,246</u>
Current assets					
Inventories		409	413	-	-
Trade receivables		1,308	1,047	-	-
Other receivables and deposits		202	306	12	12
Goods and Services Tax receivable		264	-	-	-
Amount owing by subsidiary		-	-	-	129,179
Bonds - Issuance expenses	2	-	99	-	99
Prepayments		1,685	955	25	12
Cash and cash equivalents		29,374	41,633	5,219	5,864
		<u>33,242</u>	<u>44,453</u>	<u>5,256</u>	<u>135,166</u>
TOTAL ASSETS		<u>292,618</u>	<u>305,281</u>	<u>106,697</u>	<u>236,412</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		432	318	-	-
Other payables and liabilities		933	761	96	181
Fees received in advance		21,190	28,454	-	-
Lease liabilities		3,065	-	40	-
Borrowings - Bank Loan	1	6,160	-	-	-
Bank Loan - Interest payable		846	-	-	-
Borrowings - Bonds	2	-	117,750	-	117,750
Bonds - Interest payable		-	1,275	-	1,275
Goods and Services Tax payable		59	2,548	59	60
Central Provident Fund payable		334	409	3	3
Income tax payable		2,261	2,183	143	111
		<u>35,280</u>	<u>153,698</u>	<u>341</u>	<u>119,380</u>
NET CURRENT (LIABILITIES) / ASSETS		(2,038)	(109,245)	4,915	15,786
Non-current liabilities					
Borrowings - Bank Loan	1	110,050	-	-	-
Fees received in advance		730	637	-	-
Lease liabilities		1,505	-	28	-
Deferred tax liabilities	3	7,761	7,922	-	-
		<u>120,046</u>	<u>8,559</u>	<u>28</u>	<u>-</u>
NET ASSETS		<u>137,292</u>	<u>143,024</u>	<u>106,328</u>	<u>117,032</u>
Equity attributable to owners of the Company					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		64,208	69,940	7,075	17,779
Foreign currency translation reserve		1	1	-	-
Merger reserve		(26,170)	(26,170)	-	-
TOTAL EQUITY		<u>137,292</u>	<u>143,024</u>	<u>106,328</u>	<u>117,032</u>

GROUP	
As at	As at
30-Sep-19	31-Dec-18
\$'000	\$'000

Note 1:

Borrowings - Bank Loan

- Current liabilities	6,160	-
- Non-current liabilities	110,050	-

	<u>116,210</u>	<u>-</u>
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GROUP	
As at	As at
30-Sep-19	31-Dec-18
\$'000	\$'000

Note 2:

Borrowings - Bonds

- Current liabilities	-	117,750
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Bonds - Issuance expenses

- Current assets	-	(99)
	-	(99)

Bonds at amortised cost

	<u>-</u>	<u>117,651</u>
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The Company fully redeemed \$117.75 million of its Bonds in the second quarter of FY2019. Please refer to 1b(ii) for more information.

GROUP	
As at	As at
30-Sep-19	31-Dec-18
\$'000	\$'000

Note 3:

Deferred tax liabilities

Balance at beginning of the period / year	7,922	7,656
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Movements during the period / year comprising:

- Difference in provisions, unabsorbed capital allowances, and unearned registration fees	(22)	333
- Differences in depreciation and amortisation for tax purposes	(139)	(67)
Deferred tax charged to P&L during the period / year	(161)	266

Balance at end of the period / year	<u>7,761</u>	<u>7,922</u>
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1b(ii) Aggregate amount of Group's borrowings and debt securities

(1) Bank Loan

An unsecured 10-year bank term loan facility of \$117.75 million was utilised to fully redeem the remaining outstanding Company's Bonds of \$117.75 million on 17 Apr 2019. The bank loan shall be repaid in quarterly instalments of \$1.54 million per quarter, and interest calculated at the prevailing bank's offer interest rate on the outstanding loan balance. The first quarterly instalment of \$1.54 million and interest of \$1.08 million, totalled \$2.62 million, was paid in Q3 2019. The remaining bank loan balance at 30 September 2019 was \$116.21 million.

	GROUP	
	As at	As at
	30-Sep-19	31-Dec-18
	\$'000	\$'000
Borrowings - Bank Loan		
- Current liabilities	6,160	-
- Non-current liabilities	110,050	-
	<u>116,210</u>	<u>-</u>

(2) Bonds

The Company previously issued \$150 million bonds (the "Bonds") on 17 April 2014 with maturity on 17 April 2019. The Bonds were unsecured with an interest rate of 5.20 per cent. per annum payable semi-annually in arrears.

The Company repurchased and cancelled an aggregated \$32.25 million of Bonds during the financial years FY2016 to FY2018. On maturity date 17 April 2019, the Group utilised a long term 10-year bank loan facility of \$117.75 million to fully redeem the remaining outstanding \$117.75 million of Bonds with the final accrued interest being funded by internal resources of the Company.

Following the redemption, there were no outstanding Bonds, and the Bonds were delisted from the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Please refer to the Company's announcements to SGX-ST on 16 April 2019 and 31 January 2019 for further information.

As at 30 September 2019, the Company has Nil balance (31 December 2018: \$117.75 million) in aggregated principal amount of Bonds.

	As at		
	30-Sep-19	31-Dec-18	
	\$'000	\$'000	
Borrowings - Bonds	117,750	117,750	
Bonds - Issuance expenses	-	(99)	Note *
Redemption of Bonds	(117,750)	-	
Bonds at amortised cost	<u>-</u>	<u>117,651</u>	
Note * Total bonds issuance expenses incurred	2,181	2,181	
Accumulated amortisation	(2,181)	(2,043)	
Amortisation of bonds repurchased during the period / year	-	(39)	
Bonds issuance expenses (net)	<u>-</u>	<u>99</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	
	Third Quarter ended		Nine Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before taxation	2,713	1,892	7,790	7,416
Adjustments for:				
Depreciation and amortisation expenses	3,406	2,497	10,037	7,586
Loss/(gain) on disposal of property, plant and equipment	-	3	(2)	10
Fair value loss on bonds repurchased	-	51	-	99
Finance costs	1,063	1,762	4,567	5,385
Interest income	(83)	(115)	(251)	(300)
Operating profit before working capital changes	7,099	6,090	22,141	20,196
Decrease in inventories	51	23	4	13
Decrease/(increase) in trade receivables	1,066	865	(261)	(84)
Increase in other receivables, deposits and prepayments	(1,047)	(836)	(890)	(848)
(Increase)/decrease in non-current deposits	(23)	38	(149)	65
Increase/(decrease) in trade payables, other payables, liabilities and fees received in advance (current and non-current)	2,721	3,034	(9,550)	(11,392)
Cash generated from operations	9,867	9,214	11,295	7,950
Interest received	83	115	251	300
Income tax paid	(1,091)	-	(2,183)	(51)
Net cash generated from operating activities	8,859	9,329	9,363	8,199
Cash flows from investing activities				
Additions of intangible assets	(76)	(84)	(244)	(278)
Acquisition of property, plant and equipment	(946)	(69)	(1,199)	(458)
Proceeds from disposal of plant and equipment	18	21	28	30
Net cash used in investing activities	(1,004)	(132)	(1,415)	(706)
Cash flows from financing activities				
Lease payments	(861)	-	(2,521)	-
Proceeds from borrowings - bank loan	-	-	117,750	-
Borrowing costs in procuring bank loan	-	-	(589)	-
Bank loan repayment	(1,540)	-	(1,540)	-
Bank interest paid	(1,082)	-	(1,082)	-
Bond interest paid and expensed	-	-	(3,053)	(3,370)
Bonds redemption/repurchased	-	(11,259)	(117,750)	(16,425)
Dividends paid	-	-	(11,422)	(11,422)
Net cash used in financing activities	(3,483)	(11,259)	(20,207)	(31,217)
Net increase/(decrease) in cash and cash equivalents	4,372	(2,062)	(12,259)	(23,724)
Cash and cash equivalents at beginning of the period	25,002	31,922	41,633	53,584
Cash and cash equivalents at end of the period	29,374	29,860	29,374	29,860

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				
	Share capital \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Merger reserve \$'000	Total equity \$'000
				(Note #)	
GROUP					
2019					
Balance at 1 January 2019	99,253	69,940	1	(26,170)	143,024
Profit net of tax	-	2,128	-	-	2,128
Other comprehensive income for the period	-	-	(+)	-	(+)
Total comprehensive income for the period	-	2,128	(+)	-	2,128
Balance at 31 March 2019 and 1 April 2019	99,253	72,068	1	(26,170)	145,152
Profit net of tax	-	1,557	-	-	1,557
Other comprehensive income for the period	-	-	+	-	+
Total comprehensive income for the period	-	1,557	+	-	1,557
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 2019 and 1 July 2019	99,253	62,203	1	(26,170)	135,287
Profit net of tax	-	2,005	-	-	2,005
Other comprehensive income for the period	-	-	+	-	+
Total comprehensive income for the period	-	2,005	+	-	2,005
Balance at 30 September 2019	99,253	64,208	1	(26,170)	137,292
2018					
Balance at 1 January 2018	99,253	74,456	1	(26,170)	147,540
Profit net of tax	-	1,942	-	-	1,942
Other comprehensive income for the period	-	-	(+)	-	(+)
Total comprehensive income for the period	-	1,942	(+)	-	1,942
Balance at 31 March 2018 and 1 April 2018	99,253	76,398	1	(26,170)	149,482
Profit net of tax	-	1,776	-	-	1,776
Other comprehensive income for the period	-	-	+	-	+
Total comprehensive income for the period	-	1,776	+	-	1,776
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 2018 and 1 July 2018	99,253	66,752	1	(26,170)	139,836
Profit net of tax	-	1,321	-	-	1,321
Other comprehensive income for the period	-	-	+	-	+
Total comprehensive income for the period	-	1,321	+	-	1,321
Balance at 30 September 2018	99,253	68,073	1	(26,170)	141,157

+ 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			
2019			
Balance at 1 January 2019	99,253	17,779	117,032
Profit net of tax	-	264	264
Total comprehensive income for the period	-	264	264
Balance at 31 March 2019 and 1 April 2019	99,253	18,043	117,296
Profit net of tax	-	209	209
Total comprehensive income for the period	-	209	209
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 2019 and 1 July 2019	99,253	6,830	106,083
Profit net of tax	-	245	245
Total comprehensive income for the period	-	245	245
Balance at 30 September 2019	99,253	7,075	106,328
2018			
Balance at 1 January 2018	99,253	3,602	102,855
Profit net of tax	-	15,125	15,125
Total comprehensive income for the period	-	15,125	15,125
Balance at 31 March 2018 and 1 April 2018	99,253	18,727	117,980
Profit net of tax	-	51	51
Total comprehensive income for the period	-	51	51
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 2018 and 1 July 2018	99,253	7,356	106,609
Profit net of tax	-	99	99
Total comprehensive income for the period	-	99	99
Balance at 30 September 2018	99,253	7,455	106,708

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 30 September 2019, the Company has no outstanding convertibles (30 September 2018: nil).

As at 30 September 2019, the Company has no treasury shares (30 September 2018: nil) and no subsidiary holdings (30 September 2018: nil).

	Company
At 31 December 2018, 31 March 2019, 30 June 2019 and 30 September 2019	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	
	<u>30-Sep-19</u>	<u>31-Dec-18</u>
Total number of issued shares	<u>415,363,548</u>	<u>415,363,548</u>

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 2018, except for the adoption of the new and revised Singapore Financial Reporting Standards (International) (SFRS(I)) which became effective for the financial year beginning on or after 1 January 2019.

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 performance or position of the Group except for the following:

Adoption of SFRS(I) 16 Leases

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

Leased assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

	<u>GROUP</u>
	<u>1-Jan-19</u>
	<u>\$'000</u>
<u>Balance sheet</u>	
Increase in leased assets	2,949
Increase in lease liabilities - Current and Non-current	(2,949)

- 6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP		GROUP	
	Third Quarter ended 30-Sep-19 cents	30-Sep-18 cents	Nine Months ended 30-Sep-19 cents	30-Sep-18 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	0.5	0.3	1.4	1.2
On a fully diluted basis	0.5	0.3	1.4	1.2
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-Sep-19 cents	As at 31-Dec-18 cents	As at 30-Sep-19 cents	As at 31-Dec-18 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	33.1	34.4	25.6	28.2

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 \$20.58 million and \$61.74 million for the third quarter ended 30 September 2019 (Q3 2019) and the nine months ended 30 September 2019 (9M 2019) respectively.

Details of revenue lines are as follows:

Revenue from tuition fees was \$19.70 million in Q3 2019 compared to \$19.35 million in Q3 2018. The student enrolment in Q3 2019 was comparable with Q3 2018. The nine-month tuition fees was \$59.66 million in 9M 2019 compared to 60.78 million in 9M 2018.

Revenue from registration fees at \$0.29 million in Q3 2019 and \$0.88 million in 9M 2019 were comparable with the corresponding periods last year.

School shop revenue was \$0.39 million in Q3 2019 compared to \$0.35 million in Q3 2018. The nine-month school shop revenue was \$0.56 million in 9M 2019 compared to \$0.51 million in 9M 2018.

Enrichment programme revenue at \$0.11 million in Q3 2019 and \$0.38 million in 9M 2019 were comparable with the corresponding periods last year.

Interest income was \$0.08 million in Q3 2019 compared to \$0.12 million in Q3 2018. Interest income was \$0.25 million in 9M 2019 compared to \$0.30 million in 9M 2018.

Total operating expenses before depreciation and amortisation was lower at \$14.46 million in Q3 2019 compared to \$15.83 million in Q3 2018. Similarly, the nine-month total operating expenses before depreciation and amortisation was also lower at \$43.91 million in 9M 2019 compared to \$47.89 million in 9M 2018. The Group benefitted mainly from lower personnel expenses and lower interest cost as explained below.

Personnel expenses decreased to \$11.01 million in Q3 2019 from \$11.62 million in Q3 2018, and the nine-month personnel expenses decreased to \$32.56 million in 9M 2019 from \$35.72 million in 9M 2018. The decrease was mainly due to the adoption of the new accounting standard SFRS(I) 16 Leases, which required rentals on staff housing leases to be recognised on the balance sheet as leased assets and depreciate over the lease periods. Please refer to paragraph 5 for more information and the financial impact arising from the adoption of SFRS(I) 16 Leases.

School shop costs were \$0.25 million in Q3 2019 compared to \$0.21 million in Q3 2018. The nine-month school shop costs were \$0.35 million in 9M 2019 compared to \$0.31 million in 9M 2018.

Enrichment programme costs at \$0.09 million in Q3 2019 and \$0.28 million in 9M 2019 were comparable with the corresponding periods last year.

Utilities expenses at \$0.21 million in Q3 2019 and \$0.66 million in 9M 2019 were comparable with the corresponding periods last year.

Upkeep and maintenance expenses were lower at \$0.39 million in Q3 2019 and \$1.06 million in 9M 2019, compared to \$0.43 million and \$1.15 million in the corresponding periods of Q3 2018 and 9M 2018 respectively.

Finance costs were lower at \$1.06 million in Q3 2019 compared to \$1.76 million in Q3 2018 due to the lower prevailing interest rate on the new 10-year bank loan facility utilised to refinance the redemption of the Company's Bonds. The nine-month finance costs were also lower at \$4.57 million in 9M 2019 compared to \$5.39 million in 9M 2018. Further details on the 10-year bank loan facility and the redemption of the Company's Bonds are disclosed in paragraph 1(b)(ii) above.

Other operating expenses were lower at \$1.44 million in Q3 2019 compared to \$1.52 million in Q3 2018. The nine-month other operating expenses were \$4.45 million in 9M 2019 compared to \$4.40 million in 9M 2018.

Depreciation and amortisation expenses were \$3.41 million in Q3 2019 and \$10.04 million in 9M 2019, compared to \$2.50 million and \$7.59 million in the corresponding periods of Q3 2018 and 9M 2018 respectively. The increase was due to the additional depreciation of \$0.88 million in Q3 2019 and \$2.50 million in 9M 2019 on leased assets arising from the adoption of SFRS(I) 16 Leases with effect from 1 January 2019. Please refer to paragraph 5 for more information and the financial impact arising from the adoption of SFRS(I) 16 Leases.

Profit before taxation was \$2.71 million for Q3 2019 compared to \$1.89 million in Q3 2018. The nine-month profit before taxation was \$7.79 million for 9M 2019 compared to \$7.42 million for 9M 2018.

Income tax expense for Q3 2019 and 9M 2019 were \$0.71 million and \$2.10 million respectively. The Q3 2019 and 9M 2019 income tax expense comprised mainly the provision for current tax of \$0.76 million and \$2.26 million respectively. The income tax expense in Q3 2018 and 9M 2018 comprised the provision for current tax and the accrual of net deferred tax liabilities. The net deferred tax liabilities arose due to the recognition of the tax effect on temporary differences between the net book value and the tax-written-down value of qualifying assets. The income tax expense for the previous Q3 2018 and 9M 2018 were \$0.57 million and \$2.38 million respectively.

Net profit after taxation for Q3 2019 was \$2.01 million compared to \$1.32 million for Q3 2018. Net profit after taxation for 9M 2019 was \$5.69 million compared to \$5.04 million for 9M 2018.

Review of Group Balance Sheet as at 30 September 2019

Total property, plant and equipment at 30 September 2019 amounted to \$256.62 million compared to \$258.12 million at 31 December 2018. The decrease of \$1.50 million was due mainly to the depreciation charge for the reporting period, offset by the additional leased assets recognised which arose from the adoption of SFRS(I) 16 Leases as explained in paragraph 5 above.

Inventories for school uniforms, books and stationery supplies for sale at the school shop of \$0.41 million at 30 September 2019 was comparable to 31 December 2018.

Trade receivables comprised amounts attributable to tuition fees, registration fees, school shop revenue and other revenue amounted to \$1.31 million at 30 September 2019 and \$1.05 million at 31 December 2018. The increase of \$0.26 million at the end of Q3 2019 was due mainly to the timing of collection of the receivables for the reporting period.

Prepayments increased by \$0.73 million due to the timing of prepaid expenses incurred at the start of each new academic year.

The Group's cash and bank balances amounted to \$29.37 million at 30 September 2019 and \$41.63 million at 31 December 2018. The decrease was due to cash used in investing and financing activities, as explained in the review of Group cash flow below.

Trade and other payables and liabilities were higher at \$1.37 million at 30 September 2019 compared to \$1.08 million at 31 December 2018 due to timing of payments of operating expenses.

Total fees received in advance (current and non-current) was \$21.92 million at 30 September 2019 and \$29.09 million at 31 December 2018. The total fees received in advance at 30 September 2019 comprised tuition fees and registration fees collected, less fees recognised in Q3 2019. The fees received in advance at 31 December 2018 were for tuition fees collected for the second semester which commenced in January 2019, and registration fees for enrolment.

Lease liability (current and non-current) of \$4.57 million at 30 September 2019 arose from the adoption of SFRS(I) 16 Leases as explained in paragraph 5 above, and after adjusting for new leases and disposal of leases for the period ended 30 September 2019.

Borrowings - Bank Loan (current and non-current). An unsecured 10-year bank term loan facility of \$117.75 million was utilised to fully redeem the remaining outstanding Company's Bonds of \$117.75 million on 17 Apr 2019. The Group paid the first quarterly instalment of \$1.54 million in Q3 2019, and the remaining bank loan balance at 30 September 2019 was \$116.21 million. More information on the redemption of the Company's Bonds through the utilisation of the bank loan facility is disclosed in paragraph 1b(ii) above.

Bank Loan - Interest payable on the aforesaid long term bank loan was accrued for Q3 2019 at the current prevailing bank's offer interest rate of approximately 3.5% per annum.

Deferred tax liabilities amounted to \$7.76 million at 30 September 2019 compared to \$7.92 million at 31 December 2018. 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.

Review of Group cash flow for the third quarter ended 30 September 2019

In Q3 2019, the net cash generated from operating activities was \$8.86 million, which consisted of cash inflow from operating profit before working capital changes of \$7.10 million, net working capital inflow of \$2.77 million, interest received of \$0.08 million and income tax paid of \$1.09 million.

The above-mentioned net working capital inflow of \$2.77 million arose mainly from cash inflow relating to the increase in trade payables, other payables, liabilities and fees received in advance of \$2.72 million. There was also cash inflow from the decrease in trade receivables of \$1.07 million, offset by the cash outflow from the increase in other receivables, deposits and prepayments of \$1.05 million.

The net cash used in financing activities of \$3.48 million in Q3 2019 was for the lease payments of \$0.86 million, payment of first bank loan instalment of \$1.54 million and payment of bank interest of \$1.08 million.

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 Group remains cautious and expects the current operating environment for foreign system schools (FSS) to remain challenging.

The Group continues to focus on delivering quality school programmes, and has increased our student recruitment efforts and developed more channels to attract student enrolments. The Group continues to maintain a conservative stance on expenditure.

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 third quarter and nine months' financial results ended 30 September 2019 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
11 November 2019