



MINDCHAMPS PRESCHOOL LIMITED
(Company Registration Number: 200814577H)
(incorporated in the Republic of Singapore on 25 July 2008)

ESTABLISHMENT OF CHINA PRESCHOOL FUND WITH CHINA FIRST CAPITAL GROUP LIMITED

DBS Bank Ltd. was the sole issue manager, bookrunner and underwriter (the "**Sole Issue Manager, Bookrunner and Underwriter**") for the initial public offering of shares in, and listing of, the Company on the Mainboard of the SGX-ST in November 2017. The Sole Issue Manager, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.

1. Introduction

The Board of Directors of MindChamps PreSchool Limited (the "**Company**") is pleased to announce that it has on 15 February 2018 entered into a joint venture agreement (the "**JVA**") with China First Capital Group Limited ("**CFCG**") to establish a fund (the "**China Preschool Fund**") which has an investment objective of establishing and acquiring preschools in the People's Republic of China ("**PRC**") and operating them under the "MindChamps" brand. Further details are set out below.

2. CFCG

CFCG, a cornerstone investor in the initial public offering by the Company in November 2017, is listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 1269) and has branches in major cities in China. It focuses on the operation of a complete education industry chain and offering diversified financial services. It has been providing financial services since 2014 and ventured into education operations in 2016. Guided by its "Education Operation plus Financial Services" strategy, CFCG intends to build an operations, investment and financing platform for education, as a complement to its wide-ranging financial services units. It focuses on investing in benchmark assets and bolt-on assets in the education sector.

3. China Preschool Fund

The China Preschool Fund will be established as an exempted limited partnership in the Cayman Islands, and will be managed by its general partner (the "**General Partner**"). The General Partner will be incorporated as a Cayman Islands exempted limited company. The Company will directly or indirectly own 50% of the issued share capital of the General Partner and CFCG will own the remaining 50%.

The China Preschool Fund targets to raise an initial tranche of US\$200 million from the offering and sale of limited partnership interests to limited partners ("**Limited Partners**") of the China Preschool Fund. The Limited Partners from which funds will be raised will comprise third party investors, but may also include the Company and CFCG (both investing directly or indirectly). In relation to such fundraising, the General Partner will appoint First Capital Asset Management

Limited as investment advisor (the “**Investment Advisor**”) to the China Preschool Fund. The Investment Advisor is indirectly wholly-owned by CFCG.

The General Partner will receive annual management fees from the China Preschool Fund and also “carried interest” depending on the performance of the China Preschool Fund. The Investment Advisor will receive advisory fees from the China Preschool Fund.

4. **OpCo**

The Company and CFCG will also incorporate a new company (“**OpCo**”) for the purposes of being appointed as the Company’s master franchisee in the PRC to facilitate the operation, training, upgrading, etc. of the newly established or acquired preschools under the “MindChamps” brand in the PRC. The Company will own 49% of the issued share capital of OpCo and CFCG will own the remaining 51%.

As master franchisee in the PRC, OpCo will pay the Company licence fees (upon licence acquisition and renewal) to acquire multiple unit franchises for a fixed term for resale and application to preschools owned by the China Preschool Fund as well as other preschool entities in the PRC. The preschools will pay licence fees (upon licence acquisition and renewal) to the OpCo in order to acquire such unit franchises for a fixed term and they will also pay recurring royalties to both OpCo and the Company.

5. **Income Streams for the Company**

As a result of the establishment of the China Preschool Fund structure, the Company expects to receive the following income streams:

- a. licence fees received from OpCo and royalties received from both OpCo and franchised preschools;
- b. profits from the franchising operations of the OpCo (in which the Company will have a 49% shareholding);
- c. returns from investment in the China Preschool Fund, if the Company invests as a Limited Partner; and
- d. profits from the operations of the General Partner (in which the Company will have a 50% shareholding).

6. **Chapter 10 of the SGX-ST Listing Manual**

The establishment of the China Preschool Fund is in the ordinary course of expansion of the Company’s business for the purposes of Chapter 10 of the Singapore Exchange Securities Trading Limited Listing Manual.