

Overseas Education Limited and Subsidiary Companies

Unaudited Condensed Interim Financial Statements
For the six months ended 30 June 2022

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Overseas Education Limited and Subsidiary Companies

A. Condensed interim consolidated statement of comprehensive income For the six-month financial period ended 30 June 2022

	Note	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2021 S\$'000	Increase/ (decrease) %
Revenue				
Tuition fees		36,418	37,412	(2.7)
Registration fees		502	512	(2.0)
School shop revenue		135	120	12.5
Enrichment programme revenue		335	352	(4.8)
Interest income		20	15	33.3
Other income		7	8	(12.5)
Total revenue	5	37,417	38,419	(2.6)
Operating Expenses				
Personnel expenses		(22,375)	(21,085)	6.1
School shop costs		(92)	(66)	39.4
Enrichment programme costs		(295)	(238)	23.9
Utilities		(923)	(415)	122.4
Upkeep and maintenance		(718)	(754)	(4.8)
Finance costs	6	(1,548)	(1,109)	39.6
Other operating expenses		(2,690)	(2,432)	10.6
Operating expenses before depreciation and amortisation		(28,641)	(26,099)	9.7
Fair value gain on derivatives	6	1,749	—	n.m.
Profit before depreciation and amortisation		10,525	12,320	(14.6)
Depreciation expenses		(6,735)	(6,746)	(0.2)
Amortisation of intangible assets		(179)	(194)	(7.7)
		(6,914)	(6,940)	(0.4)
Profit before taxation	6	3,611	5,380	(32.9)
Income tax expense – current tax	7	(1,192)	(1,467)	(18.7)
– deferred tax	7, 16	420	432	(2.8)
		(772)	(1,035)	(25.4)
Net profit for the period attributable to owners of the Company		2,839	4,345	(34.7)
Other comprehensive income for the period, net of tax				
Item that may be reclassified subsequently to profit or loss				
Foreign currency translation		*	*	
Total comprehensive income for the period attributable to owners of the Company		2,839	4,345	(34.7)
Earnings per share (cents)				
- Basic and diluted	8	0.7	1.0	
n.m.				– Not meaningful
*				– Amount lower than S\$1,000

Overseas Education Limited and Subsidiary Companies

B. Condensed interim balance sheets As at 30 June 2022

		Group		Company	
	Note	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land	9	25,970	26,588	—	—
- School buildings, plant and equipment	9	201,374	205,415	69	81
Right-of-use assets		4,023	4,752	40	62
Intangible assets		1,750	1,743	—	—
Investment in subsidiaries		—	—	101,219	101,219
Derivatives	10	1,569	—	—	—
Deposits		353	98	—	—
Staff housing deposits		344	342	—	—
Other long-term asset		334	334	—	—
		235,717	239,272	101,328	101,362
Current assets					
Inventories		470	438	—	—
Derivatives	10	180	—	—	—
Trade receivables	11	1,954	742	—	—
Other receivables and deposits		204	2,254	12	13
Prepayments		935	1,022	27	15
Amount due from subsidiary	12	—	—	—	4,000
Cash and cash equivalents	13	22,735	38,424	2,855	3,693
		26,478	42,880	2,894	7,721
TOTAL ASSETS		262,195	282,152	104,222	109,083
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		224	223	—	—
Other payables and liabilities		1,003	1,306	73	95
Fees received in advance	14	12,408	26,192	—	—
Lease liabilities		3,282	3,305	41	43
Borrowings – Bank loan	15	6,602	6,136	—	—
Goods and Services Tax payable		2,522	2,310	51	61
Central Provident Fund payable		344	396	2	2
Income tax payable		2,371	2,359	215	202
		28,756	42,227	382	403
NET CURRENT (LIABILITIES)/ASSETS		(2,278)	653	2,512	7,318
Non-current liabilities					
Fees received in advance	14	757	519	—	—
Borrowings – Bank loan	15	92,433	95,454	—	—
Lease liabilities		762	1,484	—	19
Deferred tax liabilities	16	6,786	7,206	—	—
		100,738	104,663	—	19
NET ASSETS		132,701	135,262	103,840	108,661
Equity attributable to owners of the Company					
Share capital	17	99,253	99,253	99,253	99,253
Revenue reserve		59,618	62,179	4,587	9,408
Other reserves	18	(26,170)	(26,170)	—	—
TOTAL EQUITY		132,701	135,262	103,840	108,661

Overseas Education Limited and Subsidiary Companies

C. Condensed interim statements of changes in equity
For the six-month financial period ended 30 June 2022

		Attributable to owners of the Company					
Group	Note	Share capital (Note 17) S\$'000	Revenue reserve S\$'000	Other reserves, total (Note 18) S\$'000	Foreign currency translation reserve (Note 18) S\$'000	Merger reserve (Note 18) S\$'000	Total equity S\$'000
2022							
Balance at 1 January 2022		99,253	62,179	(26,170)	1	(26,171)	135,262
Net profit after tax		—	2,839	—	—	—	2,839
Other comprehensive income for the period		—	—	*	*	—	*
Total comprehensive income for the period		—	2,839	*	*	—	2,839
Dividends	19	—	(5,400)	—	—	—	(5,400)
Contributions by and distributions to owners		—	(5,400)	—	—	—	(5,400)
Balance at 30 June 2022		99,253	59,618	(26,170)	1	(26,171)	132,701

* – Amount lower than S\$1,000

Overseas Education Limited and Subsidiary Companies

C. Condensed interim statements of changes in equity (cont'd)
For the six-month financial period ended 30 June 2022

		Attributable to owners of the Company					
Group	Note	Share capital (Note 17) S\$'000	Revenue reserve S\$'000	Other reserves, total (Note 18) S\$'000	Foreign currency translation reserve (Note 18) S\$'000	Merger reserve (Note 18) S\$'000	Total equity S\$'000
2021							
Balance at 1 January 2021		99,253	65,399	(26,170)	1	(26,171)	138,482
Net profit after tax		—	4,345	—	—	—	4,345
Other comprehensive income for the period		—	—	*	*	—	*
Total comprehensive income for the period		—	4,345	*	*	—	4,345
Dividends	19	—	(9,553)	—	—	—	(9,553)
Contributions by and distributions to owners		—	(9,553)	—	—	—	(9,553)
Balance at 30 June 2021		99,253	60,191	(26,170)	1	(26,171)	133,274

* – Amount lower than S\$1,000

Overseas Education Limited and Subsidiary Companies

C. Condensed interim statements of changes in equity (cont'd)
For the six-month financial period ended 30 June 2022

		Attributable to owners of the Company		
	Note	Share capital (Note 17) S\$'000	Revenue reserve S\$'000	Total equity S\$'000
Company				
2022				
Balance at 1 January 2022		99,253	9,408	108,661
Net profit after tax		—	579	579
Total comprehensive income for the period		—	579	579
Dividends	19	—	(5,400)	(5,400)
Contributions by and distributions to owners		—	(5,400)	(5,400)
Balance at 30 June 2022		99,253	4,587	103,840
2021				
Balance at 1 January 2021		99,253	13,887	113,140
Net profit after tax		—	525	525
Total comprehensive income for the period		—	525	525
Dividends	19	—	(9,553)	(9,553)
Contributions by and distributions to owners		—	(9,553)	(9,553)
Balance at 30 June 2021		99,253	4,859	104,112

Overseas Education Limited and Subsidiary Companies

D. Condensed interim consolidated statement of cash flows For the six-month financial period ended 30 June 2022

	Note	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2021 S\$'000
Cash flows from operating activities			
Profit before taxation		3,611	5,380
Adjustments for:			
Depreciation expenses		6,735	6,746
Amortisation expenses		179	194
(Gain)/loss on disposal of property, plant and equipment		(1)	3
Interest income		(20)	(15)
Finance costs		1,548	1,109
Fair value gain on derivatives		(1,749)	–
Operating profit before working capital changes		10,303	13,417
Increase in inventories		(32)	(30)
Increase in trade receivables		(1,212)	(1,174)
Decrease in other receivables, deposits and prepayments		2,137	483
Increase in non-current deposits		(257)	(196)
Decrease in trade payables, other payables and liabilities, and fees received in advance		(13,800)	(15,661)
Cash used in operations		(2,861)	(3,161)
Interest received		20	15
Income tax paid		(1,180)	(2,014)
Lease interest paid		(44)	(32)
Net cash used in operating activities		(4,065)	(5,192)
Cash flows from investing activities			
Additions of intangible assets		(186)	(230)
Acquisition of property, plant and equipment		(127)	(387)
Proceeds from disposal of property, plant and equipment		5	28
Net cash used in investing activities		(308)	(589)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(1,958)	(1,941)
Bank loan interest paid		(878)	(1,030)
Bank loan repayment		(3,080)	(3,080)
Bank loan facility fee paid		–	(589)
Dividends paid	19	(5,400)	(9,553)
Net cash used in financing activities		(11,316)	(16,193)
Net decrease in cash and cash equivalents		(15,689)	(21,974)
Cash and cash equivalents at beginning of the period		38,424	44,179
Cash and cash equivalents at end of the period		22,735	22,205

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

1. Corporate information

Overseas Education Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 7 February 2013. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group). The registered office and principal place of business of the Company is at 81 Pasir Ris Heights, Singapore 519292.

The principal activity of the Company is an investment holding company. The principal activity of the main subsidiary company is operating a foreign system school.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency and all values are rounded to the nearest thousand (S\$'000) except when otherwise indicated.

2.1 *New and amended standards adopted by the Group*

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 *Use of judgements and estimates*

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

E. Notes to the condensed interim consolidated financial statements
For the six-month financial period ended 30 June 2022

2.2 Use of judgements and estimates (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included below:

Ability to renew the land lease

The current land lease is 30 years, and the Group expects to seek the relevant authorities' approval for the extension of the lease for a further term of 30 years upon its expiration on 13 June 2043. The school site is zoned exclusively for use by an educational institution and the buildings have also been purpose-built for use as a school only. The school buildings have an estimated use for 50 years based on the assets' expected utility to the Group and the future economic benefits embodied in the assets. The judgement applied on the ability to renew the land lease at the end of 30 years is significant to the determination of the depreciation period of 50 years for the school buildings.

The carrying amount of the school buildings as at 30 June 2022 was S\$157,198,000 (31 December 2021: S\$159,026,000).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included below:

(a) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the groupings of customers by days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 11.

The carrying amount of trade receivables as at 30 June 2022 was S\$1,954,000 (31 December 2021: S\$742,000).

(b) *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the leases, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic movement. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

3. Seasonal operations

The Group's business is not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group operates in Singapore in one business segment to provide education under a foreign education system. Substantially all revenue, expenses, assets and liabilities are derived from operations in Singapore.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements
For the six-month financial period ended 30 June 2022

5. Revenue

(a) Disaggregation of revenue

	Tuition fees		Registration fees		School shop, Enrichment programme, Interest income and Other income		Total revenue	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Timing of transfer of goods or services								
At a point in time	—	—	—	—	477	480	477	480
Over time	36,418	37,412	502	512	20	15	36,940	37,939
	36,418	37,412	502	512	497	495	37,417	38,419

(b) Judgement and methods used in recognising revenue

Tuition fees

Tuition fees are recognised over the duration of the course on a straight-line basis.

Estimating average student life for registration fees recognition over time

The Group charges non-refundable registration fees to new students who register with the school. The performance obligation is determined to be satisfied over the estimated student life in the school. Management estimates the average student life in the school by taking historical data of student enrolment over the past 5 years and compute the average number of years each student spends with the school. A reassessment of the average student life is conducted on an annual basis.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

6. Profit before taxation

6.1 Significant items

	30 Jun 2022 S\$'000	30 Jun 2021 S\$'000
Salaries and bonuses*	19,343	17,803
Central Provident Fund contributions	970	947
Staff medical insurance	336	294
Other short term benefits	1,726	2,041
Property tax	616	616
(Gain)/loss on disposal of property, plant and equipment	(1)	3
Write-back of impairment loss on trade receivables	(30)	(49)
Directors' fees	242	220
Teaching materials	187	176
Holiday programme expenses	12	124
Transport services	361	153
Fair value gain on derivatives	(1,749)	—
Finance costs include:		
Loan interest expense	1,456	1,023
Interest expense on lease liabilities	44	32
Other finance costs	48	54
	1,548	1,109

* Included in salaries and bonuses for the prior period ended 30 June 2021 was the Jobs Support Scheme ("JSS") grant income recognised during the six-month financial period in relation to the COVID-19 pandemic amounted to S\$1,480,000. The JSS was a temporary scheme introduced in the Singapore Budgets in 2020 and 2021 which provided wage support to employers to help them retain their local employees during the period of economic uncertainty. Under the JSS, employers received cash grants in relation to the gross monthly wages of eligible employees.

6.2 Related party transactions

Apart from recurring directors' fees, directors' remuneration and key management personnel and related party remuneration, there are no other material related party transactions.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

7. Income tax expense

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total earnings for the period. The major components of income tax expense in the condensed interim consolidated statement of comprehensive income for the financial period ended 30 June are:

	2022 S\$'000	2021 S\$'000
Statement of comprehensive income:		
Current income tax:		
- Current period income taxation	1,192	1,487
- Over provision in respect of previous period	—	(20)
	1,192	1,467
Deferred income tax (Note 16):		
- Origination and reversal of temporary differences	(420)	(432)
Income tax expense recognised in the statement of comprehensive income	772	1,035

8. Earnings per share

The basic and diluted earnings per share are calculated by dividing net profit after taxation attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

The Company did not issue any dilutive potential ordinary shares during the current and previous financial periods.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the period ended 30 June:

	2022 S\$'000	2021 S\$'000
Net profit for the period attributable to owners of the Company	S\$2,839	S\$4,345
Weighted average number of ordinary shares for basic and diluted earnings per share computation	415,364	415,364
Earnings per share (cents)		
- Basic and diluted	0.7	1.0

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements
For the six-month financial period ended 30 June 2022

9. Property, plant and equipment

Group	Leasehold land S\$'000	School buildings, plant and equipment					Total S\$'000
		School buildings S\$'000	School plant and equipment S\$'000	Computers S\$'000	Motor vehicles S\$'000	Library books and media S\$'000	
Cost							
At 1 January 2021	37,100	182,788	70,611	4,922	617	2,995	299,033
Additions	–	–	349	43	227	101	720
Disposals/write-off	–	–	(85)	(71)	(127)	(57)	(340)
At 31 December 2021 and 1 January 2022	37,100	182,788	70,875	4,894	717	3,039	299,413
Additions	–	–	62	8	–	57	127
Disposals/write-off	–	–	(12)	–	–	(10)	(22)
At 30 June 2022	37,100	182,788	70,925	4,902	717	3,086	299,518
Accumulated depreciation							
At 1 January 2021	9,275	20,106	22,444	3,369	248	2,636	58,078
Charge for the year	1,237	3,656	4,012	466	130	122	9,623
Disposals/write-off	–	–	(77)	(70)	(87)	(57)	(291)
At 31 December 2021 and 1 January 2022	10,512	23,762	26,379	3,765	291	2,701	67,410
Charge for the period	618	1,828	2,015	198	66	57	4,782
Disposals/write-off	–	–	(8)	–	–	(10)	(18)
At 30 June 2022	11,130	25,590	28,386	3,963	357	2,748	72,174
Net carrying values							
At 30 June 2022	25,970	157,198	42,539	939	360	338	227,344
At 31 December 2021	26,588	159,026	44,496	1,129	426	338	232,003

Depreciation expense in the condensed consolidated statement of comprehensive income comprises S\$4,782,000 (30 Jun 2021: S\$4,837,000) of depreciation of property, plant and equipment and S\$1,953,000 (30 Jun 2021: S\$1,909,000) of depreciation of right-of-use assets.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

9. Property, plant and equipment (cont'd)

	Motor vehicles S\$'000	Computers S\$'000	Total S\$'000
Company			
Cost			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	143	2	145
Accumulated depreciation			
At 1 January 2021	37	1	38
Charge for the year	25	1	26
At 31 December 2021 and 1 January 2022	62	2	64
Charge for the period	12	—	12
At 30 June 2022	74	2	76
Net carrying values			
At 30 June 2022	69	—	69
At 31 December 2021	81	—	81

10. Derivatives

	Group	
	30 Jun 2022	31 Dec 2021
	Notional amount S\$'000	Notional amount S\$'000
	Asset S\$'000	Asset S\$'000
Interest rate swaps	60,000	—
- Current	180	—
- Non-current	1,569	—

During the period, the Group entered into interest rate swaps to hedge its exposure to interest rate risk on S\$60 million notional principal amount of its borrowings. The interest rate swaps receive floating interest equal to prevailing SORA and pay a fixed rate of interest ranging from 1.74% to 1.86% p.a. every quarter. All interest rate swaps mature on 16 February 2027.

The derivatives represent the mark-to-market gain to record the interest rate swaps at their fair values at 30 June 2022.

The Group does not apply hedge accounting.

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E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

11. Trade receivables

	Group	
	30 Jun 2022	31 Dec 2021
	S\$'000	S\$'000
Trade receivables	2,126	944
Less: Allowance for expected credit losses	(172)	(202)
Total financial assets carried at amortised cost	1,954	742

Trade receivables are non-interest bearing. Trade receivables relating to tuition fees are due one month before semester commences while other trade receivables are generally due immediately. They are recognised at their original invoice amounts which represent their fair values on initial recognition. All trade receivables are denominated in Singapore Dollars.

	Group	
	30 Jun 2021	31 Dec 2021
	S\$'000	S\$'000
<u>Expected credit losses</u>		
Movements in allowance for impairment:		
At beginning of the period/year	202	262
(Write-back)/charge for the period/year	(30)	6
Write-off during the period/year	—	(66)
At end of the period/year	172	202

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

12. Amount due from subsidiary

As at 31 December 2021, the amount due from subsidiary of S\$4,000,000 was for the financial year 2021 interim dividends, received by the Company in 2022.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

13. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at bank	23,069	38,758	2,855	3,693
Less: Other long term asset	(334)	(334)	—	—
Cash and cash equivalents	22,735	38,424	2,855	3,693

Included in cash at bank is an amount of S\$334,000 (31 Dec 2021: S\$334,000) placed with a bank in to secure a banker's guarantee issued to a government authority for a proposed road widening project beside the school campus. The project is currently on-hold. This amount is expected to be placed with the bank for a duration of more than one year. Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.

14. Fees received in advance

Fees received in advance (current) refer to both registration fees and tuition fees billed and received for the new semester. Fees received in advance (non-current) refer to the registration fees received and to be recognised over the estimated average student life in the school.

Information about fees received in advance is disclosed as follows:

	Group	
	30 Jun 2022	31 Dec 2021
	S\$'000	S\$'000
Current – Tuition fee and registration fee	12,408	26,192
Non-current (1 to 3 years) – Registration fee	757	519
	13,165	26,711

Fees received in advance are recognised as revenue as the Group fulfils its performance obligation under the contracts.

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E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

15. Borrowings

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current liabilities:				
Borrowings				
- Bank loan	6,160	6,160	—	—
- Interest payable	560	94	—	—
Less: Facility fee	(118)	(118)	—	—
	6,602	6,136	—	—
Non-current liabilities:				
Borrowings				
- Bank loan	93,110	96,190	—	—
Less: Facility fee	(677)	(736)	—	—
	92,433	95,454	—	—
Total borrowings	99,035	101,590	—	—
	30 Jun 2022	30 Jun 2021		
	S\$'000	S\$'000		
Finance costs				
Loan interest expense	1,456	1,023		

On 16 April 2019, the Group entered into a 10-year bank term loan agreement of S\$117,750,000 with maturity on 15 April 2029 to fully redeem the outstanding Company's bonds. The loan is unsecured, payable in quarterly instalments of S\$1,540,000, with a final payment of outstanding loan balance upon maturity. The loan bears interest at average rates ranging from 2.0% to 2.8% (31 Dec 2021: 1.9% to 2.1%) per annum during the period. Any amount of the loan outstanding at the end of the 10-year term is subject to further refinancing. Loan interest expense is computed based on the effective interest method.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

16. Deferred tax liabilities

Deferred tax as at closing balance relates to the following:

	Group			
	Condensed consolidated Balance sheet		Condensed consolidated statement of comprehensive income	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	30 Jun 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets				
Provisions, unabsorbed capital allowances, and unearned registration fees	(330)	(278)	(52)	(3)
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	7,116	7,484	(368)	(429)
Deferred tax liabilities (net)	6,786	7,206	(420)	(432)

17. Share capital

	Group and Company			
	Number of shares '000	30 Jun 2022 S\$'000	Number of shares '000	31 Dec 2021 S\$'000
At 1 January and closing balance	415,364	99,253	415,364	99,253

The Company did not hold any treasury shares or outstanding convertibles as at 30 June 2022 and 31 December 2021. The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Overseas Education Limited and Subsidiary Companies

E. Notes to the condensed interim consolidated financial statements For the six-month financial period ended 30 June 2022

18. Other reserves

	Group	
	30 Jun 2022	31 Dec 2021
	S\$'000	S\$'000
Merger reserve	(26,171)	(26,171)
Foreign currency translation reserve	1	1
At closing balance	(26,170)	(26,170)

Merger reserve represents the difference between the consideration paid by the Company and the share capital of the subsidiaries acquired under common control during the year ended 31 December 2011, following the application of the pooling of interest method. This reserve will remain until the subsidiaries are disposed.

19. Dividends

	30 Jun 2022	30 Jun 2021
	S\$'000	S\$'000
Paid during the financial period		
- Final exempt (one-tier) dividend for 2021: S\$0.013		
(2020: S\$0.023) per share	5,400	9,553

20. Fair value of financial instruments

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and bank borrowings reasonably approximate their fair values because these are mostly short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The fair values of the non-current deposits, staff housing deposits and other long term asset approximate their carrying value and are estimated using the discounted estimated cash flow analysis. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

A. Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

E. Notes to the condensed interim consolidated financial statements
For the six-month financial period ended 30 June 2022

20. Fair value of financial instruments (cont'd)

Fair values (cont'd)

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets measured at fair value

Group	Note	Significant observable inputs other than quoted prices (Level 2) S\$'000	Total S\$'000
30 June 2022			
Financial asset:			
Derivatives (Note 10)			
- Interest rate swaps	10	1,749	1,749
31 Dec 2021			
Financial asset:			
Derivatives (Note 10)			
- Interest rate swaps	10	–	–

Level 2 fair value measurements

The valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy is as follows:

Interest rate swaps are valued based on valuation obtained from a reputable financial institution.

21. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

1. 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.

2. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

3. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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 2021, except for the adoption of the new and revised Singapore Financial Reporting Standards (International) (SFRS(I)) which became effective for the financial periods beginning on or after 1 January 2022.

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 preceding paragraph 4 did not give rise to any significant changes to the financial performance or position of the Group.

6. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 30 Jun 2022 cents	As at 31 Dec 2021 cents	As at 30 Jun 2022 cents	As at 31 Dec 2021 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	31.9	32.6	25.0	26.2

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

7. 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 \$37.42 million for the first half year ended 30 June 2022 (H1 2022) compared to \$38.42 million for the corresponding period ended 30 June 2021 (H1 2021). The decrease in total revenue was due to the prolonged COVID-19 pandemic which continued to negatively impact our student enrolment starting the new semester from January 2022, both in terms of new enrolments and in the retention of existing foreign students.

Details of revenue lines are as follows:

Revenue from tuition fees was lower at \$36.42 million in H1 2022 compared to \$37.41 million in H1 2021.

Revenue from registration fees was marginally lower at \$0.50 million in H1 2022 compared to \$0.51 million in H1 2021.

School shop revenue was \$0.14 million in H1 2022 compared to \$0.12 million in H1 2021.

Enrichment programme revenue was \$0.34 million in H1 2022 compared to \$0.35 million in H1 2021.

Interest income of \$0.02 million in H1 2022 was comparable to H1 2021.

Total expenses before depreciation and amortisation was higher at \$28.64 million in H1 2022 compared to \$26.10 million in H1 2021.

Details of expenses are as follows:

Personnel expenses were \$22.38 million in H1 2022 compared to \$21.09 million in H1 2021. The lower personnel expenses in H1 2021 was mainly due to the Jobs Support Scheme (JSS) government grant received from our Singapore government. JSS government grant recognised in H1 2021 was \$1.48 million.

School shop costs were \$0.09 million in H1 2022 compared to \$0.07 million in H1 2021.

Enrichment programme costs were \$0.30 million in H1 2022 compared to \$0.24 million in H1 2021.

Utilities expenses were higher at \$0.92 million in H1 2022 compared to \$0.42 million in H1 2021 due to the sharp increases in electricity tariffs experienced since the later part of FY 2021.

Upkeep and maintenance expenses were \$0.72 million in H1 2021 compared to \$0.75 million in H1 2021.

Finance costs were higher at \$1.55 million in H1 2022 compared to \$1.11 million in H1 2021 due to the increase in current prevailing interest rates.

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

Other operating expenses were \$2.69 million in H1 2022 compared to \$2.43 million in H1 2021.

The Group recorded a \$1.75 million fair value gain in H1 2022 which arose from fair value changes of the interest-rate-swap contracts that the Group has entered into during H1 2022 to hedge against rising interest rates. More information is provided in Note 10 of the Condensed Interim Consolidated Financial Statements.

Depreciation and amortisation expenses were lower at \$6.91 million in H1 2022 compared to \$6.94 million in H1 2021. The decrease was mainly due to lower depreciation of \$2.34 million on other plant and equipment as compared to \$2.39 million during the same corresponding period last year.

Profit before taxation was lower at \$3.61 million in H1 2022 compared to \$5.38 million in H1 2021.

Income tax expense was \$0.77 million in H1 2022 compared to \$1.04 million in H1 2021. The H1 2022 income tax expense comprised the provision for current tax of \$1.19 million and reversal of net deferred tax of \$0.42 million. The income tax expense in H1 2021 comprised the current tax of \$1.47 million and reversal of net deferred tax of \$0.43 million.

Net profit after taxation ended at \$2.84 million in H1 2022 compared to \$4.35 million in H1 2021.

Review of Balance Sheet as at 30 June 2022

Total property, plant and equipment and right-of-use assets at 30 June 2022 amounted to \$231.37 million compared to \$236.76 million at 31 December 2021. The decrease of \$5.39 million was due mainly to the depreciation charge for the reporting period, offset by the additional right-of-use assets of \$1.38 million during the reporting period.

Derivatives (current and non-current) at 30 June 2022 of \$1.75 million relates to the fair value changes of interest-rate-swap contracts entered into by the Group to hedge against rising interest rates on bank borrowings. Please refer to Note 10 of the Condensed Interim Consolidated Financial Statements for further details.

Inventories for school uniforms, books and stationery supplies for sale at the school shop were \$0.47 million at 30 June 2022 compared to \$0.44 million at 31 December 2021.

Trade receivables comprised amounts attributable to tuition fees, registration fees, school shop revenue and other revenue. Trade receivables at 30 June 2022 were higher at \$1.95 million compared to \$0.74 million at 31 December 2021 due mainly to the timing of collection of the receivables.

Other receivables and deposits were lower at \$0.20 million compared to \$2.25 million at 31 December 2021. The Rental Support Scheme cash grant of \$2.05 million receivable recorded at 31 December 2021 was received in H1 2022.

Prepayments were \$0.94 million at 30 June 2022 compared to \$1.02 million at 31 December 2021.

The Group's cash and cash equivalents amounted to \$22.74 million at 30 June 2022 and \$38.42 million at 31 December 2021. The decrease was due to cash used in operating, investing and financing activities as explained in the Review of Group cash flow section below.

Trade and other payables and liabilities were lower at \$1.23 million at 30 June 2022 compared to \$1.53 million at 31 December 2021 due mainly to timing of payments of operating expenses.

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

Total fees received in advance (current and non-current) was \$13.17 million at 30 June 2022 and \$26.71 million at 31 December 2021. Total fees received in advance at 30 June 2022 and 31 December 2021 comprised tuition fees collected before the commencement of the next semester in August and January 2022 respectively, and registration fees collected upon enrolment. As at 30 June 2022, the tuition fees for the new semester commencing in August 2022 were not due yet.

Lease liabilities (current and non-current) were \$4.04 million at 30 June 2022 compared to \$4.79 million at 31 December 2021 mainly due to additional lease contracts for teachers' apartments of \$1.38 million signed during the reporting period offset by progressive payments of the leases.

Borrowings - Bank Loan (current and non-current) was reduced to \$99.04 million at 30 June 2022 compared to \$101.59 million at 31 December 2021 due to the payments of quarterly instalments in January and April 2022. More information on the bank loan facility is disclosed in Note 15 of the Condensed Interim Consolidated Financial Statements.

Goods and Services Tax payable of \$2.52 million and \$2.31 million at 30 June 2022 and 31 December 2021 respectively arose mainly from the billing of next semester's tuition fees.

The net current liabilities position at 30 June 2022 was due mainly to the fluctuations in cash movements and the payment of dividend in May 2022.

Deferred tax liabilities amounted to \$6.79 million at 30 June 2022 compared to \$7.21 million at 31 December 2021. 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 first half year ended 30 June 2022

The net cash used in operating activities in H1 2022 was \$4.07 million, which consisted of cash inflow from operating activities before working capital changes of \$10.30 million, net working capital outflow of \$13.16 million and interest received of \$0.02 million, income tax paid of \$1.18 million and lease interest paid of \$0.04 million.

The above-mentioned net working capital outflow of \$13.16 million arose mainly from the cash outflow relating to the decrease in trade payables, other payables and liabilities and fees received in advance (current and non-current) of \$13.80 million. There were also the cash outflows from the increase in trade receivables and non-current deposits of \$1.21 million and \$0.26 million respectively, offset by the cash inflow from the decrease in other receivables, deposits and prepayments of \$2.14 million.

The net cash used in investing activities of \$0.31 million was for the capital expenditure in the normal course of business.

The net cash used in financing activities of \$11.32 million comprised lease payments of \$1.96 million, payment of bank loan interest of \$0.88 million, bank loan repayment of \$3.08 million, and dividends payment of \$5.40 million during the reporting period.

8. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

9. 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.

As borders reopen and travel restrictions easing, the Group believes that the inflow of expatriate families entering and living in Singapore would likely to be gradual due to the time families and students needed to plan before travelling to Singapore for work and education respectively.

The Group expects the operating environment for foreign system schools to remain challenging and competitive amid rising costs and high inflationary environment.

10. 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.

11. 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.

12. 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 interim financial statements for the six months ended 30 June 2022 to be false or misleading in any material aspect.

13. 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	65,635,545
Balance proceeds	2,398,440

It is intended that the balance \$2,398,440 of the IPO Proceeds also be used wholly towards the future capital expenditure for the school campus at 81 Pasir Ris Heights.

Overseas Education Limited and Subsidiary Companies

F. Other information required by Listing Rule Appendix 7.2

14. 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.

15. Disclosures on acquisition and realisation of shares pursuant to Rule 706A of the Listing Manual.

There were no acquisitions or realisation of shares in any of the Group's subsidiary nor incorporation of any new subsidiary or associated company by the Company or any of the Group's entities during H1 2022.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary

12 August 2022