

**Issuer:** Overseas Education Limited  
**Security:** Overseas Education Limited

**Meeting details:**

Date: 25 April 2018

Time: 4:00 p.m.

Venue: 81 Pasir Ris Heights, Singapore 519292

**Company Description**

Overseas Education Limited, an investment holding company, operates a private foreign system school in Singapore. The company offers an integrated inquiry-based program comprising the international primary curriculum and the international baccalaureate (IB) curriculum within multicultural environment to children aged between 2 and 18 years of primarily expatriate parents. It has approximately 3,000 students from 70 nationalities. The company also provides IB middle years program and the international general certificate of secondary education. In addition, it provides other programs to supplement the curriculum. The company was founded in 1991 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=RQ1](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=RQ1))

**Q1.** As discussed in the Chairman’s Message to Shareholders, while the headwinds of tighter immigration policy and greater number of schools under the Foreign System Schools persist, there are some early signs in the recruiting season that “new enrolments are marginally greater than graduating or departing families” (page 4 of the annual report).

The 5-year financial summary shows the challenges faced by the group in the past 5 years:

**5-YEAR FINANCIAL SUMMARY**

FINANCIAL HIGHLIGHTS (S\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Total revenue <sup>1</sup>	103,096	102,120	97,119	91,846	<b>86,602</b>
Profit before taxation	27,324	26,440	17,374	7,500	<b>8,204</b>
Net profit for the year	22,610	21,984	14,936	5,263	<b>6,003</b>
Earnings per ordinary share (cents) <sup>2</sup>	5.7	5.3	3.6	1.3	<b>1.5</b>

(Source: Company annual report)

Revenue continues to slip despite increases in tuition fees in prior years and net profit in the past two years since the relocation of the school averaged \$5.6 million, or about 1.4 cents per share.

**Can the board/management tell shareholders if it is “business as usual” at the group? What assurance can management give to shareholders that it is doing its best to reverse a 5-year slide in its revenue? What are some of the innovative ways that the group has tried to increase the enrolment? Has the group evaluated strategic tie-ups with embassies/big MNCs or tried to innovate at its student recruitment efforts?**

**Q2.** In the Corporate Governance Report, as part of the Disclosure on remuneration, the company has disclosed the remuneration received by the individual directors, and the remuneration bands of the top 5 key management personnel (page 37).

The same information is presented in Note 24 (page 93 – Related party transactions) as an aggregate.

**24. Related party transactions (cont’d)**

(b) *Compensation of related parties*

	Group	
	2017	2016
	S\$	S\$
Directors’ fees	440,000	440,000
Directors’ salaries and bonuses	1,344,000	1,344,000
Directors’ Central Provident Fund contributions	24,120	24,120
Directors’ short term benefits	32,577	32,607
Other key management personnel’s and related parties’ salaries and bonuses	1,532,000	1,390,000
Other key management personnel’s and related parties’ Central Provident Fund contributions	41,680	39,760
Other key management personnel’s and related parties’ short term benefits	115,138	118,927
<b>Total compensation</b>	<b>3,529,515</b>	<b>3,389,414</b>
Comprise amounts paid to:		
– Directors of the Company	1,840,697	1,840,727
– Other key management personnel and related parties*	1,688,818	1,548,687
<b>Total</b>	<b>3,529,515</b>	<b>3,389,414</b>

\* includes key management personnel and family members of directors

(Source: Company annual report)

In the past five years, the total compensation has increased from \$3.08 million in FY2013, \$3.31 million in FY2014, \$3.29 million in FY2015, \$3.39 million in FY2016 and \$3.53 million in FY2017.

On page 36, the company has disclosed the following:

*The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component, which are the bonuses and other benefits. The remuneration packages of the Executive Directors and key management personnel do not contain any financial incentive component.*

- a) **Can the board and the remuneration committee (RC) explain how the variable components in the remuneration packages of the executive directors and key management personnel were determined?**
- b) **What were the performance conditions or KPIs used to determine such bonuses?**
- c) **Can RC explain what it means when the company disclosed that the remuneration packages “do not contain any financial incentive component”?**

**Q3.** As disclosed in Note 29 (page 100 – Capital management), the gross debt equity ratio is 90.51%, an improvement from the 94.26% level a year ago. As at 31 December 2017, the group’s outstanding bond borrowings amounted to \$135 million.

The bonds will mature on 17 April 2019.

- a) **While the group might have expressed its intention to pay off the bond when it matures in 2019, what are the group’s current plans with regard to the bond issue?**
- b) **In addition, has the company started discussions with its bankers on a new issue or explored other sources of funding?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Overseas%20Education%20Ltd>

The company’s response could be found here: -----