

Overseas Education Limited

Company Registration No: 201131905D

UNAUDITED THIRD 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			GROUP			Change %	Change %
	Third Quarter ended		Change %	30-Sep-17 \$'000	Nine Months ended			
	30-Sep-17 \$'000	30-Sep-16 \$'000			30-Sep-16 \$'000	Change %		
Revenue								
Tuition fees	20,242	21,036	(3.8)	63,668	96.9%	67,692	96.8%	(5.9)
Registration fees	211	198	6.6	877	1.4%	972	1.4%	(9.8)
School shop revenue	365	374	(2.4)	546	0.8%	580	0.8%	(5.9)
Enrichment programme revenue	107	87	23.0	358	0.6%	359	0.5%	(0.3)
Interest income	83	78	6.4	202	0.3%	285	0.4%	(29.1)
Other revenue	13	15	(13.3)	29	0.0%	41	0.1%	(29.3)
Total revenue	21,021	21,788	(3.5)	65,680	100.0%	69,929	100.0%	(6.1)
Expenses								
Personnel expenses	12,440	13,860	(10.2)	39,209	59.7%	42,637	61.0%	(8.0)
School shop costs	219	237	(7.6)	324	0.5%	349	0.5%	(7.2)
Enrichment programme costs	78	64	21.9	256	0.4%	248	0.3%	3.2
Utilities	166	173	(4.0)	588	0.9%	701	1.0%	(16.1)
Upkeep and maintenance	576	430	34.0	1,458	2.2%	804	1.1%	81.3
Finance costs - Bonds	1,868	2,089	(10.6)	5,745	8.8%	6,195	8.9%	(7.3)
Other operating expenses	1,382	1,652	(16.3)	4,476	6.8%	5,214	7.5%	(14.2)
Expenses before depreciation and amortisation	16,729	18,505	(9.6)	52,056	79.3%	56,148	80.3%	(7.3)
Profit before depreciation and amortisation	4,292	3,283	30.7	13,624	20.7%	13,781	19.7%	(1.1)
Depreciation expenses								
- Leasehold land	310	309	0.3	928	1.4%	927	1.3%	0.1
- School buildings	914	914	(0.0)	2,742	4.2%	2,746	3.9%	(0.1)
- Other plant and equipment	1,197	1,245	(3.9)	3,672	5.6%	3,777	5.4%	(2.8)
Amortisation of intangible assets	146	165	(11.5)	465	0.7%	511	0.8%	(9.0)
	2,567	2,633	(2.5)	7,807	11.9%	7,961	11.4%	(1.9)
Profit before taxation	1,725	650	165.4	5,817	8.8%	5,820	8.3%	(0.1)
Income tax expense - current tax	(48)	(12)		(83)		(34)		
- deferred tax	(501)	(356)		(1,664)		(2,038)		
	(549)	(368)	49.2	(1,747)	2.6%	(2,072)	3.0%	(15.7)
Net profit for the period	1,176	282	317.0	4,070	6.2%	3,748	5.3%	8.6
Other comprehensive income for the period, net of tax	(+)	+	0.0	(+)		(+)		0.0
Total comprehensive income for the period	1,176	282	317.0	4,070	6.2%	3,748	5.3%	8.6
Attributable to:								
Owners of the Company	1,176	282	317.0	4,070	6.2%	3,748	5.3%	8.6
	1,176	282	317.0	4,070	6.2%	3,748	5.3%	8.6

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-17	30-Sep-16	Change	30-Sep-17	30-Sep-16	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance for doubtful debt	-	-	0.0	138	141	(2.1)
(Gain)/loss on disposal of plant and equipment	(7)	59	n.m.	(5)	46	n.m.
Fair value loss on bonds repurchased	-	140	n.m.	108	140	(22.9)

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-17	31-Dec-16	30-Sep-17	31-Dec-16
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land		31,844	32,772	-	-
- School buildings		174,649	177,391	-	-
- Other plant and equipment		62,178	65,549	96	116
Intangible assets		2,102	2,270	-	-
Investment in subsidiaries		-	-	101,219	101,219
Inter-company loan to subsidiary		-	-	135,000	143,000
Bonds - Issuance expenses	1	213	537	213	537
Deposits		292	249	-	-
Staff housing deposits		260	255	-	-
Other long term asset		334	334	-	-
		<u>271,872</u>	<u>279,357</u>	<u>236,528</u>	<u>244,872</u>
Current assets					
Inventories		449	472	-	-
Trade receivables		987	1,207	-	-
Other receivables and deposits		286	379	12	12
Goods and Services Tax receivables		244	-	-	-
Amount owing by subsidiary		-	-	1,391	1,701
Bonds - Issuance expenses	1	393	416	393	416
Prepayments		1,631	1,052	36	16
Cash and cash equivalents		39,761	53,908	3,457	9,760
		<u>43,751</u>	<u>57,434</u>	<u>5,289</u>	<u>11,905</u>
TOTAL ASSETS		<u>315,623</u>	<u>336,791</u>	<u>241,817</u>	<u>256,777</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		539	295	-	-
Other payables and liabilities		1,185	1,138	477	493
Fees received in advance		20,813	30,753	-	-
Bonds - Interest payable		3,212	1,548	3,212	1,548
Goods and Services Tax payable		58	2,362	58	57
Central Provident Fund payable		336	419	6	6
Income tax payable		92	54	60	52
		<u>26,235</u>	<u>36,569</u>	<u>3,813</u>	<u>2,156</u>
NET CURRENT ASSETS		17,516	20,865	1,476	9,749
Non-current liabilities					
Borrowings - Bonds	1	135,000	143,000	135,000	143,000
Other liabilities		-	-	213	537
Deferred tax liabilities	2	7,171	5,507	-	-
		<u>142,171</u>	<u>148,507</u>	<u>135,213</u>	<u>143,537</u>
Net assets		<u>147,217</u>	<u>151,715</u>	<u>102,791</u>	<u>111,084</u>
Equity attributable to owners of the Company					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		74,134	78,631	3,538	11,831
Other reserves		(26,170)	(26,169)	-	-
		<u>147,217</u>	<u>151,715</u>	<u>102,791</u>	<u>111,084</u>

	GROUP	
	As at	As at
	30-Sep-17	31-Dec-16
	\$'000	\$'000
Note 1:		
Borrowings - Bonds	135,000	143,000
Bonds - Issuance expenses		
- Non-current assets	(213)	(537)
- Current assets	(393)	(416)
	<u>(606)</u>	<u>(953)</u>
Bonds at amortised cost	<u>134,394</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	2,261	2,355
- Unabsorbed capital allowances	(597)	(168)
Deferred tax charged to P&L during the period / year	<u>1,664</u>	<u>2,187</u>
Balance at end of the period / year	<u>7,171</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.

The Company repurchased \$7,000,000 of its Bonds, cancelled and delisted from SGX-ST in the third quarter of last FY 2016.

The Company repurchased an additional \$8,000,000 of its Bonds in the second quarter of FY 2017, and cancelled and delisted \$7,000,000 of the Bonds in the same second quarter FY 2017. The balance of the \$1,000,000 repurchased Bonds will be cancelled and delisted from SGX-ST before end of FY 2017.

As at 30 September 2017, the Company has a balance of \$135 million (31 December 2016: \$143 million) in aggregated principal amount of Bonds.

	As at	
	30-Sep-17	31-Dec-16
	\$'000	\$'000
Borrowings - Bonds	135,000	143,000
Bonds - Issuance expenses	(606)	(953)
Bonds at amortised cost	<u>134,394</u>	<u>142,047</u>
Total bonds issuance expenses incurred	2,181	2,181
Accumulated amortisation	<u>(1,575)</u>	<u>(1,228)</u>
	<u>606</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		GROUP	
	Third Quarter ended		Nine Months ended	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before taxation	1,725	650	5,817	5,820
Adjustments for:				
Depreciation and amortisation expenses	2,567	2,633	7,807	7,961
(Gain)/loss on disposal of plant and equipment	(7)	59	(5)	46
Fair value loss on bonds repurchased	-	140	108	140
Finance costs - Bonds	1,868	2,089	5,745	6,195
Interest income	(83)	(78)	(202)	(285)
Operating profit before working capital changes	<u>6,070</u>	<u>5,493</u>	<u>19,270</u>	<u>19,877</u>
Decrease in inventories	50	45	23	77
Decrease in trade receivables	1,339	1,403	220	401
Increase in other receivables, deposits and prepayments	(675)	(1,052)	(730)	(1,008)
Decrease/(increase) in non-current deposits	68	18	(48)	10
Increase/(decrease) in trade payables, other payables, liabilities and fees received in advance	1,882	2,369	(12,036)	(12,986)
Cash generated from operations	<u>8,734</u>	<u>8,276</u>	<u>6,699</u>	<u>6,371</u>
Interest received	83	78	202	285
Income tax paid	-	-	(45)	(75)
Net cash generated from operating activities	<u>8,817</u>	<u>8,354</u>	<u>6,856</u>	<u>6,581</u>
Cash flows from investing activities				
Additions of intangible assets	(93)	(74)	(296)	(206)
Acquisition of property, plant and equipment	(146)	(134)	(345)	(284)
Proceeds from disposal of plant and equipment	18	2	49	56
Net cash used in investing activities	<u>(221)</u>	<u>(206)</u>	<u>(592)</u>	<u>(434)</u>
Cash flows from financing activities				
Bond interest paid and expensed	-	-	(3,708)	(3,911)
Bonds repurchased	-	(7,268)	(8,136)	(7,268)
Dividends paid	-	-	(8,567)	(5,711)
Net cash used in financing activities	<u>-</u>	<u>(7,268)</u>	<u>(20,411)</u>	<u>(16,890)</u>
Net increase/(decrease) in cash and cash equivalents	8,596	880	(14,147)	(10,743)
Cash and cash equivalents at beginning of the period	<u>31,165</u>	<u>48,736</u>	<u>53,908</u>	<u>60,359</u>
Cash and cash equivalents at end of the period	<u>39,761</u>	<u>49,616</u>	<u>39,761</u>	<u>49,616</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 and 1 April 2017	99,253	80,071	(26,170)	1	(26,170)	153,154
Profit net of tax	-	1,454	-	-	-	1,454
Other comprehensive income for the period	-	-	(+)	(+)	-	(+)
Total comprehensive income for the period	-	1,454	(+)	(+)	-	1,454
Distribution to owners						
Dividends	-	(8,567)	-	-	-	(8,567)
Total transactions with owners in their capacity as owners	-	(8,567)	-	-	-	(8,567)
Balance at 30 June 2017 and 1 July 2017	99,253	72,958	(26,170)	1	(26,170)	146,041
Profit net of tax	-	1,176	-	-	-	1,176
Other comprehensive income for the period	-	-	-	(+)	-	(+)
Total comprehensive income for the period	-	1,176	-	-	-	1,176
Balance at 30 September 2017	99,253	74,134	(26,170)	1	(26,170)	147,217
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 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 and 1 July 2016	99,253	79,690	(26,169)	1	(26,170)	152,774
Profit net of tax	-	282	-	-	-	282
Other comprehensive income for the period	-	-	-	+	-	+
Total comprehensive income for the period	-	282	-	+	-	282
Balance at 30 September 2016	99,253	79,972	(26,169)	1	(26,170)	153,056

+ 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 and 1 April 2017	99,253	11,948	111,201
Profit net of tax	-	29	29
Total comprehensive income for the period	-	29	29
Distribution to owners			
Dividends	-	(8,567)	(8,567)
Total transactions with owners in their capacity as owners	-	(8,567)	(8,567)
Balance at 30 June 2017 and 1 July 2017	99,253	3,410	102,663
Profit net of tax	-	128	128
Total comprehensive income for the period	-	128	128
Balance at 30 September 2017	<u>99,253</u>	<u>3,538</u>	<u>102,791</u>
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 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 and 1 July 2016	99,253	8,581	107,834
Loss net of tax	-	(24)	(24)
Total comprehensive income for the period	-	(24)	(24)
Balance at 30 September 2016	<u>99,253</u>	<u>8,557</u>	<u>107,810</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 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 2017, the Company has no outstanding convertibles (30 September 2016: nil).

As at 30 September 2017, the Company has no treasury shares (30 September 2016: nil) and no subsidiary holdings (30 September 2016: nil).

	Company
	No of shares
At 31 December 2016, 31 March 2017, 30 June 2017 and 30 September 2017	<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>30-Sep-17</u>	<u>31-Dec-16</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 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 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		GROUP	
	Third Quarter ended 30-Sep-17 cents	30-Sep-16 cents	Nine Months ended 30-Sep-17 cents	30-Sep-16 cents
Earnings per ordinary share of the Group for the financial period based on net profit attributable to shareholders:				
Based on weighted average number of ordinary shares on issue	0.3	0.1	1.0	0.9
On a fully diluted basis	0.3	0.1	1.0	0.9
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-17 cents	As at 31-Dec-16 cents	As at 30-Sep-17 cents	As at 31-Dec-16 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	35.4	36.5	24.7	26.7

- 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 \$21.02 million and \$65.68 million for the third quarter ended 30 September 2017 (Q3 2017) and the nine months ended 30 September 2017 (9M 2017) respectively. The decrease in total revenue compared to corresponding periods last year was due to the lower student enrolments in the current review periods.

Details of revenue lines are as follows:

Revenue from tuition fees was lower at \$20.24 million in Q3 2017 compared to \$21.04 million in Q3 2016. The nine-month tuition fees dropped to \$63.67 million in 9M 2017 from \$67.69 million in 9M 2016.

Revenue from registration fees was \$0.21 million in Q3 2017 compared to \$0.20 million in Q3 2016. The nine-month registration fees revenue was \$0.88 million in 9M 2017 compared to \$0.97 million in 9M 2016.

School shop revenue was constant at \$0.37 million in Q3 2017 and Q3 2016. The nine-month period school shop revenue was \$0.55 million in 9M 2017 compared to \$0.58 million in 9M 2016.

Enrichment programme revenue was higher at \$0.11 million in Q3 2017 compared to \$0.09 million in Q3 2016. The nine-month enrichment programme revenue of \$0.36 million in 9M 2017 was comparable with the corresponding period last year.

Interest income was constant at \$0.08 million in Q3 2017 and Q3 2016. Interest income ended lower at \$0.20 million in 9M 2017 compared to \$0.29 million in 9M 2016.

Total expenses before depreciation and amortisation was lower at \$16.73 million in Q3 2017 compared to \$18.51 million in Q3 2016. Similarly, the nine-month total operating expenses before depreciation and amortisation was lower at \$52.06 million in 9M 2017 compared to \$56.15 million in 9M 2016. The decrease was due mainly to the rightsizing measures taken to reduce personnel expenses, and savings on the Bonds interest cost from the repurchase of the Bonds.

Personnel expenses decreased to \$12.44 million in Q3 2017 from \$13.86 million in Q3 2016, and the nine-month personnel expenses decreased to \$39.21 million in 9M 2017 from \$42.64 million in 9M 2016. The decrease was due to further non-renewal of contracts of academic staff for the new academic year beginning August 2017, in line with the lower student enrolments.

School shop costs were lower at \$0.22 million in Q3 2017 and \$0.32 million in 9M 2017, compared to \$0.24 million in Q3 2016 and \$0.35 million in 9M 2016.

Utilities expenses were stable at \$0.17 million in Q3 2017 and Q3 2016. The nine-month utilities expenses were lower at \$0.59 million in 9M 2017 compared to \$0.70 million in 9M 2016.

Upkeep and maintenance increased to \$0.58 million in Q3 2017 and \$1.46 million in 9M 2017, from \$0.43 million in Q3 2016 and \$0.80 million in 9M 2016 respectively. The increase was due to the renewal of several maintenance contracts after the expiry of the maintenance free period, which ended in first half of last year.

Finance costs on Bonds were reduced to \$1.87 million in Q3 2017 and \$5.75 million in 9M 2017, from \$2.09 million in Q3 2016 and \$6.20 million in 9M 2016 respectively. The decrease was due to the interest savings from the repurchase of the Bonds. Information on the repurchase of the Bonds is disclosed in paragraph 1b(ii) above.

Other operating expenses were lower at \$1.38 million in Q3 2017 as compared to \$1.65 million in Q3 2016. The nine-month other operating expenses also decreased to \$4.48 million in 9M 2017 from \$5.21 million in 9M 2016. The higher other operating expenses in 9M 2016 was due mainly to the revision of property tax for the new school campus from \$0.23 million to \$1.08 million per annum with effect from the issuance of the Temporary Occupancy Permit in May 2015. The backdated upward property tax adjustment was charged to the Group in Q1 2016.

Depreciation and amortisation expenses were \$2.57 million in Q3 2017 and \$7.81 million in 9M 2017 compared to \$2.63 million in Q3 2016 and \$7.96 million in 9M 2016.

Profit before taxation ended at \$1.73 million for Q3 2017 compared to \$0.65 million for Q3 2016. The nine-month profit before taxation of \$5.82 million for 9M 2017 was comparable with 9M 2016.

Income tax expense for Q3 2017 was \$0.55 million and for 9M 2017 was \$1.75 million, comprised mainly of the accrual of net deferred tax liabilities of \$0.50 million and \$1.66 million in Q3 2017 and 9M 2017 respectively. The income tax expense for Q3 2016 was \$0.37 million and for 9M 2016 was \$2.07 million, comprised mainly of the accrual of net deferred tax liabilities of \$0.36 million and \$2.04 million in Q3 2016 and 9M 2016 respectively. The net deferred tax liabilities arose from the recognition of capital allowances on new assets acquired for the new school campus.

Profit after taxation for the third quarter ended higher at \$1.18 million for Q3 2017 compared to \$0.28 million for Q3 2016. Profit after taxation for the nine months also ended higher at \$4.07 million for 9M 2017 compared to \$3.75 million for 9M 2016.

Review of Group Balance Sheet as at 30 September 2017

Total property, plant and equipment at 30 September 2017 amounted to \$268.67 million compared to \$275.71 million at 31 December 2016. The decrease of \$7.04 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 \$0.45 million at the end of Q3 2017 compared to \$0.47 million at 31 December 2016.

Trade receivables comprised amounts attributable to tuition fees, registration fees, school shop revenue and other revenue. The decrease of \$0.22 million at the end of Q3 2017 from 31 December 2016 was due mainly to the timing of collection of the receivables for the reporting period.

The Group's cash and bank balances amounted to \$39.76 million at 30 September 2017 and \$53.91 million at 31 December 2016. The decrease was due to cash used in investing and financing activities, offset by the cash generated from operating activities, as explained in the review of Group cash flow below.

Trade and other payables and liabilities increased by \$0.29 million at 30 September 2017, as compared to 31 December 2016, due mainly to accrual and timing of payments of operating expenses.

Fees received in advance decreased to \$20.81 million as at 30 September 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. The fees received in advance as at 30 September 2017 were for tuition fees collected for the first semester which started in August 2017, less tuition fees recognised in Q3 2017.

Bonds - Interest payable at 30 September 2017 was for the interest accrued on the remaining balance of \$135 million bonds at 5.20% p.a. for the period from 17 April 2017 to 30 September 2017. Bonds - Interest payable at 31 December 2016 was for the bonds interest on \$143 million bonds at 5.20% p.a. for the period from 17 October 2016 to 31 December 2016. Information on the repurchase of the Bonds is disclosed in paragraph 1b(ii) above

Deferred tax liabilities amounted to \$7.17 million at 30 September 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 third quarter ended 30 September 2017

In Q3 2017, net cash generated from operating activities was \$8.82 million, which consisted of cash inflow from operating profit before working capital changes of \$6.07 million, net working capital inflow of \$2.67 million and interest received of \$0.08 million.

The above-mentioned net working capital inflow of \$2.67 million arose mainly from cash inflow relating to the decrease in trade receivables of \$1.34 million. There was also the increase in cash inflow from trade payables, other payables, liabilities and fees received in advance of \$1.88 million, offset by the cash outflow from increase in other receivables, deposits and prepayments of \$0.68 million.

The net cash used in investing activities of \$20.41 million in 9M 2017 was for the payment of bond interest of \$3.71 million in April 2017, bonds repurchased of \$8.14 million and payment of the final dividend of \$8.57 million in respect of FY 2016 in May 2017.

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 current operating environment for foreign system schools ("FSS") is expected to remain challenging and protracted.

The Group continues to focus on delivering quality school programmes, and has increased our student recruitment efforts to attract student enrolments. The Group maintains a conservative stance on expenditure, and will continue to rightsize personnel expenses as and when necessary during this challenging period.

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

Name of dividend	FY2016 Interim Dividend
Dividend type	Cash
Dividend rate	S\$0.006875 per share
Tax rate	Tax-exempt (one-tier)
Date paid	24 November 2016

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 2017 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 November 2017