

## Financial Performance

### 13. Financial Positions and Operating Results

The Company and its subsidiary comply with the financial reporting standard No. 15 on revenue from contracts with customers which was published in the Royal Gazette on 8 February 2018. Therefore, the Company prepared its consolidated financial statements for the year ended 31 December 2016, 2017 and 2018 for the purpose of analysing the operating results and financial positions of the Company. Unless otherwise provided, investors should review relevant notes to financial statements which are provided in the attachment to this document to include criteria used in the preparation of consolidated financial statements and material accounting policies adopted by the Company.

#### 13.1 Summary of Auditor's Report

(a) The financial statements for 2016 were audited by Ms. Rungnapa Lertsuwanakul (CPA No. 3516) from EY Company Limited.

The auditor audited the consolidated financial statements of the Company and its subsidiary (the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flow statements for the year then ended including notes to the consolidated financial statements including a summary of significant accounting policies. The auditor also audited the consolidated financial statements of the Company and expressed her opinion that the statements present fairly, in all material respects, the financial position of the Company in accordance with Thai Financial Reporting Standards.

(b) The 2017 Consolidated financial statements for specific purpose were audited by Ms. Rungnapa Lertsuwanakul (CPA No. 3516) from EY Company Limited.

The auditor audited the financial statements for specific purposes of the Company and its subsidiary (the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flow statements for the year then ended including notes to the consolidated financial statements including a summary of significant accounting policies. The auditor’s opinion is that the statements for specific purposes present fairly, in all material respects, the financial position of the Company in accordance with Thai Financial Reporting Standards for financial statements for specific purposes.

(c) The 2018 Consolidated financial statements for specific purpose were audited by Ms. Rungnapa Lertsuwanakul (CPA No. 3516) from EY Company Limited.

The auditor audited the consolidated financial statements of the Company and its subsidiary (the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flow statements for the year then ended including notes to the consolidated financial statements including a summary of significant accounting policies. The auditor expressed her opinion that the statements present fairly, in all material respects, the financial position of the Company in accordance with Thai Financial Reporting Standards.

### 13.3 Summary of Financial Positions and Operating Results

#### Consolidated Financial Statements of the Group

Statement of Financial Position	Consolidated Financial Statements in accordance with TFRS 15					
	31 December 2016		31 December 2017		31 December 2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>Assets</b>						
<i>Current Assets</i>						
Cash and cash equivalents	67.93	4.62	75.64	4.38	367.33	15.15
Current investments	-	-	70.02	4.06	516.38	21.29
Trade and other receivables	32.20	2.19	33.87	1.96	38.03	1.57
Inventories	11.24	0.77	8.97	0.52	7.59	0.31
Other current assets	15.97	1.09	7.86	0.46	12.73	0.53
<b>Total current assets</b>	<b>127.33</b>	<b>8.67</b>	<b>196.35</b>	<b>11.38</b>	<b>942.06</b>	<b>38.84</b>
<i>Non-current assets</i>						
Restricted bank deposits	1.27	0.09	1.57	0.09	1.37	0.06
Investment in joint venture	62.44	4.25	52.56	3.05	50.37	2.08
Property, plant and equipment	1,252.18	85.23	1,429.71	82.87	1,385.91	57.14
Intangible assets	2.94	0.20	2.40	0.14	1.70	0.07
Other non-current assets	22.97	1.56	42.56	2.47	43.90	1.81
<b>Total non-current assets</b>	<b>1,341.79</b>	<b>91.33</b>	<b>1,528.79</b>	<b>88.62</b>	<b>1,483.25</b>	<b>61.16</b>
<b>Total assets</b>	<b>1,469.12</b>	<b>100.00</b>	<b>1,725.14</b>	<b>100.00</b>	<b>2,425.31</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
<i>Current liabilities</i>						
Short-term loan	50.00	3.40	150.00	8.69	-	-
Trade and other payables	115.84	7.88	41.36	2.40	28.92	1.19
Current portion of deferred income	305.13	20.77	393.07	22.78	470.69	19.41
Current portion of long-term loans	54.00	3.68	85.00	4.93	-	-
Long-term loan classified as current liabilities	-	-	163.00	9.45	-	-
Current portion of liabilities under finance lease agreements	0.09	0.01	2.65	0.15	3.38	0.14
Deposits from students – current position	6.81	0.46	9.72	0.56	14.88	0.61
Income tax payable	0.07	0.005	0.19	0.01	0.44	0.02
Other current liabilities	5.21	0.35	3.84	0.22	5.39	0.22
<b>Total current liabilities</b>	<b>537.16</b>	<b>36.56</b>	<b>848.83</b>	<b>49.20</b>	<b>523.70</b>	<b>21.59</b>
<i>Non-current liabilities</i>						
Deferred income	126.87	8.64	152.67	8.85	142.49	5.88
Long-term loans	446.00	30.36	381.00	22.09	-	-
Liabilities under finance lease agreements	0.06	0.004	2.26	0.13	1.42	0.06
Deposits from students	43.56	2.97	53.25	3.09	55.02	2.27
Provision for decommissioning	12.95	0.88	13.38	0.78	13.81	0.57
Provision for long-term employee benefits	10.99	0.75	13.69	0.79	17.09	0.70
Deferred tax liabilities	-	-	0.45	0.03	1.39	0.06
Other non-current liabilities	102.98	7.01	72.51	4.20	72.36	2.98

Statement of Financial Position	Consolidated Financial Statements in accordance with TFRS 15					
	31 December 2016		31 December 2017		31 December 2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>Total non-current liabilities</b>	<b>743.41</b>	<b>50.60</b>	<b>689.21</b>	<b>39.95</b>	<b>303.59</b>	<b>12.52</b>
<b>Total liabilities</b>	<b>1,280.57</b>	<b>87.17</b>	<b>1,538.04</b>	<b>89.15</b>	<b>827.29</b>	<b>34.11</b>
<u>Shareholders' Equity</u>						
Share capital						
- Registered capital	200.00	13.61	250.00	14.49	470.00	19.38
- Issued and fully paid up	200.00	13.61	250.00	14.49	470.00	19.38
Premium on preference shares	1.00	0.07	1.00	0.06	1.00	0.04
Premium on ordinary shares	-	-	-	-	1,176.31	48.50
Retained earnings – legal reserve	10.00	0.68	16.40	0.95	21.72	0.90
Profit (deficit) - unappropriated	(22.44)	(1.53)	(80.30)	(4.65)	(71.01)	(2.93)
<b>Total shareholders' equity</b>	<b>188.56</b>	<b>12.83</b>	<b>187.10</b>	<b>10.85</b>	<b>1,598.02</b>	<b>65.89</b>
Non-controlling interest of the subsidiaries	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>188.56</b>	<b>12.83</b>	<b>187.10</b>	<b>10.85</b>	<b>1,598.02</b>	<b>65.89</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,469.12</b>	<b>100.00</b>	<b>1,725.14</b>	<b>100.00</b>	<b>2,425.31</b>	<b>100.00</b>

Profit and Loss Statement	Consolidated Financial Statements in accordance with TFRS 15					
	31 December 2016		31 December 2017		31 December 2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<u>Revenues</u>						
Tuition fees and service income	597.61	98.20	730.84	97.92	923.98	97.53
Education equipment income	5.77	0.95	7.20	0.97	8.48	0.89
Other income	5.21	0.85	8.31	1.11	14.90	1.57
<b>Total revenues</b>	<b>608.58</b>	<b>100.00</b>	<b>746.35</b>	<b>100.00</b>	<b>947.35</b>	<b>100.00</b>
<u>Cost and expenses</u>						
Tuition and service cost	366.65	60.25	491.35	65.83	567.18	59.87
Administrative expenses	158.40	26.03	196.63	26.35	238.67	25.19
Other expenses	0.63	0.10	0.04	0.01	0.35	0.04
<b>Total expenses</b>	<b>525.68</b>	<b>86.38</b>	<b>688.02</b>	<b>92.18</b>	<b>806.20</b>	<b>85.10</b>
Profit (loss) before share of profit (loss) from investment accounted for under equity method	(2.56)	(0.42)	(9.88)	(1.32)	(2.28)	(0.24)
Profit (loss) before finance cost and corporate income tax	80.34	13.20	48.45	6.49	138.87	14.66
Finance cost	9.68	1.59	29.86	4.00	33.97	3.59
<b>Profit before income tax expense</b>	<b>70.66</b>	<b>11.61</b>	<b>18.60</b>	<b>2.49</b>	<b>104.90</b>	<b>11.07</b>
Income tax expense	0.83	0.14	0.68	0.09	1.38	0.15
<b>Profit (loss) for the year</b>	<b>69.83</b>	<b>11.47</b>	<b>17.92</b>	<b>2.40</b>	<b>103.52</b>	<b>10.93</b>
Actuarial gain (loss) on defined benefits plan	(2.87)		0.63		0.99	

Other share of comprehensive income from investment accounted for under equity method	-		-		0.09	
<b>Total comprehensive profit (loss) for the year</b>	<b>66.96</b>		<b>18.55</b>		<b>104.60</b>	
Net profit (loss) per share (THB) (Fully diluted)	3.49		0.04		0.11	
Net profit (loss) per share (THB) (Weighted Average)	4.14		0.04		0.16	
Par value (THB)	10.00		0.50		0.50	

Cash flow statement (THB in Million)	Consolidated Financial Statements in accordance with TFRS 15		
	2016	2017	2018
<u>Cash flows from operating activities</u>			
Profit (loss) before tax for the year	70.66	18.60	104.90
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities			
Depreciation and amortisation	41.75	100.88	118.19
Allowance for doubtful accounts (reversal)	(0.60)	1.49	(2.58)
Reduction of inventory to net realisable value (reversal)	0.61	(0.58)	1.21
Gain from revaluation of short-term investments	1.72	(0.02)	-
Gain on sales of short-term investments	(2.26)	(0.29)	(1.13)
Written-off fixed assets	0.63	0.04	0.42
Provision for long-term employee benefits	2.62	3.45	5.88
Interest income	(0.22)	(0.41)	(1.10)
Share of profit (loss) from investment accounted for under equity method	2.56	9.88	2.28
Interest expenses	8.51	27.94	29.78
Cash flows before change in operating assets and liabilities	125.98	160.98	257.86
<u>Operating assets (increase) decrease</u>			
Trade and other receivables	(9.38)	(3.16)	(1.58)
Inventories	0.91	2.85	0.17
Other current assets	(3.23)	5.22	(4.70)
Restricted bank deposits	(0.40)	(0.30)	0.20
Other fixed assets	35.29	(7.26)	3.10
<u>Operating liabilities increase (decrease)</u>			
Trade and other payables	3.11	4.78	0.13
Deferred income	24.84	113.74	67.44
Liabilities under finance lease payable	(0.18)	4.75	(0.11)
Other current liabilities	0.83	1.54	6.71
Long-term employee benefits paid	(0.25)	(0.12)	(1.24)
Other non-current liabilities	43.88	(20.78)	1.63
Net cash flows from (used in) operating activities	221.39	262.24	329.61
Cash paid for interests payable	(8.51)	(27.51)	(29.35)
Cash paid for income tax	(5.06)	(9.54)	(4.88)
Net cash from (used in) operating activities	207.83	225.18	295.38
<u>Cash flows from investment activities</u>			
Increase in current investments	-	-	(516.38)
Cash received from sales of unit trusts	384.25	202.29	446.14
Cash paid for unit trusts	(200.00)	(272.00)	(375.00)
Cash paid from investment in joint venture	(65.00)	-	-
Cash paid from acquisition of property, plant and equipment	(682.12)	(356.82)	(86.65)
Cash paid from acquisition of intangible assets	(2.66)	(0.34)	(0.05)
Interests received	0.21	0.40	0.93
Net cash from (used in) investment activities	(565.31)	(426.47)	(531.00)
<u>Cash flows from financing activities</u>			
Cash received from short-term loans	50.00	590.00	300.00

Cash flow statement (THB in Million)	Consolidated Financial Statements in accordance with TFRS 15		
	2016	2017	2018
Repayment of short-term loans	-	(490.00)	(450.00)
Cash received from long-term loans	325.33	183.00	47.00
Repayment of long-term loans	(24.00)	(54.00)	(676.00)
Cash received from increase in share capital	100.00	50.00	1,442.00
Cash paid for direct costs attributable to the share offering	-	-	(45.69)
Dividend paid	(110.00)	(70.00)	(90.00)
Net cash flows from (used in) financing activities	341.33	209.00	527.31
Net increase (decrease) in cash and cash equivalent	(16.15)	7.71	291.69
Cash and cash equivalents at beginning of the year	84.08	67.93	75.64
Cash and cash equivalents at end of the year	67.93	75.64	367.33

#### Summary of Key Financial Ratios

Key Financial Ratios		TFRS 15 Consolidated Financial Statements		
		2016	2017	2018
<b>Liquidity Ratio</b>				
Current ratio	(time)	0.24	0.23	1.80
Quick ratio	(time)	0.19	0.21	1.76
Cash flow ratio	(time)	0.46	0.32	0.43
Account receivables turnover ratio	(time)	17.45	20.01	23.50
Average debt collection	(day)	20.63	18.00	15.32
Account payables turnover ratio	(time)	153.86	116.99	150.69
Average debt repayment	(day)	2.34	3.08	2.39
Inventory turnover ratio	(time)	29.81	47.13	63.60
Average sale of goods	(day)	12.08	7.64	5.66
Cash Cycle	(day)	30.36	22.56	18.59
<b>Profitability Ratio</b>				
Gross profit margin	(%)	39.23	33.43	39.17
Operating profit margin	(%)	12.98	6.78	13.58
Other profit margins	(%)	0.86	1.11	1.57
Cash to profitability	(%)	250.70	386.03	209.27
EBITDA Margin <sup>(2)</sup>	(%)	20.06	20.01	27.13
Net profit	(%)	11.47	2.40	10.93
Shareholders' equity	(%)	43.62	9.54	11.60
<b>Efficiency Ratio</b>				
Return on assets	(%)	5.82	1.12	4.99
Return on fixed assets	(%)	12.27	8.79	15.70
Asset turnover ratio	(time)	0.51	0.47	0.46
<b>Financial Ratio</b>				
D/E	(time)	6.79	8.22	0.52
Debt service coverage ratio <sup>(3)</sup>	(time)	2.92	4.19	0.00
Interest service coverage ratio	(time)	26.03	9.40	11.08
Debt service coverage ratio (cash basis)	(time)	0.24	0.47	0.35

Key Financial Ratios	TFRS 15 Consolidated Financial Statements		
	2016	2017	2018
Dividend payment (%)	71.60	111.63	86.94

Note: <sup>1/</sup> Annualised for comparison purpose

<sup>2/</sup> EBITDA Margin = Profit before Financial Cost, Income Tax Expense, Depreciation and Amortisation/ Total Income

<sup>3/</sup> Debt with interest to shareholders' equity = (Total loans + total liabilities under financial lease)/ shareholders' equity.

#### 14. Management Discussion and Analysis of Financial Positions and Operating Results

The Company and its subsidiary comply with the financial reporting standard No. 15 on revenue from contracts with customers which was published in the Royal Gazette on 8 February 2018. Therefore, the Company prepared its consolidated financial statements for the year ended 31 December 2016, 2017 and 2018 for the purpose of analysing the operating results and financial positions of the Company. Unless otherwise provided, investors should review relevant notes to financial statements which are provided in the attachment to this document to include criteria used in the preparation of consolidated financial statements and material accounting policies adopted by the Company.

##### 14.1 Overview of Operating Results

The Company operates the business of holding licences to establish formal education schools under the Private Schools Act in the type of international schools. It also provides other education-related services. The Company was the first to introduce the Singapore curriculum in providing education in Thailand. The curriculum is internationally accepted. The Company first established Singapore International School of Bangkok in 2001 and expanded its international school business in the vicinity of Bangkok and other provinces. In 2013, the Company accepted the transfer of a licence to establish a formal education school in the type of international school from one private company. The transfer of the licence was for the purpose of improving and establishing Singapore International School Suvarnabhumi. The Company obtained licences for Singapore International School Thonburi in 2017 and Singapore International School Ekkamai in 2018. Currently, there are four international schools whose licences are held directly by the Company. The continuous business expansion of the Company has resulted in the growth in the number of students in the international schools whose licences are held directly by the Company from 1,705 as at year ended 2016 to 1,977 in 2017 and 2,222 in 2018. This has resulted in the continued growth in the revenue of the Group from THB 608.58 million in 2016 to THB 746.35 million in 2017 and THB 947.35 million in 2018.

	2016	2017	2018
Income (THB in Million)	608.58	746.35	947.35
Number of students of international schools whose licences are directly held by the Company (person)	1,705	1,977	2,222

In addition, the Company invested in a Joint Venture with a group of businessmen in Chiangmai by incorporating SISB-SIRI Company Limited in 2016 to conduct the business of holding a licence to establish Singapore International School Chiangmai which first opened in 2017. The Company recognised profits (loss) accounted for under equity method for the investments in such Joint Venture. In 2016 – 2018, the Company recognised the shared loss from such investments in the amount of THB 2.56 million for 2016, THB 9.88 million for 2017 and THB 2.28 million.

## 14.2 Analysis of Operating Results

### 14.2.1 Revenue

The total revenue of the Company for the years 2016 – 2018 was THB 608.58 million, THB 746.53 million and THB 947.35 million, respectively. The total revenue of the Company for the year 2018 comprised tuition fees and services income, education equipment income and other income representing 97.53 percent, 0.89 percent and 1.57 percent, respectively. The Company's revenues can be summarised as follows:

Types of Service	2016		2017		2018	
	THB in Million	%	THB in Million	%	THB in Million	%
Tuition fees income	597.61	98.20	730.84	97.92	923.98	97.53
Education equipment income	5.77	0.95	7.20	0.97	8.48	0.89
Other income	5.21	0.85	8.31	1.11	14.90	1.57
<b>Total revenues</b>	<b>608.58</b>	<b>100.00</b>	<b>746.35</b>	<b>100.00</b>	<b>947.35</b>	<b>100.00</b>

### Sales and service income

The Company's sales and service income for the years 2016 – 2018 was THB 603.38 million, THB 738.04 million and THB 932.46 million, respectively. The sales and service income comprised tuition fees income and education equipment income representing 99.02 percent and 0.98 percent of the total sales and service income for the year 2017, respectively, and 99.09 percent and 0.91 percent of the total sales and service income for the year 2018, respectively.

Type of Business	2016		2017		2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>1. Tuition Fees Income</b>						
- Tuition fees	570.45	94.54	695.28	94.21	875.36	93.88
- Application and admission fees	27.16	4.50	35.56	4.82	48.62	5.21
<b>Total tuition fees income</b>	<b>597.61</b>	<b>99.04</b>	<b>730.84</b>	<b>99.02</b>	<b>923.98</b>	<b>99.09</b>
<b>2. Education Equipment Income</b>	<b>5.77</b>	<b>0.96</b>	<b>7.20</b>	<b>0.98</b>	<b>8.48</b>	<b>0.91</b>
<b>Total sales and service income</b>	<b>603.38</b>	<b>100.00</b>	<b>738.04</b>	<b>100.00</b>	<b>932.46</b>	<b>100.00</b>

#### (1) Tuition Fees Income

Tuition fees income of the Group are divided into tuition fees and application and admission fees. Details are as follows:

#### 1.1) Tuition fees

Tuition fees are the main income of the Group, representing approximately 90.00 percent of the total sales and service income. The tuition fees income is collected from the provision of both curricular and extracurricular education including such other fees which are incurred in connection with other services to support the school operations such as lunch service fees and education equipment, placement tests and dormitory services. The Group's tuition fees income for the years 2016 – 2018 was THB 570.45 million, THB 695.28 million and THB 875.36



million, respectively. This represents a growth rate of 21.88 percent and 25.90 percent, respectively. The growth in the tuition fees income was in line with the growth in the number of students of schools whose licences are held by the Company. At the year ended 2016 – 2018, the number of students was 1,705, 1,977 and 2,222, respectively, representing a growth rate of 15.95 percent and 12.39 percent, respectively. The average annual tuition fees increased continuously from THB 0.35 million per person in 2016 to THB 0.38 million per person in 2017 and THB 0.42 million per person in 2018, representing a growth rate of 7.15 percent and 10.40 percent partly due to the increased interest of students in extracurricular activities (ECA) which resulted in higher growth in average tuition fees.

## 1.2) Application and admission fees

Application and admission fees comprise fees from application forms, placement tests and admission fees for students who are first admitted to the schools whose licences are directly held by the Company. These fees varied according to the number of new students in each year. Admission fees were gradually recognised according to the projected education terms of the students in each school. The Group's application and admission fees for the years 2016 – 2018 were THB 27.16 million, THB 35.56 million and THB 48.62 million, representing 4.50 percent, 4.82 percent and 5.21 percent of total sales and service income. The growth in application and admission fees for the years 2017 and 2018 was 30.91 percent and 36.76 percent which was in line with the growing number of new students in each year.

## (2) Education equipment income

Education equipment income comprises income from the sale of textbooks and school uniforms. The Group's education equipment income for the years 2016 – 2018 was THB 5.77 million, THB 7.20 million and THB 8.48 million, representing 0.96, 0.98 and 0.91 percent of the sales and service income.

## Other income

The Group's other income for the years 2016 – 2018 was THB 5.21 million, THB 8.31 million and THB 14.90 million. Key other income comprises income from the sale of food and beverage, capital gains from short-term investments, credit card fees and interest received, etc.

## 14.2.2 Cost and Expenses

The cost and expenses of the Company mainly comprise the cost of education and services, administration expenses, other expenses and financial costs. The Group's total cost and expenses for the years 2016 – 2018 were THB 535.37 million, THB 717.88 million and THB 840.17 million, representing 87.93 percent, 96.19 percent and 88.69 percent of total revenue. Details are as follows:

Costs and Expenses	2016		2017		2018	
	THB in Million	%	THB in Million	%	THB in Million	%
Cost of education and services	366.65	68.49	491.35	68.44	567.18	67.51
Administration costs	158.40	29.59	196.63	27.39	238.67	28.41
Other expenses	0.63	0.12	0.04	0.01	0.35	0.04
Financial costs	9.68	1.81	29.86	4.16	33.97	4.04

Costs and Expenses	2016		2017		2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>Total costs and expenses</b>	<b>535.37</b>	<b>100.00</b>	<b>717.88</b>	<b>100.00</b>	<b>840.17</b>	<b>100.00</b>
<b>Percentage to total revenues</b>	<b>87.97</b>		<b>96.19</b>		<b>88.69%</b>	

## 1. Cost of education and services

The cost of education and services is the main expense of the Group. The Group's cost of education and services for the years 2016 – 2018 was THB 366.65 million, THB 491.35 million and THB 567.18 million, representing 68.49 percent, 68.44 percent and 67.51 percent of total expenses, respectively. The key cost of education and services of the Group is cost of providing education, cost of buildings and locations. Details are as follows:

### Cost of providing education

The cost of providing education is the main cost of the Group. It comprises, for example, cost of education personnel, cost of special activities, cost of education equipment and food for students. The Group's cost of providing education for the years 2016 – 2018 was THB 278.11 million, THB 324.92 million and THB 373.95 million, respectively, representing 75.85 percent, 66.13 percent and 65.93 percent of the cost of education and services. The cost of education personnel represents approximately 70 percent of the cost of providing education. The cost of providing education of the Group has a tendency to decrease continuously due to more efficient management of the cost of providing education. The percentage of cost of providing education to the sales and service income of the Group decreased from 46.09 percent in 2016 to 44.03 percent in 2017 and 40.10 percent in 2018.

### Costs of building and location management

Key costs of building and location management are, for example, depreciation costs, rentals, building repairs and maintenance and public utilities. The Group's costs of building and location management for the years 2016 – 2018 were THB 88.55 million, THB 166.43 million and THB 193.23 million, respectively, representing 24.15 percent, 33.87 percent and 34.07 percent of the total cost of education and services for the years 2016 – 2018, respectively. The costs of building and location management of the Company increased during 2016 and 2018 due to an expansion of school business during 2015 and 2017 to enhance quality of school establishments and to accommodate the growing number of students in the future. This also included the Phase 2 extension of Singapore International School of Bangkok and the opening of Singapore International School Thonburi which was gradually completed during 2016 and 2017. This resulted in the cost of depreciation of THB 40.08 million, THB 99.15 million and THB 116.66 million for the years 2016 – 2018, respectively, representing an increase by 147.38 percent and 17.66 percent compared from the previous year. Therefore, the percentage of the Group's costs of building and location management compared to the Group's sales and service income for the years 2016 – 2018 was 14.68 percent, 22.55 percent and 20.72 percent, respectively. The decrease of the percentage for the year 2018 was due to the increased revenue of the Company while most costs of buildings and location management remained fixed.

The impact of the costs discussed above resulted in the Group's gross profit margin for the years 2016 – 2018 of THB 236.73 million, THB 246.69 million and THB 365.28 million, representing a gross profit ratio of 39.23 percent, 33.43 percent and 39.17 percent, respectively.

## 2. Administrative expenses

The Group's administrative expenses for the years 2016 – 2018 were THB 158.40 million, THB 196.63 million and THB 238.67 million, respectively, representing 26.03 percent, 26.35 percent and 25.19 percent of the total revenues. Key administrative expenses of the Group are, for example, expenses relating to employees of THB 116.09 million for 2016, THB 143.11 million for 2017 and THB 172.12 million for 2018, representing 73.29 percent, 72.78 percent and 72.12 percent of total administrative expenses for the years 2016 – 2018, respectively. In addition to expenses relating to employees, administrative expenses comprise advisory fees and audit fees, rentals and cost of depreciation all of which are mostly fixed.

## 3. Other expenses

The Company's other expenses comprise amortisation of fixed assets of THB 0.63 million for 2016, THB 0.04 million for 2017 and THB 0.35 million for 2018, representing 0.10 percent, 0.01 percent and 0.04 percent of the total revenues, respectively.

## 4. Financial expenses

The Company's financial expenses for the years 2016 – 2018 were THB 9.68 million, 29.86 million and THB 33.97 million mainly comprising financial expenses incurred as a result of loans from financial institutions for investment in the construction of international schools and for the business operations of the Company. The Company's interest expense for the years 2016 – 2018 was THB 8.49 million, THB 27.88 million and THB 30.64 million, respectively. In addition, the Group also incurred financial expenses which were fees payable to financial institutions and financial lease agreements for the years 2016 – 2018 in the amount of THB 1.19 million, THB 1.98 million and THB 3.33 million, respectively.

### 14.2.3 Share of profit (loss) from investments

The Company uses the equity method in recognising share of profit (loss) from investment in the Joint Venture SISB-SIRI which was incorporated on 11 January 2016 between the Company and a group of businessmen in Chiangmai each holding 50 percent of interest in the Joint Venture. Currently, SISB-SIRI holds the licence for the establishment of Singapore International School Chiangmai which opened in 2017.

The financial statements of SISB-SIRI for the years 2016 – 2018 showed operating results of Singapore International School Chiangmai comprising a loss of THB 5.12 million, THB 19.76 million and THB 4.56 million, respectively. The loss was because Singapore International School Chiangmai commenced its business in 2017 and was in the process of building up the client base in Chiangmai. The Group recognises the loss from investments in the Joint Venture of THB 2.56 million, THB 9.88 million and THB 2.28 million, respectively.

### 14.2.4 Net Profit

Based on the operating results discussed above, the Group's net profit for the years 2016 – 2018 was THB 69.83 million, THB 17.92 million and THB 103.52 million, respectively, representing 11.47 percent, 2.40 percent and 10.93 percent of net profit respectively. The increase in net profit for 2018 was due to the increase in the gross profit margin by 48.07 percent from 2017 as a result of the opening of Singapore International School Thonburi as discussed above. In addition, most administrative expenses of the Company are fixed. The Group's considerable investments in school business expansions contributed to the continuous increase in the cost of depreciation and

amortisation which amounted to THB 41.75 million, THB 100.88 million and THB 118.19 million for the years 2016 – 2018, respectively. The Group's EBITDA for the years 2016 – 2018 was THB 122.08 million, THB 149.33 million and THB 257.06 million, representing 20.06 percent, 20.01 percent and 27.13 percent of the total revenues, respectively.

### **14.3 Financial positions**

#### **(a) Assets**

As of the year ended in 2016 – 2018, the Group's total assets were THB 1,469.12 million, THB 1,725.14 million and THB 2,425.31 million. Key assets of the Company comprise property, plant and equipment, trade receivables and inventories. As of the year ended in 2017, these key assets of the Company represented 82.87 percent, 2.23 percent and 0.52 percent of total assets, respectively. As of the year ended in 2018, these key assets of the Company represented 57.14 percent, 1.65 percent and 0.31 percent of total assets, respectively. Details of key assets of the Company can be summarised as follows:

#### **Property, plant and equipment**

Property, plant and equipment are key assets of the Company. As of the year ended in 2016 – 2018, the Company's property, plant and equipment amounted to THB 1,252.18 million, THB 1,429.71 million and THB 1,385.91 million, respectively, representing 85.23 percent, 82.87 percent and 57.14 percent of the total assets. During the years 2016 and 2017, the net value of the property, plant and equipment of the Group increased continuously due to the Company's investments in the school business expansions to enhance quality of education establishments and to accommodate the growing number of students.

During the years 2016 – 2018, the Group's investments in property, plant and equipment increased by THB 736.26 million, THB 279.99 million and THB 74.07 million. In 2015, the Company commenced its investment in the construction of the phase two of the extension for Singapore International of Bangkok which comprised school buildings at the secondary level, a sports complex building, an auditorium and dormitory buildings. The investment was approximately THB 900 million. The construction was completed in November 2016. During the same period, the Company commenced the establishment of Singapore International School Thonburi. In 2016, the Company purchased land in the Phasi Charoen district of Bangkok having the coverage of seven rais, 22 square wa at THB 83.28 million. The land was to be used as a location for Singapore International School Thonburi. The construction commenced at the end of 2016. The total amount of investment was approximately THB 250 million. The construction comprised school buildings for pre-primary level which was completed in 2017. The construction of school buildings for primary level was completed in 2018. The cost of depreciation from plant and equipment was THB 41.25 million for 2016, THB 99.99 million for 2017 and THB 117.45 million in 2018.

#### **Trade receivables**

The Company's trade receivables before allowance for doubtful accounts was in the amount of THB 34.55 million as at the year ended 2016, THB 38.52 million as at the year ended 2017 and THB 40.14 million as at the year ended 2018, representing 2.35 percent, 2.23 percent and 1.65 percent of the total assets respectively. The Company has the policy to provide a credit term of approximately two weeks. As at the year ended 2016 – 2018, the average debt collection was 20.63 days, 18.00 days and 15.32 days, respectively.

Periods of Outstanding Debts	31 December 2016		31 December 2017		31 December 2018	
	THB in Million	%	THB in Million	%	THB in Million	%
Debts not yet due	4.27	12.35	2.44	6.32	2.03	5.06
Outstanding :						
Not more than three months	25.76	74.55	30.42	78.98	34.80	86.70
3 - 6 months	0.86	2.48	0.97	2.52	1.15	2.86
6 - 12 months	1.95	5.65	2.30	5.96	2.03	5.06
More than 12 months	1.72	4.98	2.39	6.22	0.13	0.32
<b>Total trade receivables</b>	<b>34.55</b>	<b>100.00</b>	<b>38.52</b>	<b>100.00</b>	<b>40.14</b>	<b>100.00</b>
less allowance for doubtful accounts	(3.58)	(10.36)	(5.04)	(13.07)	(2.45)	(6.10)
<b>Total trade receivables - net</b>	<b>30.97</b>		<b>33.48</b>		<b>37.68</b>	

Most trade receivables of the Group are receivables with no more than three months of outstanding debts. As at the year ended 2016 – 2018, the Group's trade receivables with no more than three months of outstanding debts represented 86.90 percent, 85.30 percent and 91.76 percent of the total trade receivables before allowance for doubtful accounts, respectively. In 2016, the Company revised its policy of debt collection for enhanced efficiency in debt collection. This resulted in the reduction in the number of trade receivables with no more than three months of outstanding debts. There were also written-off bad debts in an amount of THB 6.51 million which were outstanding trade receivables from 2012 – 2015 the allowance for which had already been provided.

The Group has the policy of allowance for doubtful accounts which will take into consideration the possibility of debt collection and the term for which the debts will become default. The estimates for allowance of doubtful accounts presented in percentage of the value of debts of each defaulting receivable are as follows:

Outstanding Period	Percentage of Allowance for Doubtful Accounts
Between 60 – 120 days	50%
More than 120 days	100%

As a result of such a policy, the Group's allowance for doubtful accounts as at the year ended 2016 – 2018 was THB 3.58 million, THB 5.04 million and THB 2.45 million, respectively.

#### Inventories

	31 December 2016		31 December 2017		31 December 2018	
	THB in Million	%	THB in Million	%	THB in Million	%
<b>Inventories</b>	<b>11.85</b>	<b>100.00</b>	<b>9.00</b>	<b>100.00</b>	<b>8.83</b>	<b>100.00</b>
Less : allowance for inventories	(0.61)	(5.14)	(0.03)	(0.36)	(1.24)	(14.08)
<b>Inventories - net</b>	<b>11.24</b>		<b>8.97</b>		<b>7.59</b>	

As at the years ended 2016 – 2018, the Group's inventories before allowance for inventories were THB 11.85 million, THB 9.00 million and THB 8.83 million, respectively. Inventories of the Company are, for example, textbooks and school uniforms.

The Group began to adopt a policy to provide an allowance for inventories in 2016 by taking into consideration the turnover rate of inventories. An allowance will be provided for the total amount of any goods that do not have a turnover within two years. For the years 2016 – 2018, the Group's allowance for inventories was THB 0.61

million, THB 0.03 million and THB 1.24 million, representing 5.14 percent, 0.36 percent and 14.08 percent of the inventories as at the year ended 2016 – 2018, respectively.

**(b) Liquidity**

**Cash flows**

The Group's cash flows from operating activities for the years 2016 – 2018 were THB 207.83 million, THB 225.18 million and THB 295.38 million, respectively. In 2016, the cash flows from operating activities of the Company decreased despite the increase in the EBITDA of the Group for the year 2016. This was due to the promotions offered to parents who paid tuition fees in advance by the Group. This resulted in a considerable increase in the deferred income in 2015 and a slight increase in the deferred income for 2016. For 2017, the Group's cash flows from operating activities increased from those in 2016 due to the increased depreciation and the deferred income from the growing number of students in 2017. For 2018, the Group's cash flows from operating activities also increased from those in 2017 due to the increase in earnings before tax and depreciation.

The net cash flows used in investment activities of the Group were THB 565.31 million in 2016, THB 426.47 million in 2017 and THB 531 million in 2018. In 2016, the Group's cash paid for acquisition of property, plant and equipment and intangible assets which amounted to THB 684.78 million, cash for investment in Joint Venture of THB 65 million. The net cash received from the sale – purchase of investment units amounted to THB 184.25 million and the interest received was THB 0.21 million. In 2017, the Group's cash paid for the acquisition of property, plant and equipment and intangible assets which amounted to THB 357.16 million. The net cash received from the sale – purchase of investment units amounted to THB 69.71 million. The interest received was THB 0.40 million. For 2018 the Group's cash paid for the acquisition of property, plant and equipment and intangible assets which amounted to THB 86.70 million. The cash paid for short-term investments amounted to THB 516.38 million. The net cash received from the sale – purchase of investment units amounted to THB 71.14 million and the interest received was THB 0.93 million.

The Company's cash flows from finance activities of the Company for 2016 amounted to THB 341.33 million because the Company received cash from loans of THB 375.33 million which comprised a short-term loan of THB 50.00 million and a long-term loan of THB 325.33 million. The Company repaid a long-term loan of THB 24.00 million. In addition, the Company's dividend paid was THB 110.00 million whereas the cash received from the capital increase was THB 100.00 million. For 2017, the Group's cash flows from finance activities amounted to THB 209 million. The cash received from a long-term loan was THB 183.00 million and the Company repaid a long-term loan of THB 54.00 million. The net short-term loan increased by THB 100 million. The Company's dividend paid was THB 70.00 million whereas the cash received from capital increase was THB 50.00 million. For 2018, the Group's cash flows from finance activities amounted to THB 527.31 million. The net cash repaid for a long-term loan was THB 629.00 million and repaid for the short-term loan of THB 150.00 million. The Company's dividend paid was THB 90.00 million whereas the cash received from capital increase was THB 1,442.00 million. Cash paid for direct costs attributable to the share offering amounted to THB 45.69 million.

<b>(THB in Million)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net cash from (used in) operating activities	207.83	225.18	295.38
Net cash from (used in) investment activities	(565.31)	(426.47)	(531.00)
Net cash from (used in) finance activities	341.33	209.00	527.31
Net cash and cash equivalent increase (decrease)	(16.15)	7.71	291.69

**Liquidity ratio**

As at the years ended 2016 – 2018, the Group's liquidity ratio was 0.24 time, 0.23 time and 1.80 time, respectively and the quick liquidity ratio was 0.19 time, 0.21 time and 1.76 time, respectively. Most current assets of the Group comprise cash and cash equivalents, short-term investments and trade receivables. Most

current liabilities of the Group comprise deferred income due within one year, short-term loan, long-term loans that are due for repayment within one year, trade payables and other payables. The Group's liquidity ratio, excluding deferred income due within one year, was 0.55 time, 0.43 time and 17.77 times, respectively, and the quick liquidity ratio was 0.43 time, 0.39 time and 17.39 times, respectively.

The Group's cash cycle for 2018 was 18.59 days which decreased from that of 2016 and 2017 which had been 30.36 days and 22.56 days mainly due to the shortened average debt collection period from 20.63 days in 2016 to 18.00 days in 2017 and 15.32 days in 2018. This was due to the enhanced efficiency in the Company's management of debt collection from its trade receivables. The average debt collection period for the years 2016 – 2018 was 2.34 days, 3.08 days and 2.39 days, respectively. The average sale of goods period was 12.08 days, 7.64 days and 5.66 days, respectively.

	2016	2017	2018
Liquidity ratio (time)	0.24	0.23	1.80
Quick liquidity ratio (time)	0.19	0.21	1.76
Average debt collection period (day)	20.63	18.00	15.32
Debt repayment period (day)	2.34	3.08	2.39
Average sale of goods period (day)	12.08	7.64	5.66
Cash Cycle (day)	30.36	22.56	18.59

#### (c) Sources of capital

##### Liabilities

As at the years ended 2016 – 2018, the Group's total liabilities were THB 1,280.57 million, THB 1,538.04 million and THB 827.29 million, respectively. The total liabilities of the Company increased continuously during the period of 2016 – 2017 due to the requirements for capital for the expansion of school business of the Group. As at the year ended 2017, the key liabilities of the Company were loans, deferred income and deposits paid for tuition fees which represented 50.65 percent, 35.48 percent and 4.09 percent of total liabilities, respectively. As at the year ended 2018, the key liabilities of the Company were deferred income and deposits paid for tuition fees which represented 74.12 percent and 8.45 percent of total liabilities, respectively.

##### 1. Loans

Loans are one of the sources of capital for the Company. As at the years ended 2016 – 2017, the Group's short-term and long-term loans amounted to THB 550.00 million and THB 779.00 million, representing 42.95 percent and 50.65 percent of total liabilities, respectively. Most loans obtained by the Group were long-term loans for the purpose of financing the construction of buildings for the school business. As at the years ended 2016 – 2017, the Group's long-term loans amounted to THB 500 million and THB 629 million, respectively. As at the year ended, the Company could not comply with the loan covenants with respect to the requirement to maintain a positive shareholders' equity for SISB Thonburi Company Limited because currently SISB Thonburi Company Limited has not yet commenced its business operations. Therefore, the long-term loans of THB 163 million as at the year ended 2017 needed to be classified as current liabilities. In addition to long-term loans, the Company obtained short-term loans in the form of Promissory Notes with commercial banks and Bills of Exchange issued and offered by the Company in Private Placements. As at the years ended 2016 – 2017, the Company's Promissory Notes and Bills of Exchange amounted to THB 50 million and THB 150 million, respectively.

However, during 2018, the Group fully repaid both short-term and long-term loans. As at the year ended 2018, the Group had neither short-term nor long-term loans.

##### 2. Deferred income

Deferred income is income received in advance for either the entire semester and/or the entire academic year from parents as tuition fee by international schools whose licences are held directly by the Company. Such deferred income would become gradually recognised as income for each relevant academic semester. The admission fees collected from students to confirm the admission would also be gradually recognised according to the projected education term of students in each school. As at the years ended 2016 – 2018, the Company's deferred income amounted to THB 432.00 million, THB 545.74 million and THB 613.18 million, respectively, representing 33.73 percent, 35.48 percent and 74.12 percent of total liabilities, respectively. The deferred income increases according to the increase in the number of students.

### 3. Deposits for tuition fees

Deposits are monies paid as a security for payment of tuition fees and such other miscellaneous fees to be collected from parents by international schools whose licences are held directly by the Company at the time of confirmation by parents of school attendance. Relevant schools will return these deposits upon graduation or resignation of the students. As at the years ended 2016 – 2018, the deposits paid for tuition fees amounted to THB 50.37 million, THB 62.97 million and THB 69.90 million, respectively, representing 3.93 percent, 4.09 percent and 8.45 percent of total liabilities, respectively.

### Shareholders' equity

As at the year ended 2016, the Group's shareholders' equity was THB 188.56 million, which increased by THB 56.96 million from the year ended 2015 due to the capital increase of THB 100 million by issuing 10,000,000 ordinary shares each at the par value of THB 10. The capital increase resulted in an increase in the paid-up share capital of the Company from THB 100 million to THB 200 million. The Group's profit also increased in 2016 by THB 69.83 million from the previous year and payment of dividends in the year amounted to THB 110 million.

As at the year ended 2017, the Group's Shareholders' equity was THB 187.10 million which decreased from the year ended 2016 by THB 1.45 million due to the capital increase of THB 50 million by issuing 5,000,000 ordinary shares each at the par value of THB 10. The capital increase resulted in the increase in the paid-up share capital from THB 200 million to THB 250 million. The profit from the operating results of 2017 was THB 17.92 million and payment of dividends in the year amounted to THB 70 million.

As at the year ended 2018, the Group's shareholders' equity was THB 1,598.02 million, which increased by THB 1,410.92 million from the year ended 2017 due to the Group's operating results of THB 103.52 million. In addition, the Extraordinary General Meeting of shareholders of the Company No. 1/2018 resolved to approve the change to the par value of the Company's ordinary shares to THB 0.50 per share and the issuance of ordinary shares in the amount of THB 220 million, divided into 440.00 ordinary shares each at the par value of THB 0.50 for offering to existing shareholders of the Company in the amount of 180 million shares. The Company received subscription payments for such shares and registered the increase in its capital on 7 June 2018. The remaining 260 million shares were offered to the public and the Company's directors, executives, employees and personnel of schools whose licences are held directly by the Company. Therefore, the Company's paid-up capital increased from THB 250 million to THB 470 million. The Company also received premiums paid on the share subscription price in the offering of ordinary shares in the amount of THB 1,176.31 million. The Company paid interim dividends of THB 90 million.

The retained loss of the Company was THB 71.01 million. This may prevent the Company from paying dividends. However, after the offering of its ordinary shares, the Company will seek approval from the general meeting of shareholders to transfer legal reserve and share premium to compensate the retained loss of the Company in accordance with Section 119 of the Public Company Limited Act.



**Appropriateness of the capital structure**

The Company maintains its D/E ratio at 6.79 times as at the year ended 2016 and 8.22 times as at the year ended 2017. The reason of the continuous increase in the D/E ratio during 2016 and 2017 is the continuous increase in the deferred income of the Company according to the growth in the number of students. Also, the Company has spent more loans on the investments in school business expansion for phase two of Singapore International School of Bangkok and Singapore International School Thonburi. However, after the offering of the Company's ordinary shares in 2018, the Company fully repaid both short-term and long-term loans. This repayment of loans resulted in the decrease of the D/E ratio by 0.52 times as at the year ended 2018.