



**MINDCHAMPS PRESCHOOL LIMITED**  
 (Company Registration Number: 200814577H)  
 (Incorporated in Singapore)

**UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months Ended 30 September 2018**

	Third Quarter			Nine Months		
	30.09.2018	30.09.2017	+/-	30.09.2018	30.09.2017	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	9,172	5,271	74%	22,829	14,474	58%
Cost of sales	(3,995)	(1,867)	N.M.	(9,342)	(5,718)	63%
<b>Gross profit</b>	<b>5,177</b>	<b>3,404</b>	<b>52%</b>	<b>13,487</b>	<b>8,756</b>	<b>54%</b>
Other income	1,037	297	N.M.	2,633	959	N.M.
Expenses						
- Administrative	(4,329)	(2,293)	89%	(11,734)	(6,559)	79%
- Marketing	(194)	(114)	70%	(504)	(265)	90%
<b>Operating profit</b>	<b>1,691</b>	<b>1,294</b>	<b>31%</b>	<b>3,882</b>	<b>2,891</b>	<b>34%</b>
Other (loss)/gain - net	(67)	(12)	N.M.	(130)	4	N.M.
Non-operating expenses						
- Finance	(167)	(1)	N.M.	(347)	(3)	N.M.
- Mergers and acquisitions	(155)	-	N.M.	(250)	-	N.M.
Share of loss of an associated company and a joint venture	-*	-	N.M.	-*	-	N.M.
<b>Profit before income tax</b>	<b>1,302</b>	<b>1,281</b>	<b>2%</b>	<b>3,155</b>	<b>2,892</b>	<b>9%</b>
Income tax expense	(135)	(153)	(12%)	(430)	(268)	60%
<b>Net profit</b>	<b>1,167</b>	<b>1,128</b>	<b>3%</b>	<b>2,725</b>	<b>2,624</b>	<b>4%</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation - loss	(801)	(2)	N.M.	(1,481)	(7)	N.M.
<b>Total comprehensive income</b>	<b>366</b>	<b>1,126</b>	<b>(67%)</b>	<b>1,244</b>	<b>2,617</b>	<b>(52%)</b>

\* Less than \$1,000

**Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months Ended 30 September 2018** (continued)

	Third Quarter			Nine Months		
	30.09.2018 S\$'000	30.09.2017 S\$'000	+/- %	30.09.2018 S\$'000	30.09.2017 S\$'000	+/- %
<b>Profit attributable to:</b>						
Equity holders of the Company	1,115	987	13%	2,716	2,364	15%
Non-controlling interests	52	141	(63%)	9	260	(97%)
	<u>1,167</u>	<u>1,128</u>	3%	<u>2,725</u>	<u>2,624</u>	4%
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	314	985	(68%)	1,235	2,357	(48%)
Non-controlling interests	52	141	(63%)	9	260	(97%)
	<u>366</u>	<u>1,126</u>	(67%)	<u>1,244</u>	<u>2,617</u>	(52%)

N.M.: Not meaningful

**1(a)(ii) Net profit is arrived at after accounting for:**

	Third Quarter			Nine Months		
	30.09.2018 S\$'000	30.09.2017 S\$'000	+/- %	30.09.2018 S\$'000	30.09.2017 S\$'000	+/- %
Amortisation of intangible assets	142	107	33%	408	297	37%
Depreciation of property, plant and equipment	127	99	28%	445	289	54%
Allowance for impairment of trade and other receivables	-	-	-	30	1	N.M.

1(b)(i) A statement of financial position (for the Company and the Group), together with a comparative statement as at the end of the immediately preceding financial year.

**Consolidated Balance Sheet**

	Group		Company	
	As at 30.09.2018 S\$'000	As at 31.12.2017 S\$'000	As at 30.09.2018 S\$'000	As at 31.12.2017 S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	31,744	39,377	25,309	32,803
Trade and other receivables	13,130	7,944	46,455	23,472
Inventories	154	90	1	-
	45,028	47,411	71,765	56,275
<b>Non-current assets</b>				
Property, plant and equipment	1,989	1,725	228	244
Intangible assets	40,942	21,679	750	639
Deferred income tax assets	207	388	67	67
Investments in subsidiary corporations	--	--	8,138	8,138
Investment in an associated company	-*	-	-*	-
Investment in a joint venture	-*	-	-*	-
	43,138	23,792	9,183	9,088
<b>Total assets</b>	88,166	71,203	80,948	65,363
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	7,292	5,046	11,490	7,937
Deferred income	2,241	1,635	-	-
Borrowings	5,327	2,315	5,327	2,315
Current income tax liabilities	258	722	-	-
	15,118	9,718	16,817	10,252
<b>Non-current liabilities</b>				
Borrowings	14,524	4,636	14,524	4,636
Deferred income tax liabilities	17	17	-	-
Provision for reinstatement costs	715	164	-	-
	15,256	4,817	14,524	4,636
<b>Total liabilities</b>	30,374	14,535	31,341	14,888
<b>NET ASSETS</b>	57,792	56,668	49,607	50,475
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(1,656)	(175)	-	-
Retained profits	10,290	7,574	306	1,174
	57,935	56,700	49,607	50,475
<b>Non-controlling interests</b>	(143)	(32)	-	-
<b>TOTAL EQUITY</b>	57,792	56,668	49,607	50,475

\* Less than \$1,000

**1(b)(ii) Aggregate amount of the Group's borrowings and debt securities**

	<b>Group</b>			
	<b>As at 30.09.2018</b>		<b>As at 31.12.2017</b>	
	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
Amount repayable in one year or less	5,408	-	2,352	-
Amount repayable after one year	14,725	-	4,711	-
<b>Total</b>	<b>20,133</b>	<b>-</b>	<b>7,063</b>	<b>-</b>

**Details of collaterals**

The Group's borrowings consist of term loan and finance lease liabilities.

The Group's term loans are secured by means of:

- Specific Security Deed in respect of securities over shares in subsidiary corporations, MindChamps Australia Pty. Ltd., MindChamps Early Learning & Care @ Cherrybrook Pty. Limited and MindChamps Early Learning & Care @ Eastwood Pty. Limited; and
- Deed of Guarantee and Indemnity for all monies from immediate holding corporation, MindChamps Holdings Pte. Limited.

The Group's finance lease liabilities are effectively secured over the leased motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

**1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statement of Cash Flows**

	Third Quarter		Nine Months	
	30.09.2018 S\$'000	30.09.2017 S\$'000	30.09.2018 S\$'000	30.09.2017 S\$'000
<b>Cash flows from operating activities</b>				
Net profit	1,167	1,128	2,725	2,624
Adjustments for:				
- Amortisation of intangible assets	142	107	408	297
- Depreciation of property, plant and equipment	127	99	445	289
- Interest expense	167	1	347	3
- Interest income	(106)	(8)	(320)	(36)
- Income tax expense	135	153	430	268
- Mergers and acquisitions expenses	155	-	250	-
- Property, plant and equipment written off	-	-	5	-
- Share of loss of an associated company and a joint venture	-*	-	-*	-
- Unrealised currency translation losses/(gain)	109	(5)	141	(16)
	<u>1,896</u>	<u>1,475</u>	<u>4,431</u>	<u>3,429</u>
Change in working capital:				
- Trade and other receivables	(681)	(452)	(3,074)	(1,199)
- Inventories	(2)	37	(64)	(25)
- Trade and other payables	1,952	795	1,970	2,213
- Deferred income	221	429	590	287
Cash generated from operations	<u>3,386</u>	<u>2,284</u>	<u>3,853</u>	<u>4,705</u>
Income tax paid	<u>(349)</u>	<u>(242)</u>	<u>(712)</u>	<u>(484)</u>
<b>Net cash provided by operating activities</b>	<u>3,037</u>	<u>2,042</u>	<u>3,141</u>	<u>4,221</u>
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(139)	(78)	(361)	(281)
Additions to intangible assets	(178)	(91)	(549)	(298)
Acquisition of a subsidiary corporation, net of cash acquired	-	-	(1,122)	-
Acquisitions of preschool businesses	(13,461)	-*	(19,099)	-*
Acquisition of non-controlling interests	-	(387)	-	(387)
Acquisitions related expenses paid	(325)	-	(325)	-
Acquisitions of an associated company and a joint venture	-*	-	-*	-
Provision of a deposit to a third party in the form of loan	-	-	(2,093)	-
Interest received	79	8	236	36
<b>Net cash used in investing activities</b>	<u>(14,024)</u>	<u>(548)</u>	<u>(23,313)</u>	<u>(930)</u>
<b>Cash flows from financing activities</b>				
Dividend paid to equity holders of the Company	-	-	-	(2,500)
Dividend paid to non-controlling interests	-	-	(120)	(110)
Interest paid	(147)	(1)	(297)	(3)
Proceeds from borrowings	10,755	-	15,186	-
Repayments of finance lease liabilities	(10)	(10)	(31)	(30)
Repayments of borrowings	(995)	-	(2,132)	-
<b>Net cash provided by/(used in) financing activities</b>	<u>9,603</u>	<u>(11)</u>	<u>12,606</u>	<u>(2,643)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(1,384)</u>	<u>1,483</u>	<u>(7,566)</u>	<u>648</u>
<b>Cash and cash equivalents</b>				
Beginning of financial period	33,165	3,045	39,377	3,874
Effects of currency translation on cash and cash equivalents	(37)	3	(67)	9
End of financial period	<u>31,744</u>	<u>4,531</u>	<u>31,744</u>	<u>4,531</u>

\* Less than \$1,000

1(d)(i) A statement (for the Company and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**(A) Group - Consolidated Statement of Changes in Equity for the Third Quarter Ended 30 September 2018**

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Currency translation reserve	Retained profits	Total		
	S\$'000	S\$'000	S\$'000	S\$'000		
<b>2018</b>						
<b>Balance as at 1 July 2018</b>	49,301	(855)	9,175	57,621	(195)	57,426
Total comprehensive (loss)/income for the financial period	-	(801)	1,115	314	52	366
<b>Balance as at 30 September 2018</b>	49,301	(1,656)	10,290	57,935	(143)	57,792
<b>2017</b>						
<b>Balance as at 1 July 2017</b>	500	32	4,564	5,096	264	5,360
Total comprehensive (loss)/income for the financial period	-	(2)	987	985	141	1,126
Acquisition of non-controlling interests	-	-	(234)	(234)	(153)	(387)
<b>Balance as at 30 September 2017</b>	500	30	5,317	5,847	252	6,099

**(B) Group - Consolidated Statement of Changes in Equity for the Nine Months Ended 30 September 2018**

	Attributable to equity holders of the Company					
	Share capital	Currency translation reserve	Retained profits	Total	Non-controlling interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2018</b>						
<b>Balance as at 1 January 2018</b>	49,301	(175)	7,574	56,700	(32)	56,668
Total comprehensive (loss)/income for the financial period	-	(1,481)	2,716	1,235	9	1,244
Dividend paid to non-controlling interests	-	-	-	-	(120)	(120)
<b>Balance as at 30 September 2018</b>	<b>49,301</b>	<b>(1,656)</b>	<b>10,290</b>	<b>57,935</b>	<b>(143)</b>	<b>57,792</b>
<b>2017</b>						
<b>Balance as at 1 January 2017</b>	500	37	3,187	3,724	441	4,165
Total comprehensive (loss)/income for the financial period	-	(7)	2,364	2,357	260	2,617
Dividend paid to non-controlling interests	-	-	-	-	(110)	(110)
Acquisition of a preschool business	-	-	-	-	(186)	(186)
Acquisition of non-controlling interests	-	-	(234)	(234)	(153)	(387)
<b>Balance as at 30 September 2017</b>	<b>500</b>	<b>30</b>	<b>5,317</b>	<b>5,847</b>	<b>252</b>	<b>6,099</b>

**(C) Company - Statement of Changes in Equity for the Third Quarter Ended 30 September 2018**

	Attributable to equity holders of the Company		
	Share capital	Retained profits	Total
	S\$'000	S\$'000	S\$'000
<b>2018</b>			
<b>Balance as at 1 July 2018</b>	49,301	1,001	50,302
Total comprehensive loss for the financial period	-	(695)	(695)
<b>Balance as at 30 September 2018</b>	<u>49,301</u>	<u>306</u>	<u>49,607</u>
<b>2017</b>			
<b>Balance as at 1 July 2017</b>	500	381	881
Total comprehensive loss for the financial period	-	(88)	(88)
<b>Balance as at 30 September 2017</b>	<u>500</u>	<u>293</u>	<u>793</u>

**(D) Company - Statement of Changes in Equity for the Nine Months Ended 30 September 2018**

	Attributable to equity holders of the Company		
	Share capital	Retained profits	Total
	S\$'000	S\$'000	S\$'000
<b>2018</b>			
<b>Balance as at 1 January 2018</b>	49,301	1,174	50,475
Total comprehensive loss for the financial period	-	(868)	(868)
<b>Balance as at 30 September 2018</b>	<u>49,301</u>	<u>306</u>	<u>49,607</u>
<b>2017</b>			
<b>Balance as at 1 January 2017</b>	500	487	987
Total comprehensive income for the financial period	-	(194)	(194)
<b>Balance as at 30 September 2017</b>	<u>500</u>	<u>293</u>	<u>793</u>



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**Share Buy Back**

No shares were bought back by the Company during the current quarter under the Share Buy Back Mandate (first approved by the Shareholders on 9 November 2017 and last renewed at the Annual General Meeting on 16 April 2018).

**Share Capital**

	<b>As at 30.09.2018</b>	<b>As at 30.09.2017</b>
<b>Ordinary shares of the Company</b>		
Number of shares issued and paid-up ('000)	241,600	500

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 30 September 2018 and 30 September 2017.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>
<b>Ordinary shares of the Company</b>		
Number of shares issued and paid-up ('000)	241,600	241,600

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company did not have any sales, transfers, cancellation and/or use of treasury shares as at 30 September 2018.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

The Company did not have any sales, transfers, cancellation and/or use of subsidiary holdings as at 30 September 2018.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have yet to be audited or reviewed by the Company's auditors.

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

Not applicable. The figures have yet to be audited or reviewed by the Company's auditors.

**4. Whether the same accounting policies and methods of computation as in the Company's most recently audited annual financial statements have been applied.**

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the most recently audited financial statements.

As required by the listing requirements of the Singapore Exchange, the Group has adopted Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") on 1 January 2018. The adoption of SFRS(I) has not resulted in any substantial changes to the Group's accounting policies nor has any significant impact on these financial statements.

**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.**

Not applicable. Refer to Note 4 above.

**6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

<b>Earnings Per Ordinary Share</b>	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
Based on the weighted average number of ordinary shares on issue (in Singapore cents)	0.46	0.55*	1.12	1.31*
On a fully diluted basis (detailing any adjustments made to the earnings) (in Singapore cents)	0.46	0.55*	1.12	1.31*

*\*Earnings per ordinary share for the corresponding period is calculated by dividing the net profit attributable to equity holders of the Company to the pre-invitation share capital of the Company. The Company's pre-invitation number of shares of 180,000,000 has been used in the calculation of basic and diluted earnings per ordinary share for the corresponding period presented in accordance with FRS 33, assuming the subdivision of ordinary shares pursuant to the IPO exercise had been completed on 1 January 2017.*

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

<b>Net Asset Value Per Share</b>	<b>Group</b>		<b>Company</b>	
	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>30.09.2018</b>	<b>31.12.2017</b>
Net asset value per share based on total number of issued shares at the end of period/year (in cents)	23.98	23.47	20.53	20.89

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of 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; and any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

**(A) COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**(I) Third Quarter Ended 30 September 2018 ("Q3 2018") and 30 September 2017 ("Q3 2017")**

- (1) For the third quarter ended 30 September 2018, the Group recorded an increase of approximately 31% in operating profit of S\$1.7 million (Q3 2017: S\$1.3 million). Taking non-operating expenses into consideration, the Group maintained a profit before tax at S\$1.3 million in Q3 2018 (Q3 2017: S\$1.3 million) and recorded an increase of approximately 3% in profit after tax to S\$1.2 million in Q3 2018 (Q3 2017: S\$1.1 million).
- (2) Revenue increased by approximately S\$3.9 million or 74%, from S\$5.3 million in Q3 2017 to S\$9.2 million in Q3 2018. The increase was mainly attributable to:
  - (a) a decrease of approximately S\$0.4 million in non-recurring franchise income;
  - (b) an increase of approximately S\$4.2 million in school fees, resulted from the increased number of enrolled students following the acquisitions of preschool centres in Australia and Singapore; and
  - (c) an increase of approximately S\$0.2 million in royalty income, from the addition of franchisee-owned franchisee-operated ("FOFO") centres.
- (3) Cost of sales increased by approximately S\$2.1 million from S\$1.9 million in Q3 2017 to S\$4.0 million in Q3 2018. The increase in cost of sales was mainly due to higher academic staff costs incurred, which resulted from the increased number of academic staffs following the acquisitions of preschool centres indicated in (I)(2)(b).
- (4) Other income increased by approximately S\$0.7 million, from S\$0.3 million in Q3 2017 to S\$1.0 million in Q3 2018, mainly due to an increase in the interest income which resulted from fixed deposit placements and the service income generated from the provision of franchise related services to FOFO centres.
- (5) Operating administrative expenses increased by approximately S\$2.0 million or 89%, from S\$2.3 million in Q3 2017 to S\$4.3 million in Q3 2018. The increase was mainly attributable to an increase in:
  - (a) administrative costs of approximately S\$0.9 million incurred by the newly acquired centres indicated in (I)(2)(b), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;
  - (b) professional fees of approximately S\$0.1 million, including board of directors' fees, SGX listing fees, audit fees, etc. post public listing; and
  - (c) staff costs of approximately S\$1.0 million following an increase in the number of staff to support the Group's business expansion overseas and SGX compliance related matters.
- (6) Operating marketing expenses increased by approximately S\$0.1 million or 70%, from S\$0.1 million in Q3 2017 to S\$0.2 million in Q3 2018. The increase in marketing expenses in Q3 2018 was in line with the increase in scale of operations and the branding requirements of our new overseas business.
- (7) Non-operating finance expenses increased by approximately S\$0.2 million, from S\$1,000 in Q3 2017 to S\$0.2 million in Q3 2018. The increase in non-operating finance expenses in Q3 2018 was mainly

resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in Australia.

- (8) Non-operating mergers and acquisitions expenses increased by approximately S\$0.2 million, from nil in Q3 2017 to S\$0.2 million in Q3 2018. The increase was resulted from the acquisitions of four preschool centres in Australia, which were completed in Q3 2018.
- (9) Currency translation loss arising from consolidation increased by approximately S\$0.8 million, from S\$2,000 in Q3 2017 to S\$0.8 million in Q3 2018. These exchange differences arose from the translation of financial statements of Australian operations whose functional currencies are different from that of the Group's presentation currency. The translation losses for Q3 2018 arose largely from the weakening of the Australian dollar against the Singapore dollar.

(II) Nine Months Ended 30 September 2018 ("9M 2018") and 30 September 2017 ("9M 2017")

- (1) For the nine months ended 30 September 2018, the Group recorded an increase of approximately 34% in operating profit of S\$3.9 million (9M 2017: S\$2.9 million). Taking non-operating expenses into consideration, the Group recorded an increase of approximately 9% in profit before tax to S\$3.2 million in 9M 2018 (9M 2017: S\$2.9 million) and an increase of approximately 4% in profit after tax to S\$2.7 million in 9M 2018 (9M 2017: S\$2.6 million).
- (2) Revenue increased by approximately S\$8.3 million or 58%, from S\$14.5 million in 9M 2017 to S\$22.8 million in 9M 2018. The increase was mainly attributable to:
  - (a) an increase of approximately S\$7.9 million in school fees, resulted from the increased number of enrolled students following the acquisitions of preschool centres in Australia and Singapore; and
  - (b) an increase of approximately S\$0.4 million in royalty income, from the addition of FOFO centres.
- (3) Cost of sales increased by approximately S\$3.6 million or 63% from S\$5.7 million in 9M 2017 to S\$9.3 million in 9M 2018. The increase in cost of sales was mainly due to higher academic staff costs incurred, which resulted from the increased number of academic staffs following the acquisitions of preschool centres indicated in (II)(2)(a).
- (4) Other income increased by approximately S\$1.6 million, from S\$1.0 million in 9M 2017 to S\$2.6 million in 9M 2018, mainly due to an increase in the interest income which resulted from fixed deposit placements and the service income generated from the provision of franchise related services to FOFO centres.
- (5) Operating administrative expenses increased by approximately S\$5.1 million or 79%, from S\$6.6 million in 9M 2017 to S\$11.7 million in 9M 2018. The increase was mainly attributable to an increase in:
  - (a) administrative costs of approximately S\$1.8 million incurred by the newly acquired centres indicated in (II)(2)(a), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;
  - (b) professional fees of approximately S\$0.6 million, including board of directors' fees, SGX listing fees, audit fee, etc. post public listing; and
  - (c) staff costs of approximately S\$2.7 million following an increase in the number of staff to support the Group's business expansion overseas and SGX compliance related matters.

- (6) Operating marketing expenses increased by approximately S\$0.2 million or 90%, from S\$0.3 million in 9M 2017 to S\$0.5 million in 9M 2018. The increase in marketing expenses in 9M 2018 was in line with the increase in scale of operations and the branding requirements of our new overseas business.
- (7) Non-operating finance expenses increased by approximately S\$0.3 million, from S\$3,000 in 9M 2017 to S\$0.3 million in 9M 2018. The increase in non-operating finance expenses in 9M 2018 was mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in Australia.
- (8) Non-operating mergers and acquisitions expenses increased by approximately S\$0.3 million, from nil in 9M 2017 to S\$0.3 million in 9M 2018. The increase was resulted from the acquisitions of six preschool centres in Australia, which were completed in 9M 2018.
- (9) Income tax expenses increased by approximately S\$0.1 million or 52%, from S\$0.3 million in 9M 2017 to S\$0.4 million in 9M 2018, mainly due to higher taxable profits in the absence of tax incentives as compared to the prior period.
- (10) Currency translation loss arising from consolidation increased by approximately S\$1.5 million, from S\$7,000 in 9M 2017 to S\$1.5 million in 9M 2018. These exchange differences arose from the translation of financial statements of Australian operations whose functional currencies are different from that of the Group's presentation currency. The translation losses for 9M 2018 arose largely from the weakening of the Australian dollar against the Singapore dollar.

## **(B) COMMENTARY ON THE CONSOLIDATED BALANCE SHEET**

### **(1) Current assets**

The Group's current assets decreased by approximately S\$2.3 million or 5% from S\$47.4 million as at 31 December 2017 to S\$45.1 million as at 30 September 2018 mainly due to:

- (a) a decrease in cash and cash equivalents of approximately S\$7.6 million which resulted from:
  - i. the net movements in repayments and procurement of borrowings in relation to the financing of acquisitions of preschool centres in Australia;
  - ii. the provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisition of a preschool centre in Australia; and
  - iii. the purchase consideration paid for the acquisitions of six preschool centres in Australia and one preschool centre in Singapore.
  
- (b) an increase in trade and other receivables of approximately S\$5.2 million which resulted from:
  - i. the provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisition of a preschool centre in Australia; and
  - ii. the rental deposits paid to the landlords in securing the leases to operate six newly acquired preschool centres in Australia and one newly acquired preschool centre in Singapore in 9M 2018.

### **(2) Non-current assets**

The Group's non-current assets increased by approximately S\$19.3 million or 81% from S\$23.8 million as at 31 December 2017 to S\$43.1 million as at 30 September 2018 mainly due to:

- (a) an increase in goodwill of approximately S\$20.1 million which resulted from the acquisitions of six preschool centres in Australia and one preschool centre in Singapore in 9M 2018; and
- (b) a currency translation loss of approximately S\$1.0 million in goodwill which resulted from the weakening of the Australian dollar against the Singapore dollar in relation to our acquisitions of preschool centres in Australia.

### **(3) Current liabilities**

The Group's current liabilities increased by approximately S\$5.4 million or 55% from S\$9.7 million as at 31 December 2017 to S\$15.1 million as at 30 September 2018 mainly due to:

- (a) an increase in trade and other payables of approximately S\$2.2 million which resulted from an increase in students' deposits and accrued operating expenses following the acquisitions of six preschool centres in Australia and one preschool centre in Singapore in 9M 2018; and
- (b) an increase in current borrowings of approximately S\$3.0 million which resulted from the addition of borrowings in relation to the financing of acquisitions of preschool centres in Australia in 9M 2018.

### **(4) Non-current liabilities**

The Group's non-current liabilities increased by approximately S\$10.5 million from S\$4.8 million as at 31 December 2017 to S\$15.3 million as at 30 September 2018 mainly due to the addition of borrowings in relation to the financing of acquisitions of preschool centres in Australia in 9M 2018.

## **(C) COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS**

### **(I) Third Quarter Ended 30 September 2018 (“Q3 2018”)**

The Group’s cash and cash equivalents decreased by approximately S\$1.4 million or 4% from S\$33.2 million as at 30 June 2018 to S\$31.7 million as at 30 September 2018.

Major cash inflows in Q3 2018 were:

- (a) net cash of approximately S\$3.0 million generated from the operating activities; and
- (b) proceeds of approximately S\$10.8 million from the borrowings obtained in Q3 2018 to finance the acquisitions of four preschool centres in Australia.

Major cash outflows in Q3 2018 were:

- (a) consideration paid for the acquisitions of four preschool centres in Australia of approximately S\$13.5 million; and
- (b) repayments of borrowings amounting to approximately S\$1.0 million.

### **(II) Nine Months Ended 30 September 2018 (“9M 2018”)**

The Group’s cash and cash equivalents decreased by approximately S\$7.6 million or 19% from S\$39.4 million as at 31 December 2017 to S\$31.7 million as at 30 September 2018.

Major cash inflows in 9M 2018 were:

- (a) net cash of approximately S\$3.1 million generated from the operating activities; and
- (b) proceeds of approximately S\$15.2 million from the borrowings obtained in 9M 2018 to finance the acquisitions of six preschool centres in Australia.

Major cash outflows in 9M 2018 were:

- (a) consideration paid for the acquisitions of six preschool centres in Australia and one preschool centre in Singapore of approximately S\$20.2 million;
- (b) provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisition of a preschool centre in Australia of approximately S\$2.1 million; and
- (c) repayments of borrowings amounting to approximately S\$2.1 million.

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

Not applicable. The Group did not issue any forecast or prospect statement to shareholders previously.



**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

*(a) Acquisition of a preschool centre in Australia*

As announced on 30 October 2018, the Company entered into a Business Sale and Purchase Agreement to acquire a preschool centre in Australia. The acquisition of this centre was completed on 2 November 2018. This acquisition is not expected to have a significant positive impact on the earnings per share of the Group for the financial year ending 31 December 2018.

**11. Dividend**

**(a) Current Financial Period Reported On**

*Any dividend recommended for the current financial period reported on?*

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

*Any dividend declared for the corresponding period of the immediately preceding financial year?*

No.

**(c) Date Payable**

Not applicable.

**(d) Book Closure Date**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared for the quarter ended 30 September 2018.

**13. If the Group has obtained a general mandate from shareholders for IPTs, 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 Interested Person Transactions.

**14. Negative confirmation pursuant to Rule 705(5).**

To the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect.

**15. Confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**16. Use of proceeds from the Company's IPO**

The Company had raised proceeds amounting to S\$47.6 million from the IPO.

As at the date of this announcement, the use of the proceeds from the IPO is as follows:

<b>Use of proceeds</b>	<b>Amount allocated (S\$ mil)</b>	<b>Amount utilised (S\$ mil)</b>	<b>Amount unutilised (S\$ mil)</b>
Partial repayment of drawn down and outstanding amounts under Acquisition Loan (as defined in the Prospectus)	6.1	6.1	-
For payment of underwriting commissions and IPO expenses	3.0	3.0	-
For funding of our expansion plans, including potential acquisitions	34.5	12.0	22.5
For general corporate and working capital purposes	4.0	1.1 <sup>(1)</sup>	2.9
<b>Total</b>	<b>47.6</b>	<b>22.2</b>	<b>25.4</b>

<sup>(1)</sup> The use of S\$1.1 million was in relation to the provision of security deposits to the landlords to secure the leases for four newly acquired preschool centres in 9M2018.

The Company will make further announcements when the balance of the IPO proceeds is materially disbursed.

**17. Segmented revenue and results for business of the Group in the form presented in the Company's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

*Nine Months Ended 30 September 2018 ("9M 2018") and 30 September 2017 ("9M 2017")*

	← Singapore →			← Australia →		Group
	Education S\$'000	Franchise & Corporate S\$'000	Others S\$'000	Education S\$'000	Franchise & Corporate S\$'000	Total S\$'000
<b>9M 2018</b>						
<b>Sales</b>						
Total segment sales	10,930	5,941	-	6,954	-	23,825
Inter-segment sales	-	(996)	-	-	-	(996)
Sales to external parties	10,930	4,945	-	6,954	-	22,829
<b>Adjusted EBITDA</b>	<b>3,051</b>	<b>408</b>	<b>(9)</b>	<b>1,799</b>	<b>(1,214)</b>	<b>4,035</b>
<b>9M 2017</b>						
<b>Sales</b>						
Total segment sales	9,913	5,510	-	-	-	15,423
Inter-segment sales	-	(949)	-	-	-	(949)
Sales to external parties	9,913	4,561	-	-	-	14,474
<b>Adjusted EBITDA</b>	<b>3,032</b>	<b>697</b>	<b>(14)</b>	<b>-</b>	<b>(270)</b>	<b>3,445</b>

**By order of the Board**

**Mr. David Chiem Phu An**  
**Executive Chairman**  
**8 November 2018**