

ANNUAL REPORT 2018

TAKING SINGAPORE'S  
NO.1 PREMIUM  
PRESCHOOL  
TO THE WORLD



MindChamps<sup>®</sup>  
preschool

## Our Vision

To nurture the power of human potential for a better tomorrow

## Our Mission

To build a world of MindChampions who possess the 3 Minds

(Champion, Learning & Creative Minds)

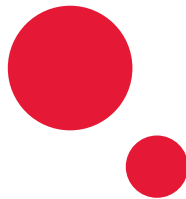
and are empowered with the mindset of 100% RESPECT, Zero Fear

## Social Charter

Education Enables

MindChamps is committed to the creation of educational opportunities

where they would not otherwise exist



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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 annual report.

# Taking the MindChamps education movement from Singapore to the world

The only preschool brand listed on the Singapore Exchange with stature to command the world stage



Founder Chief Executive Officer & Executive Chairman, Mr David Chiem Phu An and MindChamps Chair of Research, Professor Emeritus Allan Snyder (Fellow of the Royal Society) at The University of Sydney, Australia

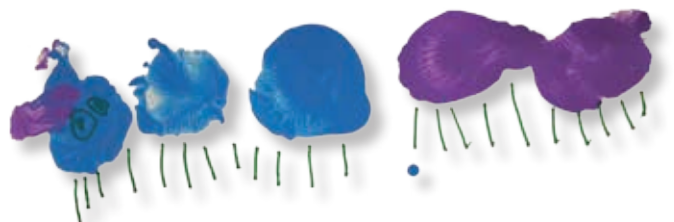
MindChamps PreSchool grew from a vision to provide the world's best early childhood curriculum and care.

First launched as an educational research centre in Sydney, Australia in 1998, MindChamps established its global headquarters in Singapore in 2002.

MindChamps is helmed by a highly-experienced management team and an esteemed World Research, Advisory & Education Team, chaired by world-renowned neuroscientist Professor Emeritus Allan Snyder (Fellow of the Royal Society). MindChamps is the only educational institute to collaborate with Professor Snyder on the empirical research of the 3 Minds model of education – the Champion, the Learning and the Creative Minds, which is uniquely built into the MindChamps curriculum.

Its cutting-edge 'Learning How-to-learn' and 'Champion Mindset' programmes introduced a unique approach to learning, and MindChamps rapidly grew to become a leader in the field of enrichment programmes for primary school to tertiary students.

Today, MindChamps PreSchool holds the Number One position in market share of premium range preschools in Singapore\*. Its growing global presence includes premium preschools and enrichment centres in Australia, Abu Dhabi, Dubai, the Philippines, Myanmar, Vietnam and soon, Malaysia and China.



\*Based on independent market research as of 15 September 2017

## AWARDS AND ACCOLADES



## Proven track record and ability to grow our business in Singapore and overseas

We have won various industry-wide and regional awards in branding, intellectual property and franchise management.

Most recently, MindChamps PreSchool was ranked amongst the top 50 of Singapore's fastest growing companies in 2019 by The Straits Times and Germany-based global research firm Statista. The ranking is based on the company's revenue growth from 2014 to 2017.

In 2018, MindChamps was inducted into the Influential Brands® Hall of Fame for receiving the Top Brand award for five consecutive years (2014-2018). We were also the only preschool brand to be awarded the Superbrands Mark of Distinction for five consecutive years (2014-2018).

Influential Brands® is a think-tank that raises awareness of desirable brands and identifies and recognises brand excellence, while Superbrands is an independent arbiter on branding which identifies the most valued brands internationally.

For scoring above national benchmarks in our efforts and initiatives to engage employees, we were awarded Top Employer 2018 by Influential Brands®.

The Golden Bull Award and Asia's Greatest Brands award were two other accolades which we received for our achievements in 2018.

These awards are testament to the strength and reputation of our brand as reflected by our growing presence and number of preschool centres in Singapore and around the world.

This adds on to previous honours such as clinching 8th position in the prestigious 2017 Enterprise 50 Awards. The

annual award is jointly organised by The Business Times and KPMG, and supported by International Enterprise Singapore, Singapore Business Federation, Singapore Exchange and SPRING Singapore. Likewise, the Dun & Bradstreet Business Eminence Award (2017) celebrates success stories of only the best and highest achievers in the industry.

In 2015, we also won the Top Asian Influential Brand in Singapore Award and the Influential Brands Top Franchise Award owing to our success in using franchising as a tool for business expansion and for being a top consumers' preferred brand. As testament to the strong relationships we have built with our franchisees over the years, we also won the Franchisor of the Year Award in 2013, an accolade given by the Franchising and Licensing Association (Singapore).

Leading the way, our Founder Chief Executive Officer (CEO) & Executive Chairman, Mr David Chiem Phu An, is widely recognised as an international award-winning entrepreneur, visionary thought leader and artist.

In 2018, David was awarded the Asia's Greatest Leaders 2018 award by AsiaOne Magazine and United Research Services. He was also among five other business leaders to be awarded the inaugural 2016 CEO Brand Leader of the Year award given to leaders who have shown strong business leadership and have embraced branding as part of their business strategy.

David has been featured on the 2014 Power List of The Peak magazine, a guide for business leaders and diplomats to keep abreast of the latest developments in corporate, professional, social and cultural spheres. In 2013, David also received the Entrepreneur of the Year Award – the oldest award in Singapore that honours outstanding local entrepreneurs.





## EXECUTIVE CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

It has been a little over a year since we listed, and we are proud to share that despite incurring IPO-related and international expansion costs, this annual report shows healthy revenue and profit growth this year. These results are only possible due to the MindChamps culture of 100% Respect and Zero Fear in everything we do, and our philosophy of preparing both deeply and widely, while being aware of, and responsive to, any changes in global conditions.

In preparing for our launch to the world, with our 2017 listing, we set in place not only the pedagogy and curricula to support a cutting-edge preschool model, but also the replicable and scalable administration and operations systems, client-relations, training, franchising and quality-assurance protocols, that would enable a seamless expansion from our position of strength, as Singapore's most awarded and widely-recognised #1 Premium PreSchool brand. Our strong foundation, built over a number of years, has set us up for international growth.

I am proud to share that in May this year, #1 New York Times and Wall Street Journal Best-Selling Author, Joseph A. Michelli will be launching his latest book, titled *The MindChamps Way - How to Turn an Idea into a Global Movement*.

Dr Michelli is world-famous for his books analysing the leadership strategies and unique qualities of legendary organisations, including The Ritz-Carlton Hotel Company (*The New Gold Standard*); Starbucks (*Leading, the Starbucks Way*) and Mercedes-Benz (*Driven to Delight*).

We are proud that an author of his depth of insight and reputation has chosen to add MindChamps to that elite international list. His soon-to-be-released book about our organisation looks at the philosophy and the execution that has driven MindChamps' progress over the past 20-plus years.



On behalf of the Board of Directors, I present to you the annual report for the financial year ended 31 December 2018 (FY2018).

The group saw its centre numbers, internationally, grow from 10 company owned and operated (COCO) centres in the financial year ended 31 December 2017 (FY2017) to 18 in FY2018 and from 49 franchisee owned and operated (FOFO) centres in FY2017 to 56 in FY2018.

Our revenue of S\$37.0 million, up from S\$22.8 million in FY2017 was an increase of 62%.

Our gross profit of S\$22.3 million was an increase of 47%, and the operating profit for FY2018 was S\$8.1 million, an increase of 29% - despite expenditure related to international expansion. The profit before tax of S\$6.8 million, was an increase of 31% and the profit after tax of S\$6.5 million, was an increase of 33%.

With our rapid expansion into Australia, and in line with our 4 Domains of Education, Psychology, Neuroscience and Theatre, we are honoured to introduce 3 new distinguished individuals to our esteemed MindChamps World Research, Advisory & Education Team:

- Oscar-nominated, award-winning film-maker — Dr Scott Hicks (SA Australian of the Year)
- Early childhood literacy expert and author — Professor Trevor H. Cairney (Order of Australia Medal)
- One of Australia's most beloved and awarded writers and mentors for young people — Ms Libby Gleeson (Member of the Order of Australia)

In the area of brand recognition, the group celebrated several significant achievements:

- **2018 Influential Brands® Hall of Fame award**  
The only preschool brand to be inducted into the Influential Brands Hall of Fame for winning the Top Brand award for five consecutive years, 2014 – 2018
- **2018 Superbrands® Mark of Distinction**  
The only preschool brand to be awarded the Mark for five consecutive years, 2014 – 2018
- **2018: Asia's Greatest Brands & Leaders awards**  
Presented by AsiaOne Magazine & United Research Services



Amongst these awards, we also scored above national benchmarks for efforts and initiatives to engage employees and were awarded Top Employer 2018 by Influential Brands®.

This year, again, I would like to express my deep appreciation to you, the shareholders, for continuing to believe in the MindChamps vision of taking our '3 Minds' movement proudly from Singapore to the world – for, as Dr Michelli expresses it in the introduction to *The MindChamps Way*:

*'While the companies featured in my prior books demonstrate impressive brand power, none of them have been in a position to fundamentally shape society on par with MindChamps. Given its industry, MindChamps is influencing the future of individuals, families, communities, countries, and the education system worldwide.'*

The strong performance of MindChamps in FY2018 is the result of 20 years of solid research and implementation – which underpins our cutting-edge programmes for both our young Champs and our teachers. And this is only the beginning. In line with our culture of 'staying ahead of the curve', for the past 8 years, we have been preparing for the launch of MindChamps Version 2.0, which will be revealed to the world this year.

Finally, I would also like to thank the Board members for their invaluable insights and counsel throughout the year.

**MR DAVID CHIEM PHU AN**  
Executive Chairman

The  
**MindChamps  
Way**

How to turn an idea into  
a global movement

Joseph A. Michelli

#1 New York Times & Wall Street Journal Bestselling Author  
Driven to Delight: Delivering World-Class Customer Experiences the Mercedes-Benz Way  
The New Gold Standard: 3 Leadership Principles for Creating a Legendary Customer  
Experience Courtesy of The Ritz-Carlton Hotel Company  
Leading the Starbucks Way: 3 Principles for Connecting with Your Customers,  
Your Products and Your People

## BOARD OF DIRECTORS



**MR DAVID CHIEM PHU AN, 49**  
**Founder Chief Executive Officer &**  
**Executive Chairman**

Mr David Chiem Phu An has been our Director and Chief Executive Officer since 25 July 2008.

David's approach of always 'staying ahead of the curve' has taken the organisation from point zero in 2008 to the number one brand position in the highly-competitive Singapore premium preschool space. This was followed by a successful listing on the Mainboard of the Singapore Exchange in 2017, leading to the creation of a globally-recognised preschool brand.

His vision for MindChamps was to create an organisation to fill the educational gaps and improve education practices across the world.

David's illustrious business achievements through the years have gained him industry recognition and won him numerous international awards, including:

1. 2008: Entrepreneur of the Year (Rotary~ASME)
2. 2010: Outstanding Entrepreneur of the Year (Asia Pacific Entrepreneurship Awards)
3. 2014: Peak Magazine Top 10 CEOs of the Year
4. 2016: CEO Brand Leader of the Year (Influential Brands®) and
5. 2018: Asia's Greatest Leaders Award (United Research Services & AsiaOne Magazine)

The celebrated author of 6 critically-acclaimed books, David came to business after a highly-successful career in the world of theatre and film since he was 14 years old. It was a career that proved to be the perfect preparation for leading an innovative organisation with depth of research and strategic planning and execution.

David sits on the boards of our non-listed subsidiaries and the MindChamps Holdings Pte. Limited group of companies. He is also the Chairman of Actors Centre Australia, one of the top acting schools in Australia, with Hugh Jackman as its patron.

David holds a Bachelor of Arts in Communication from the University of Technology, Sydney and a Masters of Film-making from the Australian Film, Television and Radio School.



**MR PHILIP ANTONY JEYARETNAM S.C., 55**  
**Lead Independent Director**  
**Chairman of Remuneration Committee**  
**Member of Audit Committee**  
**Member of Nominating Committee**

Mr Philip Antony Jeyaretnam was appointed as our Lead Independent Director on 8 November 2017.

Mr Jeyaretnam is a Senior Counsel in private practice. He is currently the Global Vice Chair and ASEAN Chief Executive Officer of Dentons Rodyk & Davidson LLP and a member of the Public Service Commission of Singapore, the Presidential Council for Minority Rights and the Board of Advisors of the Singapore Law Review. He was formerly the President of the Law Society of Singapore and the Vice President of the Senate, Singapore Academy of Law from 2004 to 2007. Mr Jeyaretnam has experience advising on matters relating to education. He was a member of the Advisory Board to the Law Faculty of the National University of Singapore from 2009 to 2011, the Board of Legal Education from 2004 to 2007 and the Steering Committee for the Establishment of the New University, Ministry of Education Singapore in 2007, as well as a council member of the National Arts Council from 2000 to 2008. Mr Jeyaretnam is currently the Chairman of Maxwell Chambers Pte. Ltd. and a Director of DNLE Singapore Pte. Ltd., Surbana Jurong Private Limited and Rodyk Services Private Limited.

Mr Jeyaretnam has been recognised as one of the best lawyers in Singapore by Asialaw, Chambers Asia Pacific, The Legal 500 Asia Pacific, Best Lawyers, Who's Who Legal and Chambers Global. He was awarded the Public Service Medal 2013, the Southeast Asia Write Award 2003, the Montblanc-NUS Centre for the Arts Literary Award 1997 and the Young Artist Award 1993.

Mr Jeyaretnam holds a Bachelor of Arts (Honours) in Law and a Master of Arts in Law from the University of Cambridge. He was admitted to the English Bar in 1987 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1988. He is also a Fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators, as well as a member of the Singapore International Arbitration Centre, The Law Society of Singapore, the Singapore Academy of Law, the Society of Construction Law and the International Bar Association.





**MS CATHERINE DU, 48**  
**Non-Independent Non-Executive Director**

Ms Catherine Du is our Co-Founder and Non-Independent Non-Executive Director. She has been a Director of our Company since 1 June 2010.

Ms Du is instrumental in the founding of our Company and its expansion, having recognised the global gap in early childhood education. She has more than 19 years of education and business experience in the education industry. Up to November 2017, she was responsible for the international franchise and business development of our Group. She was the interim Chief Executive Officer of MindChamps Australia during its setup phase. She was previously the Director, Operations & Client Relations at MindChamps Holdings Pte. Limited from 2007 to 2008 and 2012 to 2016.

Ms Du currently serves as the Executive Director of MindChamps Medical Pte. Limited, Director and Consultant of MindChamps Holdings Pte. Limited ("MCH"), Director of the MCH group of companies, and Director of our various non-listed subsidiaries. She is also a Director of Geoconcepts International (Singapore) Pte. Ltd.

Ms Du holds an Associate Diploma of Business (Accounting) from the New South Wales Technical and Further Education Commission.



**MS JANICE WU SUNG SUNG, 49**  
**Non-Independent Non-Executive Director**

Ms Janice Wu Sung Sung is our Non-Independent Non-Executive Director. She has been a Director of our Company since 20 August 2014.

Ms Wu joined Singapore Press Holdings Limited ("SPH") in 1998 and has held various positions across functions, with active involvement in legal advisory work, mergers and acquisitions ("M&A") transactions, joint ventures, property acquisitions, corporate planning and analytics. She is currently the Executive Vice-President, Corporate Development of SPH and is responsible for leading its multidiscipline business development team in sourcing and executing M&A initiatives. She also heads SPH's Corporate Planning and Risk functions and sits on the Investment Committee of SPH Ventures.

Prior to joining SPH, Ms Wu was a legal counsel in the Ministry of Defence and in private practice. She is currently a Non-Executive Director of iFAST Corporation Ltd. and a director of several SPH subsidiaries and associated companies.

Ms Wu holds a Bachelor of Laws (Honours) from the National University of Singapore and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1993.



## BOARD OF DIRECTORS



**MR PHUA CHIN CHOR, 64**  
**Independent Director**  
**Chairman of Audit Committee**  
**Member of Nominating Committee**  
**Member of Remuneration Committee**

Mr Phua Chin Chor was appointed as our Independent Director on 8 November 2017.

Mr Phua has more than 30 years of experience in the technology, media and telecommunications sector, serving as the Chief Financial Officer of Singapore Computer Systems Ltd ("SCS") from 2005 up till its acquisition by NCS Pte Ltd, a wholly owned subsidiary of Singtel, in 2008. He was then appointed as the Chief Financial Officer of NCS Pte Ltd until 2013. Prior to joining SCS, he was the Senior Vice President of MediaCorp Pte Ltd from 2001 to 2005 and the Director of Finance (Asia) of EDS International (Singapore) Pte Ltd from 1993 to 2001.

Mr Phua holds a Bachelor of Accountancy from the then University of Singapore (now known as the National University of Singapore). He is currently a member of the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants. He was previously a member of the Chartered Institute of Management Accountants of the United Kingdom.



**MR LEE SUAN HIANG, 68**  
**Independent Director**  
**Chairman of Nominating Committee**  
**Member of Audit Committee**  
**Member of Remuneration Committee**

Mr Lee Suan Hiang was appointed as our Independent Director on 8 November 2017.

Mr Lee had a varied career as a senior civil servant, serving as the Chief Executive Officer of the National Arts Council from 2003 to 2009, Chief Executive Officer of SPRING Singapore from 2001 to 2003, Chief Executive of the Productivity & Standards Board from 1996 to 2001, Chief Executive of the National Productivity Board and Singapore Institute of Standards and Industrial Research from 1995 to 1996 and Deputy Managing Director of the Economic Development Board from 1993 to 1995. He was also the Chief Executive Officer of the Real Estate Developers' Association of Singapore from 2011 to 2016.

Mr Lee serves as a director in several listed companies. He is the Non-Executive Chairman of Anacle Systems Limited, Lead Independent Director of Viking Offshore and Marine Limited, and Independent Director of CITIC Envirotech Ltd., Perennial Real Estate Holdings Limited and United Engineers Limited. He is also the Chairman of Global Cultural Alliance Limited, a member of the Governing Council of the Singapore Institute of Directors and a Director of SLF Leisure Enterprises (Pte) Ltd, Pasir Ris Resort Pte Ltd, LASALLE College of the Arts Limited, Global Business Advisers Pte. Ltd., The Singapore Lyric Opera Limited and Catholic Foundation Limited.

A Colombo Plan Scholar, Mr Lee holds a Bachelor of Arts (Honours) in Industrial Design (Engineering) from Manchester Polytechnic. He also attended the Leaders in Administration Programme at the Singapore Civil Service College, the Advanced Management Programme at Harvard University and the International Executive Programme at INSEAD. Mr Lee is also a Fellow of the Singapore Institute of Directors, the Chartered Management Institute and the Chartered Institute of Marketing, United Kingdom.

Mr Lee has won several awards including the National Day Public Administration Gold Medal 1998, the World Association for Small and Medium Enterprises Special Honour Award 2001, the Japan External Trade Organisation Award 2002, the Chevalier d' l'Ordre des Arts et des Lettres from the Republic of France 2010 and the NTUC Friend of Labour Award 2012.



**MR DAVID CHIEM PHU AN**  
Founder Chief Executive Officer &  
Executive Chairman

Mr David Chiem Phu An has been our Founder CEO & Executive Chairman since the Company's creation in 2008. See "Board of Directors".



**MR TEO WEE JONE**  
Chief Financial Officer

Mr Teo Wee Jone is our Chief Financial Officer. He joined MindChamps in 2008. He assumed this role in 2010 and is responsible for the MindChamps Group's finance-related functions including taxation, treasury and investor relations.

Mr Teo has over 18 years of experience in finance, corporate planning and mergers and acquisitions in the education and information and communication technology industries. Before joining MindChamps, he was most recently Finance Director, China Operations at Singapore Computer Systems Limited from 2006 to 2007.

Mr Teo holds a Master of Business Administration from the University of Melbourne, Australia and a Bachelor of Economics majoring in Accounting from Macquarie University, Australia. He is a Fellow Chartered Accountant of Singapore and a Fellow of CPA Australia.



## EXECUTIVE OFFICERS

**MS PEH POH GEOK****Chief Brand Officer and Group General Manager**

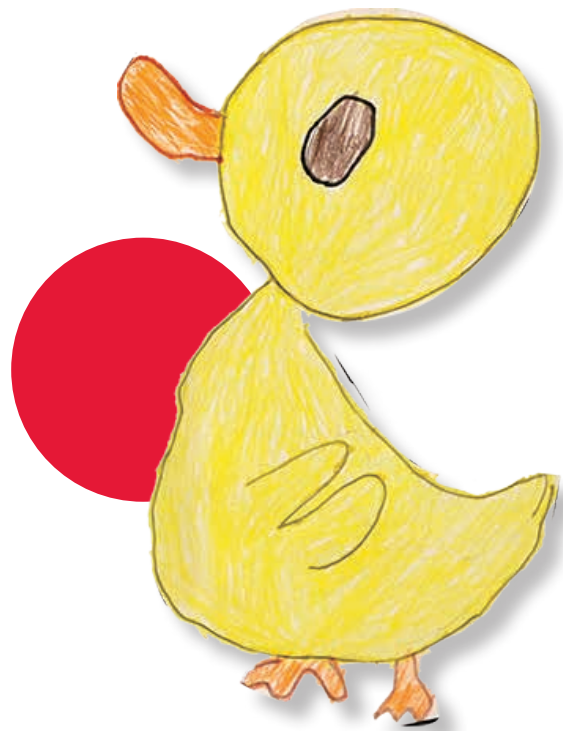
Ms Peh Poh Geok is our Chief Brand Officer and Group General Manager. One of the pioneers of MindChamps, Ms Peh is instrumental as the brand champion spearheading the MindChamps brand positioning, culture and business growth over the last 15 years.

She is responsible for driving the visibility, values and strength of the brand across all touch-points in Singapore and across the world. Under her dynamic leadership, MindChamps received the following branding and marketing accolades:

- . The only preschool brand to be inducted into the Influential Brands® Hall of Fame for winning the Top Brand award for five consecutive years, 2014 – 2018
- . The only preschool brand to be awarded the Superbrands® Mark of Distinction for five consecutive years, 2014 – 2018
- . The Established Brand – Singapore Prestige Brand Award 2011, organised by the Association of Small and Medium Enterprises and Chinese Newspaper Lianhe Zaobao
- . 2018 Influential Brands® Top Employer
- . 2018 Asia's Greatest Brands award presented by United Research Services and AsiaOne Magazine

Ms Peh is a highly experienced and diversified strategic leader in branding, sales, marketing, business growth and operations in Singapore and the region. She holds a Bachelor of Arts with a double major in Economics and Sociology and a minor in Statistics from the National University of Singapore.

Ms Peh embodies MindChamps' commitment to the creation of educational opportunities where they would not otherwise exist. This stems from her strong belief in the vision of making the world a much better place to live in by nurturing generations of MindChampions who possess the 3 Minds and face the world with 100% Respect and Zero Fear.

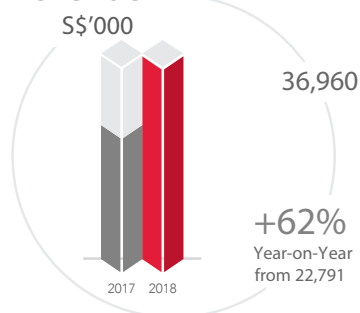




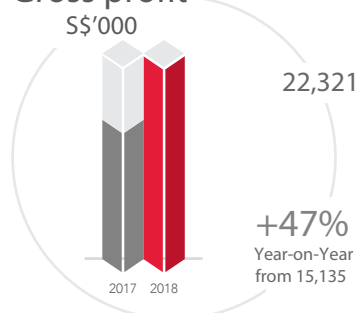
## FINANCIAL HIGHLIGHTS

## Year-on-Year Growth

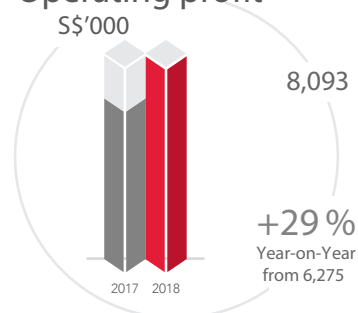
## Revenue



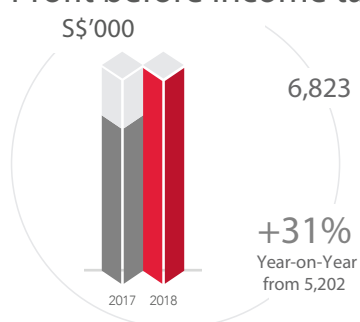
## Gross profit



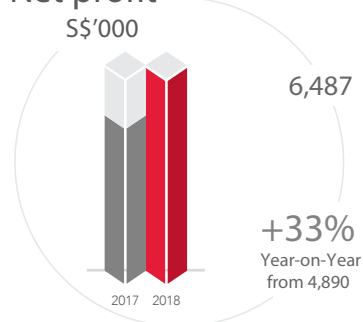
## Operating profit



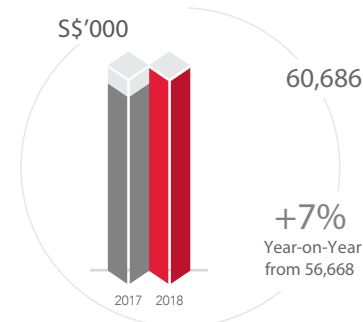
## Profit before income tax



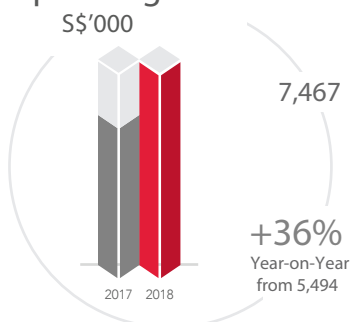
## Net profit



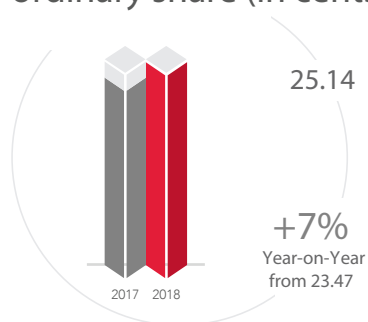
## Net assets



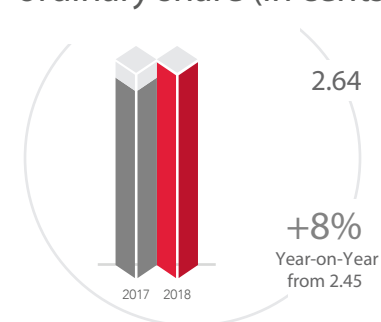
## Net cash provided by operating activities



## Net asset value per ordinary share (in cents)

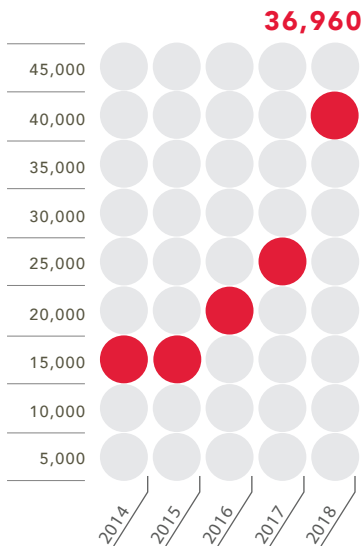
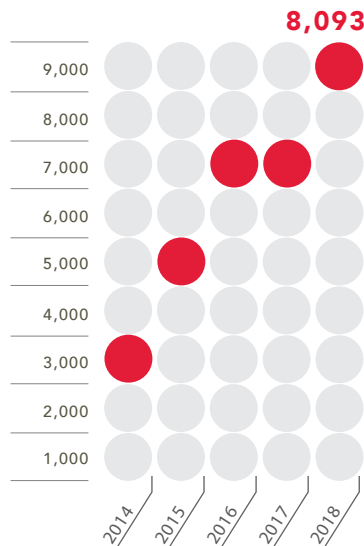
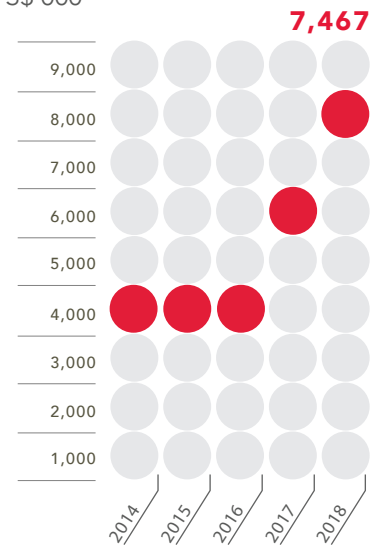


## Earnings per ordinary share (in cents)



## FINANCIAL HIGHLIGHTS

## Five-Year Financial Highlights

Revenue  
S\$'000Operating profit  
S\$'000Net cash provided by  
operating activities  
S\$'000

	2014 S\$'000	2015 S\$'000	2016 S\$'000	2017 S\$'000	2018 S\$'000
<b>(i) Operating Results</b>					
Revenue	10,784	12,439	18,418	22,791	36,960
Gross profit	6,621	8,242	12,444	15,135	22,321
Operating profit	2,912	4,187	6,269	6,275	8,093
Profit before income tax	2,864	4,131	6,280	5,202	6,823
Net profit	2,864	3,746	5,833	4,890	6,487
Net cash provided by operating activities	3,691	3,328	3,975	5,494	7,467
<b>(ii) Revenue Contribution by Segment</b>					
Education	6,107	6,501	10,840	14,313	26,926
Franchise & Corporate	4,502	5,658	7,559	8,478	10,034
Others	175	280	19	-	-
	10,784	12,439	18,418	22,791	36,960
<b>(iii) Operating EBITDA by Segment</b>					
Education	1,719	1,949	3,749	4,271	6,586
Franchise & Corporate	1,516	2,526	3,081	2,888	2,106
Others	(81)	20	(24)	(7)	(14)
	3,154	4,495	6,806	7,152	8,678

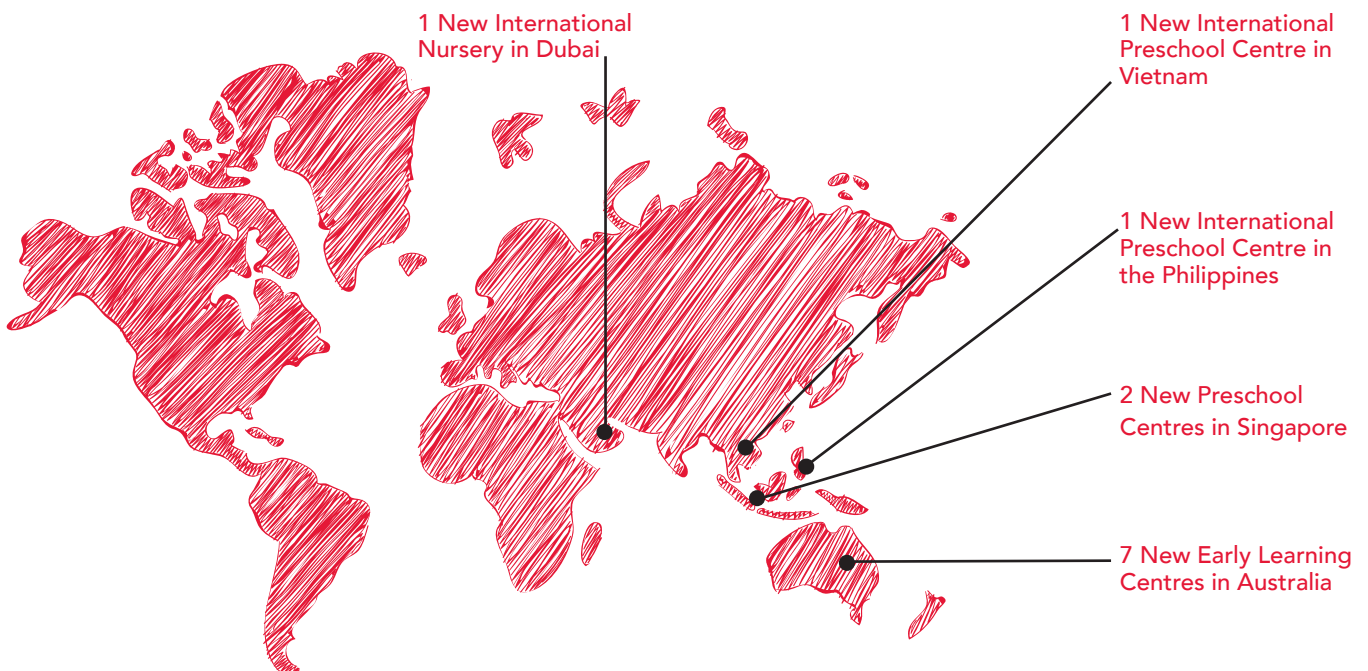
### Staying ahead of the curve

With a host of welcomed additions and achievements, 2018 was an exciting and fulfilling year for MindChamps PreSchool.

Launching new centres in Singapore and beyond, we now have 74 centres globally as at 31 December 2018.



### 74 MindChamps preschool and enrichment centres globally



## We also entered new territories.



### China

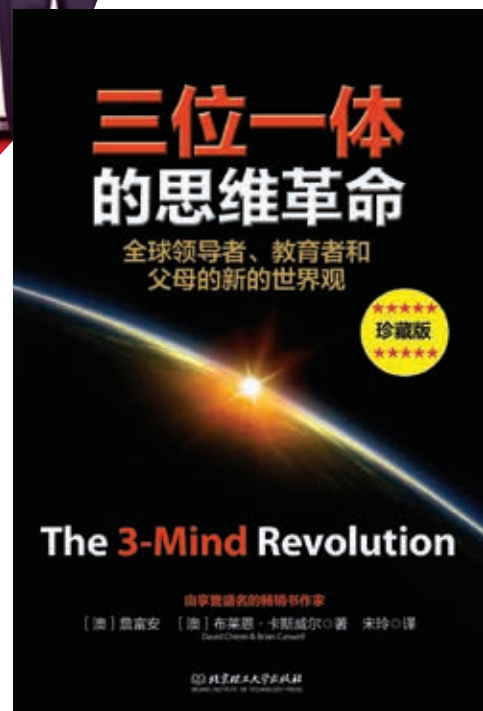
Hosting the ground-breaking 3 Minds Movement: Educating for the Future symposium at Beijing's National Stadium, or better known as the Bird's Nest, in November 2018. Over 200 education experts and representatives of early childhood education institutions in attendance, and a global audience tuning into the live-stream of the event.

Launching The 3-Mind Revolution book in China, a must read for all global leaders, educators and parents.

### Malaysia

We also inked a Master Franchise deal with Victoria Education to open 20 preschool centres in Malaysia.

The Malaysian education group is looking to build the largest preschools in the country which will offer MindChamps' award-winning proprietary curriculum which is based on the 3 Minds model of education.





### Staying ahead through ongoing research

MindChamps also welcomed 3 distinguished individuals to our World Research, Advisory and Education Team.

#### DR SCOTT HICKS

**2008 SA Australian of the Year  
Oscar-nominated, award-winning  
film-maker**



Dr Hicks was the director of the international multi-award-winning film *Shine* (which achieved 7 Academy Award nominations). He also directed *Snow Falling on Cedars* and Hollywood box-office hits including *No Reservations* and *The Lucky One*. Dr Hicks is a member of the Directors Guild of America and the Academy of Motion Picture Arts and Sciences.

#### PROFESSOR TREVOR H. CAIRNEY

**OAM (Order of Australia Medal)  
Early childhood literacy expert  
and author**



Professor Cairney is an Adjunct Professor at the University of New South Wales, Department of Education and President of the New South Wales Business Chamber. He has written nine books and over 200 reports, articles and book chapters on early learning, training, language acquisition and development.

#### MS LIBBY GLEESON

**AM (Member of the Order of  
Australia)  
One of Australia's most beloved  
and awarded writers and  
mentors for young people**



Besides her role as Adjunct Associate Professor at the University of Sydney, Department of Education and Social Work, Ms Gleeson is an award-winning writer of picture books and fiction titles, including *Hannah and the Tomorrow Room*, *An Ordinary Day*, and *Amy and Louis*. She is also Chair of WestWords, Western Sydney's Literature Development Organization for Young People.

### To top it off, we took home awards that celebrated our consistent high standards.

The only preschool brand to be inducted into the Influential Brands® Hall of Fame for winning the Top Brand award for five consecutive years, 2014 – 2018, and to win the inaugural 2018 Influential Brands® Top Employer award.

The only preschool brand to be awarded the Superbrands Mark of Distinction for five consecutive years, 2014 – 2018.

MindChamps was also awarded the Golden Bull Award 2018, an award that epitomises the strength and growth of our businesses: forever steadfast, forever charging forward. The organisation also gained recognition as a leader in the greater Asian region, with MindChamps being conferred the Asia's Greatest Brands 2018 award, while our Founder CEO David Chiem was awarded Asia's Greatest Leader 2018.

## OPERATIONAL AND FINANCIAL REVIEW

### FY2018 Financial Review

For the twelve months ended 31 December 2018, the Group recorded an increase of approximately 29% in operating profit to S\$8.1 million (2017: S\$6.3 million). Taking non-operating expenses into consideration, the Group recorded an increase of approximately 31% in profit before tax to S\$6.8 million in 2018 (2017: S\$5.2 million) and an increase of approximately 33% in profit after tax to S\$6.5 million in 2018 (2017: S\$4.9 million).

The key factors contributing to the FY2018 financial results are as follows:

- (1) Revenue increased by approximately S\$14.2 million or 62%, from S\$22.8 million in 2017 to S\$37.0 million in 2018. The increase was mainly attributable to:
  - (a) an increase of approximately S\$12.5 million in school fees, which 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\$1.2 million in non-recurring franchise income.
- (2) Cost of sales increased by approximately S\$7.0 million or 91% from S\$7.7 million in 2017 to S\$14.7 million in 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 (1)(a).
- (3) Other income increased by approximately S\$2.0 million, from S\$1.4 million in 2017 to S\$3.4 million in 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.
- (4) Operating administrative expenses increased by approximately S\$7.2 million or 73%, from S\$9.7 million in 2017 to S\$16.9 million in 2018. The increase was mainly attributable to an increase in:
  - (a) administrative costs of approximately S\$2.7 million incurred by the newly acquired centres indicated in (1)(a), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;
  - (b) professional fees of approximately S\$0.7 million, including board of directors' fees, SGX listing fees, audit fee, etc. post public listing; and
  - (c) staff costs of approximately S\$3.7 million following an increase in the number of staff to support the Group's business expansion overseas and SGX compliance-related matters.
- (5) Operating marketing expenses increased by approximately S\$0.2 million or 44%, from S\$0.6 million in 2017 to S\$0.8 million in 2018. The increase in marketing expenses in 2018 was in line with the increase in scale of operations and the branding requirements of our new overseas businesses.
- (6) Non-operating finance expenses increased by approximately S\$0.5 million, from S\$0.1 million in 2017 to S\$0.6 million in 2018. The increase in non-operating finance expenses in 2018 mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in Australia.
- (7) Currency translation loss arising from consolidation increased by approximately S\$2.2 million, from S\$0.2 million in 2017 to S\$2.4 million in 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 2018 arose largely from the weakening of the Australian dollar against the Singapore dollar.

MindChamps PreSchool Limited (the “Company” and together with its subsidiaries the “Group”) is committed to ensuring and maintaining high standards of corporate governance in complying with the Code of Corporate Governance 2012 (the “Code”) and relevant sections of the Listing Manual (“Listing Manual”) issued by the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Group’s corporate governance practices and processes are guided by the principles and guidelines of the Code and are continually reviewed for relevance and effectiveness by reference to the legal and regulatory environment in which the Group operates.

This Report sets out the Group’s corporate governance practices that were in place for the financial year ended 31 December 2018 (“FY2018”) with reference to the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report.

## **(A) BOARD MATTERS**

### **The Board’s Conduct of Affairs**

#### **Principle 1:**

The Company is headed by an effective Board of Directors (the “Board”) to lead and control the Company. The Board is collectively responsible for the long-term success of the Company and works with key executives and senior management (“Management”) to achieve this objective. Management remains accountable to the Board.

#### ***Guideline 1.1 of the Code***

##### ***Board’s Role***

The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including risk management systems and internal controls to safeguard shareholders’ interests and the Group’s assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics. The Board regularly reviews the Group’s strategic business plans, the assessment of key risks by Management and operational and financial performance of the Group to enable the Group to meet its objectives. The Board also ensures that there is proper accountability within the Group.

The primary roles of the Board include the following:

- (a) to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
- (c) to review Management’s performance;
- (d) to identify key stakeholder groups and recognise that their perceptions affect the Group’s reputation;
- (e) to set the Group’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) to consider sustainability issues as part of its strategy formulation.

## CORPORATE GOVERNANCE REPORT

### **Guideline 1.2 of the Code** **Directors' Duties and Responsibilities**

The Directors objectively discharge their duties and responsibilities as fiduciaries in the best interests of the Company by exercising good faith, due care and diligence and independent judgment. Directors with a conflict of interest declare the conflict of interest and recuse themselves from discussions and decisions involving the issues of conflict.

### **Guideline 1.3 of the Code** **Delegation of Authority to Board Committees**

The Board has delegated specific responsibilities to its Committees, namely the Audit, Nominating, and Remuneration Committees. Each of these Committees operates under delegated authority from the Board, with the Board retaining overall oversight and each has its own written terms of reference setting out the composition, authorities and duties, as endorsed by the Board. Information on each of the three Committees is set out further in this Report.

### **Guideline 1.4 of the Code** **Board and Board Committee Meetings**

The Board is required to meet at least once every quarter to consider the quarterly financial results. The schedule of all Board and Board Committee meetings for the calendar year is set and given to all the Directors well in advance.

Where exigencies prevent a Director from attending a Board or Board Committee meeting in person, the Constitution of the Company allows Directors to participate in the meeting by telephone conference or video-conference. Matters arising from each meeting are followed-up and reported to the Board. Minutes of all Board and Board Committee meetings are circulated to members for review and confirmation. These minutes enable the Directors to be kept abreast of matters discussed at such meetings. Besides meetings, the Board and Board Committees also exercise control on matters that require their deliberation and approval through the circulation of written resolutions.

The number of Board and Board Committee meetings held in FY2018 and the attendance of Directors during these meetings are as follows:

	<b>Board</b>	<b>Audit Committee</b>	<b>Nominating Committee</b>	<b>Remuneration Committee</b>
<b>Number of Meetings held</b>	5	5	1	1
<b>Number of Meetings attended by the Directors</b>				
<b>David Chiem Phu An</b>	5	1 <sup>(2)</sup>	1 <sup>(2)</sup>	1 <sup>(2)</sup>
<b>Catherine Du</b>	5	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>
<b>Janice Wu Sung Sung</b>	5	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>
<b>Philip Antony Jeyaretnam</b>	4	3	1	1
<b>Phua Chin Chor</b>	4	5	1	1
<b>Lee Suan Hiang</b>	5	5	1	1

**Notes:**

(1) N.A. = Not Applicable

(2) Attended by invitation



**Guideline 1.5 of the Code**  
**Internal Guidelines on Matters Requiring Board Approval**

Matters requiring the Board's decision and approval include but are not limited to the following:

- (a) major funding proposals and capital expenditures, and strategic acquisitions and divestments;
- (b) annual budget;
- (c) interim and annual financial statements;
- (d) ad-hoc, quarterly, and yearly company announcements;
- (e) appointment of suitable candidates to the Board and Board Committees;
- (f) appointment of key management personnel;
- (g) matters involving a conflict of interest for a substantial shareholder or a Director;
- (h) corporate or financial restructuring;
- (i) share and bond issuances;
- (j) interim dividends and other returns to shareholders;
- (k) hedging policy; and
- (l) annual sustainability report.

The Board gives clear directions in writing to Management on the abovementioned matters.

**Guidelines 1.6 and 1.7 of the Code**  
**Directors' Appointment, Induction and Trainings**

New Directors are appointed by the Board upon recommendation of the Nominating Committee. All newly appointed Directors are issued with a formal letter of appointment or service agreement setting out the scope of their duties and their obligations as a Director under the various relevant Singapore laws, and how to discharge those duties.

The Company conducts an orientation programme to familiarise incoming Directors with the business activities of the Group, its strategic direction and corporate governance practices, and in particular the Group's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibition on dealings in the Company's securities and restrictions on disclosure of price-sensitive information.

All Directors have been briefed on the roles and responsibilities of a director of a public-listed company in Singapore, and regularly receive updates on the laws and regulations. To ensure that the Directors have opportunities to develop their skills and knowledge, the Nominating Committee reviews and recommends to the Board relevant training and professional development programmes conducted by the Singapore Institute of Directors, the SGX-ST and other business and financial institutions and consultants, in areas such as board leadership/responsibilities, accounting and finance, risk management, industry-specific knowledge and laws and regulations. The Company, from time to time, arranges briefings for the Directors, and circulates to the Directors useful materials on new laws, regulations, changing commercial risks and financial reporting standards. The Directors are also encouraged to register for relevant training which they are interested in, at the Company's expense. In FY2018, the Directors received updates on regulatory and reporting requirements such as the new Code of Corporate Governance 2018 and financial reporting standards.

## CORPORATE GOVERNANCE REPORT

### (B) BOARD COMPOSITION AND GUIDANCE

#### Principle 2:

There is a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals dominates the Board's decision making.

#### **Guidelines 2.1 and 2.2 of the Code**

#### ***Strong and Independent Element of the Board and Board Committee Composition***

The present Board comprises six members who are business leaders and professionals with financial and other technical backgrounds. The composition of the Board and Board Committees is as follows:

Name of Director	Date of First Appointment	Date of Last Re-Appointment	Board	Audit Committee	Nominating Committee	Remuneration Committee
David Chiem Phu An	25 July 2008	16 April 2018	Founder Chief Executive Officer and Executive Chairman	–	–	–
Philip Antony Jeyaretnam	8 November 2017	16 April 2018	Lead Independent Director	Member	Member	Chairman
Catherine Du	1 June 2010	30 June 2017	Non-Independent Non-Executive Director	–	–	–
Janice Wu Sung Sung	20 August 2014	28 July 2016	Non-Independent Non-Executive Director	–	–	–
Phua Chin Chor	8 November 2017	16 April 2018	Independent Director	Chairman	Member	Member
Lee Suan Hiang	8 November 2017	16 April 2018	Independent Director	Member	Chairman	Member

Please refer to the “Board of Directors” section of this annual report.

Under the Code, the Independent Directors should make up at least half of the Board where the Chairman and Chief Executive Officer is the same person, the Chairman is part of the management team, or the Chairman is not an Independent Director. The Board currently has six members, of which three are Independent Directors. The Independent Directors therefore make up half of the Board and there is a strong independent element on the Board.

**Guidelines 2.3 and 2.4 of the Code  
Independence of Directors**

The independence of each Director is reviewed by the Nominating Committee annually. The Nominating Committee adopts the definition of what constitutes an Independent Director from the Code, namely a Director who has no relationship with the Company, its related corporations, its 10% shareholders or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board on a timely basis. Each Independent Director is also required to complete and submit to the Company Secretary a Director's Confirmation of Independence Form annually to confirm his independence based on the guidelines as set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

Based on the evaluations and results of a review conducted by the Nominating Committee, the Board has determined Mr Philip Antony Jeyaretnam, Mr Phua Chin Chor and Mr Lee Suan Hiang to be Independent Directors of the Company as each of them is regarded to be independent in conduct, character and judgement, and there are no relationships which are likely to affect or could appear to affect each such Director's independent judgement.

None of the Independent Directors have served the Company for a period exceeding nine years. As and when an Independent Director serves beyond nine years from the date of first appointment, the Nominating Committee will perform a particularly rigorous review to assess the independence of the relevant Director.

**Guidelines 2.5 and 2.6 of the Code  
Board Size and Experience**

The Nominating Committee reviews the structure, size, balance and diversity of the Board on an annual basis, and has considered the structure, size, balance and diversity of the Board as appropriate to facilitate effective decision making for the current scope and nature of the Group's operations, the requirements of the Group's business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

As a group, the Directors bring with them a broad range of industry knowledge, skills, expertise and experience in areas such as legal, accounting, finance, business and management and strategic planning. A brief description of the background of each Director is presented in the "Board of Directors" section of this annual report. The Board has an appropriate balance of diversity of skills, experience, gender and knowledge of the Group.

**Guidelines 2.7 and 2.8 of the Code  
Role of Non-Executive Directors**

The Non-Executive Directors of the Company provide valuable support, input and business contacts, and also strategic or significant business alliances or opportunities. Although the Non-Executive Directors are not involved in the day-to-day running of the Group's business, they, nonetheless, play an invaluable role in furthering the business interests of the Group by:

- (a) contributing their experience and expertise in the making of Board decisions or strategies;
- (b) constructively challenging and assisting in developing proposals on strategy;
- (c) assisting the Board to review Management's performance in meeting agreed goals and objectives; and
- (d) monitoring the reporting of the Group's performance.

Independent Directors (who are all also Non-Executive Directors) meet without the presence of Management during the course of Board meetings or outside of Board meetings.

## CORPORATE GOVERNANCE REPORT

### (C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

#### Principle 3:

There is a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual represents a considerable concentration of power.

#### **Guidelines 3.1 and 3.2 of the Code**

#### **Separation of Role of Chairman and Chief Executive Officer ("CEO")**

Mr David Chiem Phu An is both the Chairman and CEO of the Company.

As the CEO, Mr Chiem bears executive responsibility for the overall management and strategic development of the Group. He provides insights on the day-to-day running of the Company's operations, and Management's views without undermining Management's accountability to the Board. He also collaborates closely with the Non-Executive Directors for the long-term success of the Company.

As the Chairman, Mr Chiem is responsible for, but not limited to:

- leading the Board to ensure its effectiveness in all aspects of its role;
- setting the Board meeting agendas and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at Board meetings;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication between the Company and its shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of the Non-Executive Directors; and
- promoting high standards of corporate governance.

Although the Chairman and CEO is the same person, major decisions of the Group are made in consultation with the Board in line with the transactions that require the Board's approval. The CEO also reports to the Board, which comprises a majority of Non-Executive Directors, and all the Board Committees are solely made up of and chaired by Independent Directors of the Company. In addition, Mr Chiem abstains from discussions and decisions where he is conflicted. These measures and checks and balances avoid concentration of power in Mr Chiem. The Board believes that there is an appropriate balance of power, accountability and capacity for independent decision making within the Board.

**Guidelines 3.3 and 3.4 of the Code****Lead Independent Director**

The Board has appointed Mr Philip Antony Jeyaretnam to act as the Lead Independent Director. Where the Chairman is conflicted or in his absence, Mr Jeyaretnam will chair Board meetings, lead the Board, facilitate confidential discussion with the Non-Executive Directors on any concerns, resolve conflicts of interest, and facilitate communication between the Board and the shareholders or other stakeholders of the Company.

Shareholders with concerns may contact Mr Jeyaretnam directly through channels as described in the Company's website, when contact through the normal channels via the Chairman, CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate or inadequate. All the Independent Directors, including the Lead Independent Director, meet at least annually without the presence of the other Directors, for feedback to the Chairman thereafter.

**(D) BOARD MEMBERSHIP****Principle 4:**

There is a formal and transparent process for the appointment and re-appointment of Directors to the Board.

**Guidelines 4.1 and 4.2 of the Code****Nominating Committee**

The Nominating Committee comprises the following three Independent Directors:

Mr Lee Suan Hiang (Chairman)  
Mr Philip Antony Jeyaretnam  
Mr Phua Chin Chor

Mr Philip Antony Jeyaretnam, the Lead Independent Director, is a member of the Nominating Committee.

In accordance with its written terms of reference, the roles and responsibilities of our Nominating Committee include, among others:

- making recommendations to our Board on relevant matters relating to:
  - the review of Board succession and renewal plans for the Directors, in particular, for the Chairman, and for the CEO;
  - the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
  - the review of training and professional development programmes for the Board; and
  - the appointment and reappointment of Directors (including alternate Directors, if applicable), and ensuring that Directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years;



## CORPORATE GOVERNANCE REPORT

- identifying candidates, reviewing and approving nominations for the positions of Director or if applicable, alternate Director (whether appointment or re-appointment) and membership of the Board Committees (including the Audit, Nominating and Remuneration Committees), as well as appraising the qualifications and experience of any proposed new appointees to the Board and to recommend to the Board whether the nomination should be supported;
- ensuring that the Board and Board Committees comprise Directors who, as a group, provide an appropriate balance and diversity of skills, experience, genders and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, taking into account, among other things, the future requirements of our Group and the guidelines recommended under the Code;
- reviewing on an annual basis, and as and when circumstances require, whether a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors; and
- where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

### **Guideline 4.3 of the Code**

#### **Determining Directors' Independence**

The Nominating Committee is also responsible for determining annually, the independence of Directors. In doing so, the Nominating Committee takes into account the circumstances set forth in the Code and any other salient factors.

The independence of Directors is assessed annually by the Nominating Committee. On an annual basis, each Director is required to submit a return as to his independence to the Company Secretary. The Nominating Committee reviews the returns and determines whether the Director is to be considered independent.

The Independent Directors, Mr Philip Antony Jeyaretnam, Mr Phua Chin Chor and Mr Lee Suan Hiang, have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and Group.

Following its annual review, the Nominating Committee has determined and the Board has confirmed the independence status of the Directors as set out below:

<b>Name</b>	<b>Independence Status</b>
David Chiem Phu An	Non-Independent
Catherine Du	Non-Independent
Janice Wu Sung Sung	Non-Independent
Philip Antony Jeyaretnam	Independent
Phua Chin Chor	Independent
Lee Suan Hiang	Independent

**Guideline 4.4 of the Code**  
**Multiple Board Representations**

The Nominating Committee is satisfied that sufficient time and attention is given by the Directors to the affairs of the Group, taking into consideration each Director's number of listed company board representations and other principal commitments. Although the Directors have directorships in other companies which are not in the Group, the Nominating Committee is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. Each of the Directors is aware that he or she should commit sufficient time, attention, resources and expertise to the affairs of the Company. These Directors widen the experience of the Board and give it a broader perspective. Considering the current Directors' active participation and involvement in and their level of attention and commitment to the affairs of the Company, the Board agreed not to determine a maximum number of listed company board representations which any Director may hold.

**Guideline 4.5 of the Code**  
**Appointment of Alternate Directors**

As at the date of this annual report, the Company has no alternate Director on its Board.

**Guideline 4.6 of the Code**  
**Process for Selection, Appointment and Re-appointment of Directors**

In the search, nomination and selection process for new Directors, the Nominating Committee identifies the key attributes that an incoming Director should have, based on considerations such as board diversity, a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of Directors' personal contacts and recommendations of potential candidates or independent search firms and institutions, and goes through a shortlisting process. The Nominating Committee also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the Directors.

**Guideline 4.7 of the Code**  
**Key Information of Directors**

The information on each Director's academic and professional qualifications, shareholdings in the Company and its related corporations, Board Committees served on, dates of first appointment and last re-appointment as a Director, listed directorships and other principal commitments of the Directors have been set out in this Report and under the "Board of Directors" and "Directors' Statement" sections of this annual report.

Pursuant to the Company's Constitution, newly appointed Directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. The Constitution also requires one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) to retire by rotation at every AGM. All Directors who are subject to retirement are eligible for re-election at the meeting. The Nominating Committee has recommended to the Board that Ms Catherine Du and Ms Janice Wu Sung Sung, being the longest in office, be nominated for re-appointment pursuant to Regulations 94 and 95 of the Constitution at the forthcoming AGM. In making their recommendations, the Nominating Committee evaluates each Director's contribution and performance, such as attendance at meetings of the Board or Board Committees, where applicable, participation, preparedness, candour and any special contributions. The Board has concurred with the Nominating Committee's recommendation.

## CORPORATE GOVERNANCE REPORT

### (E) BOARD PERFORMANCE

#### Principle 5:

There is a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

#### ***Guidelines 5.1, 5.2 and 5.3 of the Code Assessing Board Performance***

The Nominating Committee recommended for the Board's approval the objective performance criteria process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board and Board Committees. The performance criteria aim to measure the Directors' contributions of the Board and each Board Committee and how the Board has enhanced long-term shareholder value. The Board approved and implemented a board evaluation process to be carried out by the Nominating Committee.

The performance criteria include assessing the Board and Board Committee structure, strategy and performance, Board risk management and internal controls, information to the Board and Board Committees, Board procedures, CEO and Management, standards of conduct and Board/Board Committee Chairmen.

In addition, individual Directors carry out a self-assessment, which is reviewed by the Nominating Committee. The self-assessment focuses on attendance, commitment and contributions in areas such as corporate strategy, finance/accounting, risk management, legal/regulatory, human resources and industry knowledge, as well as participation in Board and/or Board Committee discussions and disclosure of related party transactions and conflicts of interest. The board evaluation process is conducted in-house by the Company Secretary who is responsible for circulating the survey to each Director for his or her completion, consolidating the results and proposing areas of improvements for the Nominating Committee's recommendation to the Board for approval. The Chairman acts on the results of the board evaluation, and in consultation with the Nominating Committee, proposes, where appropriate, new members to be appointed to the Board or seeks the resignation of Directors. Each member of the Nominating Committee abstains from voting on any resolutions in respect of any matter in which he has an interest. Based on the board evaluation results, the Nominating Committee and the Board are satisfied as to the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board.

Although the board evaluation process is conducted in-house, the NC may make recommendations to the Board on the use of external facilitators, as and when it deems necessary.

### (F) ACCESS TO INFORMATION

#### Principle 6:

In order to fulfil their responsibilities, Directors are provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

**Guidelines 6.1 and 6.2 of the Code****Board's Access to Information**

All Directors are furnished with information concerning the Group periodically to enable them to be fully cognisant of the decisions and actions of the Company's Management. In addition, the Board has separate and independent access to the Company's Management.

The Directors receive a set of Board and/or Board Committee papers prior to or during the meetings. The papers are generally issued to members prior to the meeting with sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting.

The papers include, where relevant, the following documents and details:

- minutes of the previous Board meeting;
- minutes of meetings of all Board Committees held since the previous Board meeting;
- background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the budgets or projections and actual results are disclosed and explained to the Board; and
- major operational and financial issues.

In carrying out its duties, the Board has unrestricted access to the Group's records and information. Directors are entitled to request from Management and are provided with additional information as needed to make informed decisions.

**Guideline 6.3 of the Code****Board's Access to Company Secretary**

The Directors have separate and independent access to the Company Secretary.

The Company Secretary attends and prepares minutes of all Board and Board Committee meetings and is responsible for ensuring that Board procedures are followed and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and the Listing Manual, are complied with. In addition, the Company Secretary's responsibilities include advising the Board on governance matters, facilitating the orientation of new Directors and assisting with professional development of Directors, as required.

Under the direction of the Chairman, the Company Secretary, with the support of Management, ensures good information flows within the Board and Board Committees and between Management and the Non-Executive Directors.

**Guideline 6.4 of the Code****Appointment and Replacement of Company Secretary**

The appointment and replacement of the Company Secretary is a matter for the Board.

**Guideline 6.5 of the Code****Board's Access to Independent Professional Advice**

The Directors, either individually or as a group, have the authority to seek independent professional advice, if necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as Directors.

## CORPORATE GOVERNANCE REPORT

### (G) REMUNERATION MATTERS

#### Principle 7:

There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his or her own remuneration.

#### **Guidelines 7.1, 7.2 and 7.3 of the Code Remuneration Committee**

The Remuneration Committee comprises the following three Independent Directors:

Mr Philip Antony Jeyaretnam (Chairman)  
Mr Phua Chin Chor  
Mr Lee Suan Hiang

In accordance with its written terms of reference, the primary responsibilities of the Remuneration Committee include, among others:

- reviewing and recommending to the Board, in consultation with the Chairman of the Board, for endorsement:
  - a comprehensive remuneration policy, and general framework and guidelines for remuneration of the Board and other persons having authority and responsibility for planning, directing and controlling the activities of the Company (“Key Management Personnel”); and
  - the specific remuneration packages for each of the Directors and Key Management Personnel;
- ensuring the remuneration policies and systems of the Group, as approved by the Board, support the Group’s objectives and strategies, and are consistently administered and being adhered to within the Group;
- in the case of service contracts, reviewing the obligations arising in the event of termination of the Executive Director or Key Management Personnel’s service contract, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous;
- proposing, for adoption by the Board, appropriate and meaningful performance criteria to assist in the evaluation of the performance of the Executive Director and Key Management Personnel; and
- administering the MindChamps PreSchool Share Option Plan and the MindChamps PreSchool Performance Share Plan (the “Share Plans”) in accordance with the rules of the respective Share Plans, as the case may be, and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement.

If a member of the Remuneration Committee has an interest in a matter being reviewed or considered by the Remuneration Committee, he will abstain from voting on that matter.

The Remuneration Committee may from time to time seek advice on the remuneration of all Directors from external remuneration consultants whose independence and objectivity are not affected by any existing relationships with the Company. No remuneration consultants were engaged by the Company in FY2018.



**Guideline 7.4 of the Code**  
**Termination Clauses in Service Contract**

The Remuneration Committee reviews the reasonableness of the termination clauses of the contracts of service of the Company's Executive Director and Key Management Personnel. Each of the Executive Director and Key Management Personnel has a service agreement or employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on a long-term basis and no onerous removal clauses are contained in the service agreement or employment contract.

**(H) LEVEL AND MIX OF REMUNERATION**

**Principle 8:**

The level and structure of remuneration is aligned with the long-term interest and risk policies of the Company, and is appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) Key Management Personnel to successfully manage the company.

**Guideline 8.1 of the Code**  
**Remuneration of Executive Director and Key Management Personnel**

The remuneration of the Company's Executive Director and Key Management Personnel has been formulated to attract, retain and motivate individuals the Group relies on to achieve its business strategy and create long-term value for its shareholders. The Remuneration Committee believes that fair performance-related pay should motivate good performance and that rewards should be closely linked to and commensurate with performance. A significant and appropriate proportion of the Executive Director's and Key Management Personnel's remuneration is structured so as to link rewards to performance.

The Chairman and CEO is the same person and he is consulted by the Remuneration Committee on matters relating to the other Key Management Personnel who report to him on matters relating to the performance of the Company. He abstains from participation in discussions and decisions in relation to his own remuneration.

**Guideline 8.2 of the Code**  
**Long-term Incentive Schemes**

The Company has the Share Plans which the Remuneration Committee can recommend as long-term incentive schemes for the Executive Director and Key Management Personnel, whereby the award of shares or grant of options vest over a period of time pursuant to vesting schedules where only a portion of the benefits can be exercised each year.

**Guideline 8.3 of the Code**  
**Remuneration of Non-Executive Directors**

The Remuneration Committee is of the view that the remuneration of the Company's Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort and time spent and the role and responsibilities of the Non-Executive Directors, and the said remuneration does not compromise the independence of the Non-Executive Directors.

There is no policy to prohibit or require the Non-Executive Directors to hold shares in the Company. However, the Non-Executive Directors are encouraged to acquire shares of the Company in order to align their interests with that of shareholders. The Non-Executive Directors are also advised to acquire shares of the Company with due care and within a limit that does not comprise their independence.

## CORPORATE GOVERNANCE REPORT

### **Guideline 8.4 of the Code Contractual Provisions**

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from the Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. If required, the Remuneration Committee will consider instituting such contractual provisions.

### **(I) DISCLOSURE ON REMUNERATION**

#### **Principle 9:**

The Company provides clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration. The Company provides disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to the Directors and Key Management Personnel, and performance.

### **Guidelines 9.1, 9.2 and 9.3 of the Code Remuneration Report**

Remuneration of each Director and the CEO for FY2018 is set out below:

Name of Director	Position	Breakdown of Remuneration in Percentage (%)					Total Remuneration in Bands of S\$100,000
		Directors' Fee	Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Other Benefits <sup>(2)</sup>	Total	
David Chiem Phu An	Founder Chief Executive Officer and Executive Chairman	–	76.32%	19.30%	4.38%	100.00%	S\$900,001 – S\$1,000,000
Philip Antony Jeyaretnam	Lead Independent Director	100.00%	–	–	–	100.00%	<S\$100,000
Catherine Du	Non-Independent Non-Executive Director	100.00%	–	–	–	100.00%	<S\$100,000
Janice Wu Sung Sung	Non-Independent Non-Executive Director	100.00%	–	–	–	100.00%	<S\$100,000
Phua Chin Chor	Independent Director	100.00%	–	–	–	100.00%	<S\$100,000
Lee Suan Hiang	Independent Director	100.00%	–	–	–	100.00%	<S\$100,000
<b>Total Remuneration (S\$'000) of Directors</b>						<b>1,166</b>	

#### **Notes:**

<sup>(1)</sup> Included provident fund contribution by employer.

<sup>(2)</sup> Included insurance, medical benefits, car benefits, mobile allowance, professional membership fees and long-term incentives, if any.

The remuneration of the Directors and the CEO is disclosed in bands of S\$100,000 instead of being rounded to the nearest thousand dollars, as the Board is of the view that such disclosure provides a balance between detailed disclosure and confidentiality. Given the confidentiality of and commercial sensitivity attached to remuneration matters, the Board believes that disclosing in the respective bands and disclosing the aggregate total remuneration of the Directors and the CEO provides a sufficient overview of the remuneration of the Directors and the CEO.

## CORPORATE GOVERNANCE REPORT

Remuneration of each Key Management Personnel (who are not the Directors or the CEO) for FY2018 is set out below:

Name of Key Management Personnel	Position	Breakdown of Remuneration in Percentage (%)				Total Remuneration in Bands of S\$250,000
		Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Other Benefits <sup>(2)</sup>	Total	
Teo Wee Jone	Chief Financial Officer	74.38%	18.97%	6.65% <sup>(3)</sup>	100.00%	S\$500,001 – S\$750,000
Peh Poh Geok	Chief Brand Officer and Group General Manager	79.53%	20.29%	0.18%	100.00%	S\$500,001 – S\$750,000
<b>Total Remuneration (S\$'000) of Key Management Personnel</b>					<b>1,046</b>	

**Notes:**

<sup>(1)</sup> Included provident fund contribution by employer.

<sup>(2)</sup> Included insurance, medical benefits, car benefits, mobile allowance, professional membership fees and long-term incentives, if any.

<sup>(3)</sup> Mr Teo was awarded a long service award in FY2018.

**Guideline 9.4 of the Code****Remuneration of employees who are immediate family members of a Director or the CEO**

There is no immediate family member (defined in the Listing Manual as the spouse, child, adopted child, step-child, brother, sister and parent) of a Director or the CEO, who is not himself or herself also a Director or the CEO, in the employment of the Company during FY2018.

**Guideline 9.5 of the Code****Employee Share Option Scheme**

The Company's Share Plans were approved by shareholders at an Extraordinary General Meeting held on 9 November 2017. The details and terms of the Share Plans were set out in Appendixes E and F of the Company's Prospectus dated 17 November 2017 (the "Prospectus"). There were no options granted or shares issued under the Share Plans during FY2018.

**Guideline 9.6 of the Code****Link between remuneration paid to the Executive Chairman and CEO and Key Management Personnel, and performance**

## (I) Executive Chairman and CEO

Mr David Chiem Phu An does not receive a Director's fee. His service agreement provides for compensation in the form of a fixed monthly salary and a variable and/or performance bonus which may be awarded for each financial year of the Company during the continuance of his employment, to be determined by the Board, based on his performance and the performance of the Company for that financial year.

## (II) Other Key Management Personnel

The service agreements with the other Key Management Personnel provide for compensation in the form of a fixed monthly salary and a variable and/or performance bonus which may be awarded for each financial year of the Company during the continuance of their employment, to be determined by the Board, based on their performance and the performance of the Company for that financial year.

## CORPORATE GOVERNANCE REPORT

### (J) ACCOUNTABILITY AND AUDIT

#### Principle 10:

The Board presents a balanced and understandable assessment of the Group's performance, position and prospects.

#### ***Guideline 10.1 of the Code***

#### ***Accountability for Company's Performance, Position and Prospects***

The Board understands its responsibility to provide a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim financial results, full year financial results and other price sensitive public reports, and reports to regulators (if required).

#### ***Guideline 10.2 of the Code***

#### ***Compliance with Legislative and Regulatory Requirements***

The Board also reviews operational, regulatory and legislative compliance reports from Management to ensure compliance with the Group's operational practices and procedures and relevant regulatory and legislative requirements.

#### ***Guideline 10.3 of the Code***

#### ***Management Accounts***

Management currently provides the Board with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis and as and when deemed necessary.

### (K) RISK MANAGEMENT AND INTERNAL CONTROLS

#### Principle 11:

The Board is responsible for the governance of risk. The Board ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

**Guidelines 11.1 and 11.2 of the Code**  
**Risk Management and Internal Controls System**

The Board is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Board (through the Audit Committee) monitors and reviews the effectiveness of the Group's system of internal controls and risk management which includes:

- (i) discussions with Management on risks identified by Management;
- (ii) the audit processes;
- (iii) the review of internal and external audit plans; and
- (iv) the review of significant issues arising from internal and external audits.

The Group had engaged Messrs KPMG Services Pte. Ltd. to set up an Enterprise Risk Management Framework (the "ERM Framework"), which governs the risk management process in the Group. The ERM Framework enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, inter alia, financial, operational, compliance and information technology risks faced by the Group. The key risks of the Group are deliberated by Management and reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in.

Complementing the ERM Framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes.

In addition to ensuring that internal controls and risk management processes are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The external auditors provide reasonable assurance on the true and fair presentation of the Group's financial statements. Outsourced internal auditors (Messrs KPMG Services Pte. Ltd.) provide assurance that controls over the key risks of the Group are adequate and effective.



## CORPORATE GOVERNANCE REPORT

### **Guideline 11.3 of the Code**

#### **Board's Comment on Adequacy and Effectiveness of Internal Controls**

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board has reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them. In this respect, the Audit Committee reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on the auditors' recommendations raised, if any, during the audit process. The Audit Committee guides Management to check and ensure the adequacy of the internal controls.

The Board has also obtained written assurance from the CEO and the CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the reports submitted by the external and internal auditors, the actions taken by the Company on the recommendations made by the external and internal auditors, the various management controls put in place and the continuing efforts at enhancing such controls, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal controls systems addressing financial, operational, compliance and information technology risks, were adequate and effective in meeting the needs of the Group in its current business environment as at 31 December 2018.

### **Guideline 11.4 of the Code**

#### **Risk Committee**

As the Group does not have a separate risk management committee, the Audit Committee, as delegated by the Board and with support from Management, assumes responsibility for the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management has put in place a financial risk management policy and regularly reviews and reports to the Audit Committee and the Board on the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Board and the Audit Committee. Details of the Group's financial risk management policy are set out in Note 29 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

## **(L) AUDIT COMMITTEE**

### **Principle 12:**

The Board has established an Audit Committee with written terms of reference which clearly set out its authority and duties.

**Guidelines 12.1, 12.2, 12.3 and 12.4 of the Code  
Audit Committee**

The Audit Committee comprises the following Independent Directors:

Mr Phua Chin Chor (Chairman)  
Mr Lee Suan Hiang  
Mr Philip Antony Jeyaretnam

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. The majority of the Audit Committee members have recent and relevant accounting or financial management expertise and experience.

The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has full access to, and cooperation of Management, with full discretion to invite any Director or Management to attend its meetings. The Audit Committee has adequate resources to enable it to discharge its functions properly.

In accordance with its written terms of reference, the roles and responsibilities of the Audit Committee include, among others:

- assisting the Board in fulfilling its responsibility for overseeing the integrity of the Company's system of accounting and financial report and in maintaining a high standard of transparency and reliability in its corporate disclosures;
- reviewing and recommending to the Board any significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the external auditors' audit plan and audit reports, and the external auditors' evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by Management to the external auditors;
- reviewing and reporting to the Board, at least annually, on the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls, and risk management policies and systems;
- monitoring and reviewing the implementation of the external auditors' recommendations for internal control weaknesses (if any);
- reviewing any interested person transactions as defined in the Listing Manual;
- reviewing any potential conflicts of interest (including any potential conflicts of interest that may arise with respect to the granting of franchise licences to third parties);
- reviewing the scope and results of the internal audit procedures and Management's response and follow-up actions, and, at least annually, the adequacy and effectiveness of the internal controls review plan;

## CORPORATE GOVERNANCE REPORT

- approving the hiring, removal, evaluation and compensation of the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board, exercising Directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, the Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of the Audit Committee will not participate in any proceedings of the Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data as the Audit Committee may deem reasonably necessary;
- reviewing and assessing from time to time whether additional processes are required to be put in place to manage any material conflicts of interest with the Company's controlling shareholders and propose, where appropriate, the relevant measures for the management of such conflicts;
- reviewing and resolving all conflicts of interest matters referred to it; and
- reviewing the report, to be submitted at the end of each quarter, on rejected applicants for franchise licences.

Apart from the duties listed above, the Audit Committee reviews the Company's policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee will ensure that these arrangements allow such concerns to be raised and independently investigated, and proportionate and independent investigation of such matters and appropriate follow up action be taken.

### **Guideline 12.5 of the Code**

#### ***Meeting with External and Internal Auditors without Presence of Management***

The Audit Committee meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least once a year. Such meetings enable the Audit Committee to:

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

The meetings also enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the Audit Committee.

**Guideline 12.6 of the Code**  
**Independence of External Auditors**

The Company has appointed Messrs Nexia TS Public Accounting Corporation as its external auditors to meet its audit obligations and has assessed that they have the adequate resources and experience to audit the Group. The Company is in compliance with Rules 712 and 715 of the Listing Manual.

The Audit Committee assesses the independence of the external auditors annually. The aggregate amount of fees paid for or payable to the external auditors of the Group and Nexia Sydney (a member firm of Nexia International) for FY2018 was:

	<b>S\$'000</b>
Audit fees	137
Non-audit fees	81
<b>Total</b>	<b>218</b>

Although the non-audit fees exceed 50% of audit fees, the external auditors affirm that the audit team and Messrs Nexia TS Public Accounting Corporation, together with Nexia Sydney (a member firm of Nexia International), are independent in respect of the audit of the Group in accordance with the Accountants (Public Accountants) Rules 2004 as the significant non-audit fee is derived from tax compliance and due diligence review services provided to the Group.

The Audit Committee has reviewed the non-audit services rendered by the external auditors in FY2018 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired and compromised.

**Guideline 12.7 of the Code**  
**Whistle-blowing Policy**

A whistle-blowing policy has been established for employees of the Group and any other persons to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. The policy is disseminated to all employees of the Group and is posted on the Company's corporate website.

The policy is intended to provide an open and confidential process for the Group's employees, suppliers, customers and other stakeholders to express genuine concerns on any serious wrongdoing, such as unlawful conduct, financial malpractice, fraud, or corruption. The policy aims to encourage individuals to be confident in raising genuine concerns without fear of reprisal, discrimination or adverse consequences. It also allows the investigation of any actual, suspected or anticipated wrongdoing within or by the Group. The policy provides examples of reportable incidents, principles and reporting and handling procedures.

Any genuine concerns may be raised in writing to the Audit Committee through the channel as described in the Company's website. The Audit Committee is responsible for reviewing and overseeing the policy to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

## CORPORATE GOVERNANCE REPORT

### **Guideline 12.8 of the Code**

#### **Audit Committee to Keep Abreast of Changes to Accounting Standards**

The Audit Committee keeps abreast of changes in accounting standards and issues which impact the financial statements through, among others, briefings from external auditors during the Audit Committee meetings.

### **Guideline 12.9 of the Code**

#### **Partners or Directors of the Company's Auditing Firm**

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

## **(M) INTERNAL AUDIT**

### **Principle 13:**

The Company has established an effective internal audit function that is adequately resourced and independent of the activities it audits.

### **Guidelines 13.1 and 13.2 of the Code**

#### **Internal Auditors**

The Company has engaged Messrs KPMG Services Pte. Ltd. as its internal auditors. The internal auditors report directly to the Chairman of the Audit Committee on all internal audit matters. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

The Audit Committee, in consultation with Management, approves the hiring, removal, evaluation and the fees of the internal auditors. Procedures are in place for the internal auditors to report independently on their findings and recommendations to the Audit Committee for review. The internal auditors have confirmed their independence to the Audit Committee.

Management updates the Audit Committee on the status of any remedial action plans recommended by the internal auditors.

The primary functions of internal audit are to help:

- (a) assess if adequate systems of internal controls are in place to protect the assets of the Group and to ensure control procedures are complied with;
- (b) assess if operations of the business processes under review are conducted efficiently and effectively; and
- (c) identify and recommend improvements to internal control procedures, where required.

During FY2018, the internal auditors adopted a risk-based audit approach that focused on material internal controls, including financial, operational, compliance and information technology controls. Internal audit reports were submitted to the Audit Committee for deliberation, with copies of these reports extended to management.



**Guidelines 13.3 and 13.4 of the Code**  
**Internal Audit Function**

The Audit Committee is satisfied that the internal audit team from Messrs KPMG Services Pte. Ltd. is staffed by suitably qualified and experienced professionals and is independent, effective and adequately resourced. The internal audit work carried out is guided by the KPMG Global Internal Audit standard and the International Standards for the Professional Practice of Internal Auditing set out in the International Professional Practices Framework issued by The Institute of Internal Auditors (the "IIA"). The internal auditors are a member of the IIA, Singapore, a professional internal auditing body affiliated to the IIA, Inc.

**Guideline 13.5 of the Code**  
**Adequacy and Effectiveness of Internal Audit Function**

The Audit Committee reviews annually the adequacy and effectiveness of the internal auditors through:

- (a) approving the internal audit plan prior to the commencement of the internal audit work; and
- (b) reviewing the internal controls recommendations report subsequent to the completion of internal audit work.

**(N) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

**Principle 14:**

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

**Guidelines 14.1, 14.2 and 14.3 of the Code**  
**Shareholder Rights**

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

The Company strongly encourages shareholder participation during general meetings. Shareholders will be able to proactively engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Resolutions are passed through a process of voting by shareholders in accordance with established voting rules and procedures.

Corporations which provide nominee or custodial services are allowed to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

## CORPORATE GOVERNANCE REPORT

### (O) COMMUNICATION WITH SHAREHOLDERS

#### **Principle 15:**

The Company actively engages its shareholders and has put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

#### ***Guidelines 15.1, 15.2, 15.3 and 15.4 of the Code Communication with Shareholders***

The Group has an investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders on a fair and non-selective disclosure basis, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team.

The Group also monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Financial results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results via SGXNet. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments.

All material information and analysts' and media briefing materials are made available on SGXNet and on the Company's website <https://investor.mindchamps.org/>, for the information of shareholders.

The Company values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. Thus, the Company supports and encourages active shareholder participation at general meetings. The Company believes that general meetings serve as an opportune forum for shareholders to meet and interact with the Board and Key Management Personnel. Information on general meetings is also disseminated through notices in the annual reports or circulars sent to all shareholders, to encourage attendance from the shareholders.

#### ***Guideline 15.5 of the Code Dividend Policy***

The Company currently does not have a fixed dividend policy. The declaration and payment of future dividends may be recommended by the Board at their discretion, after considering a number of factors, including the level of cash and reserves, results of operations, business prospects, capital requirements and surplus, general financial condition, contractual restrictions, the absence of any circumstances which might reduce the amount of reserves available to pay dividends, and other factors considered relevant by the Board, including expected financial performance.

In line with the Company's statement in the Prospectus to recommend and distribute dividends of at least 40% of its net profit after tax for FY2018, the Board has proposed a declaration of final dividend of 1.34 cents per ordinary share for FY2018, which would represent a dividend of approximately 50% of the Company's audited net profit after tax generated in FY2018. The proposed dividend is subject to shareholders' approval at the forthcoming AGM.

## (P) CONDUCT OF SHAREHOLDER MEETINGS

### Principle 16:

The Company encourages greater shareholder participation at general meetings of shareholders, and allows shareholders the opportunity to communicate their views on various matters affecting the Company.

### **Guidelines 16.1, 16.2, 16.3, 16.4 and 16.5 of the Code Conduct of Shareholder Meetings**

The Company believes that strong participation from shareholders in general meetings will greatly enhance the shareholders' visibility of the Group's operations and performance. It will also further align the shareholders' interests with the Group's future directions and strategies.

Each shareholder who is entitled to attend and vote may either vote in person or appoint not more than two proxies. All resolutions at general meetings are put to vote by poll and the results of each resolution are announced with details of percentages in favour and against. The presentation and the total numbers of votes cast for or against the resolutions are announced after the meetings via SGXNet and uploaded on the Company's website <https://investor.mindchamps.org/>.

At the AGM, the following agenda will generally take place:

- (a) the CEO and the CFO present the progress and performance of the Group and encourage shareholders to participate in the Question and Answer session;
- (b) the external auditors are present to address shareholders' queries on the conduct of the audit and the preparation and content of their report;
- (c) the Chairpersons of the Audit, Nominating and Remuneration Committees, or members of the respective Committees are present to address shareholders' queries relating to the work of the Board Committees;
- (d) appropriate senior management personnel/members are also present to respond, if necessary, to operational questions from shareholders; and
- (e) each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or Management questions regarding the Group and its operations. The minutes of general meetings, which record substantial and relevant comments or queries from shareholders relating to the agenda and response from the Board and Management, are prepared by the Company Secretary and are made available to shareholders upon their request.

## CORPORATE GOVERNANCE REPORT

### (Q) OTHER CORPORATE GOVERNANCE MATTERS

#### 1. Interested persons transactions

The Company has established review and approval procedures to ensure that interested person transactions (“IPT”) entered into by the Group are conducted on normal terms and are not prejudicial to the interest of the shareholders.

Disclosure of IPT for FY2018 is set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions conducted (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) S\$’000	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$’000
Beston MindChamps Kids Nutrition Pte. Limited	113	–
DBS Trustee Limited as trustee of SPH REIT	477	–
MindChamps Family Online Pte. Limited	990 <sup>(1)</sup>	–
MindChamps Holdings Pte. Limited	537 <sup>(2)</sup>	–
MindChamps Music Pte. Limited	274	–
MindChamps Singapore Pte. Limited	756	–

**Notes:**

<sup>(1)</sup> Of which S\$990,000 is not covered under the Agreements that were set out in the Company’s Prospectus (see below).

<sup>(2)</sup> Of which S\$403,000 is not covered under the Agreements that were set out in the Company’s Prospectus (see below).

**CORPORATE GOVERNANCE REPORT**

Other than as stated in the Notes to the table above, the transactions relating to the amounts aggregated in the table above are covered under the following Agreements that were set out in the Company's Prospectus:

- (a) the Corporate Services Agreement dated 9 November 2017 between the Company and MindChamps Holdings Pte. Limited ("MCH") and its subsidiaries (together the "MCH Group");
- (b) the Franchise Agreement dated 11 November 2016 between MindChamps PreSchool Singapore Pte. Limited (a subsidiary of the Company) and MindChamps Singapore Pte. Limited (a subsidiary of MCH); and
- (c) the lease agreement dated 25 October 2016 between MindChamps PreSchool @ Paragon Pte. Limited (a subsidiary of the Company) and DBS Trustee Limited as trustee of SPH REIT (of which approximately 70% of the issued units are owned by Singapore Press Holdings Limited, a controlling shareholder of the Company).

As set out in the Company's Prospectus, investors, upon subscription of the Offering Shares (as defined in the Prospectus), are deemed to have specifically approved the transactions with interested persons covered under the said Agreements, and as such these transactions are not subject to Rules 905 and 906 of the Listing Manual to the extent that there are no subsequent changes to the terms of the Agreements in relation to each of these transactions.

**2. Material Contracts**

Except as disclosed above and the contracts described in the "Interested Person Transactions and Potential Conflicts of Interest" section of the Prospectus, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, which are either still subsisting at the end of FY2018 or, if not then subsisting, were entered into since the end of the previous financial year.

**3. Dealings in Securities**

Directors and employees of the Group are prohibited from dealing with the Company's securities on short-term considerations and also prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, in compliance with Rule 1207(19) of the Listing Manual.

Memoranda are issued to all Directors and employees of the Group to remind them of, inter alia, the laws prohibiting insider trading and the importance of not dealing in the shares of the Company on short-term consideration or during prohibited periods. Directors and employees are expected to observe the insider trading laws at all times even when dealing in shares of the Company during permitted trading periods.

## CORPORATE GOVERNANCE REPORT

### 4. Update on Use of Proceeds

The Company had raised proceeds amounting to S\$47.6 million from its Initial Public Offering (IPO). As at the date of this Report, the use of the proceeds from the IPO is as follows:

Use of Proceeds	Amount allocated (S\$ mil)	Amount utilised (S\$ mil)	Amount unutilised (S\$ mil)
Partial repayment of drawn down and outstanding amounts under the Acquisition Loan	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	(14.3)	20.2
For general corporate and working capital purposes	4.0	(1.4) <sup>(1)</sup>	2.6
<b>Total</b>	<b>47.6</b>	<b>(24.8)</b>	<b>22.8</b>

**Note:**

(1) The use of S\$1.4 million was mainly in relation to the provision of security deposits to landlords to secure the leases for newly acquired preschool centres in FY2018.

The Company's use of IPO proceeds is in accordance with its stated use and in accordance with the percentage allocated in the Prospectus. The use of IPO proceeds is therefore in compliance with Rule 1207(20) of the Listing Manual.



**DIRECTORS' STATEMENT**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 56 to 142 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The directors of the Company in office at the date of this statement are as follows:

David Chiem Phu An  
Philip Antony Jeyaretnam  
Catherine Du  
Janice Wu Sung Sung  
Phua Chin Chor  
Lee Suan Hiang

**Arrangements to enable directors to acquire shares and debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Plans" in this statement.

**DIRECTORS' STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Directors' interests in shares or debentures**

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	<b>Number of Ordinary Shares</b>			
	<b>Direct Interest</b>		<b>Deemed Interest</b>	
	<b>At 31.12.2018</b>	<b>At 1.1.2018</b>	<b>At 31.12.2018</b>	<b>At 1.1.2018</b>
<b>MindChamps PreSchool Limited</b>				
<u>(No. of ordinary shares)</u>				
David Chiem Phu An	–	1,710,528	128,516,969 <sup>(1)</sup>	126,606,441
Catherine Du	–	1,710,528	128,516,969 <sup>(2)</sup>	126,606,441

- (1) Mr David Chiem Phu An holds 35.4% of the issued ordinary shares of Champion Minds Pte. Limited ("**Champion Minds**"), which in turn wholly-owns MindChamps Holdings Pte. Limited ("**MCH**"). Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Mr Chiem is deemed to be interested in the shares of the Company ("**Shares**") held by MCH. In addition, Mr Chiem is deemed to be interested in the Shares in which his spouse, Ms Catherine Du, has an interest, including the 1,710,528 Shares which she holds through DBS Nominees (Private) Limited. As Mr Chiem already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as his deemed interest in Shares in which his spouse, Ms Du, has an interest. Mr Chiem also holds 1,910,528 Shares through DBS Nominees (Private) Limited.
- (2) Ms Catherine Du holds 35.4% of the issued ordinary shares of Champion Minds, which in turn wholly-owns MCH. Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Ms Du is deemed to be interested in the Shares held by MCH. In addition, Ms Du is deemed to be interested in the Shares in which her spouse, Mr David Chiem Phu An, has an interest, including the 1,910,528 Shares which he holds through DBS Nominees (Private) Limited. As Ms Du already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as her deemed interest in Shares in which her spouse, Mr Chiem, has an interest. Ms Du also holds 1,710,528 Shares through DBS Nominees (Private) Limited.

- (b) Each of David Chiem Phu An and Catherine Du, by virtue of his/her interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Group in the following subsidiary corporations that are not wholly-owned by the Group:

	<b>At 31.12.2018</b>	<b>At 1.1.2018</b>
<b>MindChamps PreSchool @ Serangoon Pte. Limited</b>		
– No. of ordinary shares	240,000	240,000
<b>MindChamps PreSchool @ Zhongshan Park Pte. Ltd.</b>		
– No. of ordinary shares	450,000	450,000
<b>MindChamps PreSchool @ Leisure Park Kallang Pte. Limited</b>		
– No. of ordinary shares	51	51
<b>MindChamps Shanghai Pte. Limited</b>		
– No. of ordinary shares	120	120

- (c) The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

## Share Plans

On 9 November 2017, the shareholders approved two share-based incentive plans, namely the MindChamps PreSchool Share Option Plan (the "**SOP**") and the MindChamps PreSchool Performance Share Plan (the "**PSP**", and together with the SOP, the "**Share Plans**").

The Share Plans are share incentive schemes under the administration of the Remuneration Committee. The purpose of the Share Plans is to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and directors of the Group who have contributed to the growth of the Group. The Share Plans will give participants an opportunity to have a personal equity interest in the Company and will help to achieve the following positive objectives:

- (a) to motivate the participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key executives and executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders; and
- (e) to align the interests of employees with the interests of the shareholders.

During the financial year, there were:

- (i) no options granted under the SOP to subscribe for unissued shares of the Company or its subsidiary corporations; and
- (ii) no shares issued under the Share Plans to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under the Share Plans.

**DIRECTORS' STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**Audit Committee**

The members of the Audit Committee during the financial year and at the date of this statement are as follows:

Phua Chin Chor (Chairman)  
Philip Antony Jeyaretnam  
Lee Suan Hiang

All members of the Audit Committee are independent directors.

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 of Singapore and the Singapore Exchange Securities Trading Limited Listing Manual.

Its functions include:

- assisting the Board in fulfilling its responsibility for overseeing the integrity of the Company's system of accounting and financial report and in maintaining a high standard of transparency and reliability in its corporate disclosures;
- reviewing and recommending to the Board any significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the external auditors' audit plan and audit reports, and the external auditors' evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by Management to the external auditors;
- reviewing and reporting to the Board, at least annually, on the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls, and risk management policies and systems;
- monitoring and reviewing the implementation of the external auditors' recommendations for internal control weaknesses (if any);
- reviewing any interested person transactions as defined in the Listing Manual;
- reviewing any potential conflicts of interest (including any potential conflicts of interest that may arise with respect to the granting of franchise licences to third parties);
- reviewing the scope and results of the internal audit procedures and Management's response and follow-up actions, and, at least annually, the adequacy and effectiveness of the internal controls review plan;
- approving the hiring, removal, evaluation and compensation of the accounting/auditing firm or corporation to which the internal audit function is outsourced;

## DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

- making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board, exercising Directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, the Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of the Audit Committee will not participate in any proceedings of the Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data as the Audit Committee may deem reasonably necessary;
- reviewing and assessing from time to time whether additional processes are required to be put in place to manage any material conflicts of interest with the Company's controlling shareholders and propose, where appropriate, the relevant measures for the management of such conflicts;
- reviewing and resolving all conflicts of interest matters referred to it; and
- reviewing the report, to be submitted at the end of each quarter, on rejected applicants for franchise licences.

Apart from the duties listed above, the Audit Committee reviews the Company's policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee will ensure that these arrangements allow such concerns to be raised and independently investigated, and proportionate and independent investigation of such matters and appropriate follow up action be taken.

The Audit Committee has recommended to the Board that the independent auditors, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

### Independent auditors

The independent auditors, Nexia TS Public Accounting Corporation, have expressed their willingness to accept re-appointment.

#### On behalf of the directors

.....  
**David Chiem Phu An**  
 Executive Chairman

.....  
**Catherine Du**  
 Director

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MINDCHAMPS PRESCHOOL LIMITED

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of MindChamps PreSchool Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 142.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards in Singapore (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

#### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Revenue recognition

##### Area of focus

The Group's revenue is primarily generated from school fees, royalty fees and franchise income. During the financial year ended 31 December 2018, the Group recognised revenue of \$36,960,000. We focused on this area as a key audit matter as there is a presumed fraud risk with regards to revenue recognition and revenue is one of the key performance indicators of the Group.



### *Key Audit Matters (Continued)*

#### Revenue recognition (Continued)

##### Area of focus (Continued)

The potential existence of management override controls and large volume of transaction will increase the inherent risk of material misstatement in amount of revenue reported.

The adoption of new revenue recognition standard – SFRS(I) 15 *Revenue from Contracts with Customers* represents a change in accounting principles and increase the risks of material misstatement in revenue, which can include inaccurate recognition of revenue, as well as incomplete or omitted transition disclosures on implementing the new standard.

##### *How our audit addressed the area of focus*

In obtaining sufficient audit evidence, the following procedures have been performed:

- Discussed with management on the processes involved in the sales cycle for each revenue stream and performed walkthrough tests. We have also performed test of controls to ascertain the reliability of the internal controls in place in the respective sales cycles;
- Reviewed and discussed with management regarding the Group's revenue recognition policy in accordance with SFRS(I) 15, in particular identification of performance obligations and whether revenue is recognised at a point in time or over time, and the financial impact of each revenue streams on the adoption of the new standard;
- Performed substantive tests of details and sales cut-off test to ascertain that the sales have been accurately taken up in the correct accounting period;
- Assessed the completeness of the contract liabilities balance by reviewing unfulfilled performance obligations for which the Group has received consideration from parents and franchisees in advance;
- Performed substantive analytical procedures on unexpected and material variances by comparing the current financial year performance to prior financial year and our independent expectations; and
- Reviewed the adequacy of disclosures in the notes to the financial statements.

#### Business combinations

##### Area of focus

During the financial year, the Group acquired a subsidiary corporation in Singapore and 7 preschool businesses in Sydney, Australia. The goodwill arising from current year's acquisitions amounted to \$23,010,000.

The recognition of goodwill requires management judgement and assumptions in identifying and assessing the fair value of identified assets acquired, liabilities and contingent liabilities assumed for the newly acquired subsidiary corporation and preschool businesses.

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MINDCHAMPS PRESCHOOL LIMITED

### *Key Audit Matters (Continued)*

#### Business combinations (Continued)

##### *How our audit addressed the area of focus*

In obtaining sufficient audit evidence, the following procedures have been performed:

- Reviewed management's assessment on the initial recognition of these newly acquired investments to ensure its compliance with SFRS(I) 3 *Business Combinations* requirements;
- Evaluated the professional competence and objectivity of management's expert;
- Involved our internal valuation specialist to evaluate the methodology applied, in particular the valuation of the assets acquired and certain identified assumptions critical to the methodology including, inter alia, discount rates used; and
- Reviewed the adequacy of disclosures in the notes to the financial statements.

#### Goodwill impairment assessment

##### Area of focus

As at 31 December 2018, the goodwill has increased from \$21,158,000 to \$41,945,000, which is significant to the Group and represented 45% of the Group's total assets.

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. We focused on this area due to the level of subjectivity associated with the many assumptions used in estimating the value-in-use ("VIU") of the respective cash-generating units ("CGU") that is required to be made by management, including expectations of future events that are believed to be reasonable under the circumstances.

##### *How our audit addressed the area of focus*

In obtaining sufficient audit evidence, the following procedures have been performed:

- Evaluated the reasonableness and challenged the appropriateness of management's estimates used in calculating the VIU, by taking into consideration of the CGU's past performance, current market condition and the industry trend;
- With the assistance of our internal valuation specialist, assessed the reasonableness of the discount rate used;
- Evaluated management's sensitivity analysis to assess the impact on the recoverable amount of each CGU by reasonable changes to the estimated growth rate and discount rate; and
- Reviewed the adequacy of disclosures in the notes to the financial statements.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MINDCHAMPS PRESCHOOL LIMITED

### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT**  
TO THE MEMBERS OF MINDCHAMPS PRESCHOOL LIMITED*Report on other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

**Nexia TS Public Accounting Corporation**  
**Public Accountants and Chartered Accountants**

**Singapore**  
**8 April 2019**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group	
		2018 \$'000	2017 \$'000
Revenue	4	36,960	22,791
Cost of sales		(14,639)	(7,656)
<b>Gross profit</b>		<b>22,321</b>	15,135
Other income			
– Interest income	5	429	40
– Others		2,998	1,402
Expenses			
– Administrative		(16,915)	(9,738)
– Marketing		(809)	(560)
– Reversal of impairment loss/(impairment loss) on financial assets	29(b)	69	(4)
<b>Operating profit</b>		<b>8,093</b>	6,275
Other loss – net	6	(198)	(13)
Non-operating expenses			
– Finance	9	(576)	(58)
– Initial public offering		–	(507)
– Acquisitions	31	(496)	(495)
Share of loss of an associated corporation and a joint venture	16,17	–*	–
<b>Profit before income tax</b>		<b>6,823</b>	5,202
Income tax expense	10	(336)	(312)
<b>Net profit</b>		<b>6,487</b>	4,890
<b>Other comprehensive loss:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – loss		(2,365)	(212)
<b>Total comprehensive income</b>		<b>4,122</b>	4,678
<b>Profit attributable to:</b>			
Equity holders of the Company		6,384	4,565
Non-controlling interests		103	325
		<b>6,487</b>	4,890
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		4,019	4,353
Non-controlling interests		103	325
		<b>4,122</b>	4,678
<b>Earnings per share for net profit attributable to equity holders of the Company</b>			
– Basic earnings per share (cents per share)	26	2.64	2.45
– Diluted earnings per share (cents per share)	26	2.64	2.45

\* Less than \$1,000

The accompanying notes form an integral part of these financial statements.



**BALANCE SHEET – GROUP**  
 AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<b>(Restated)</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11	<b>35,437</b>	39,377	3,874
Trade and other receivables	12	<b>12,009</b>	7,944	5,404
Inventories	13	<b>138</b>	90	80
		<b>47,584</b>	47,411	9,358
<b>Non-current assets</b>				
Property, plant and equipment	14	<b>1,940</b>	1,327	1,147
Intangible assets	15	<b>43,953</b>	22,077	5,429
Deferred income tax assets	23	<b>251</b>	388	–
Investment in an associated corporation	16	–	–	–
Investment in a joint venture	17	–	–	–
		<b>46,144</b>	23,792	6,576
<b>Total assets</b>		<b>93,728</b>	71,203	15,934
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	19	<b>8,965</b>	5,046	5,218
Contract liabilities	4(b)	<b>2,155</b>	1,635	2,089
Borrowings	20	<b>5,838</b>	2,315	40
Current income tax liabilities		<b>216</b>	722	484
		<b>17,174</b>	9,718	7,831
<b>Non-current liabilities</b>				
Other payables	19	–	–	3,737
Borrowings	20	<b>15,088</b>	4,636	56
Deferred income tax liabilities	23	<b>16</b>	17	–
Provision for reinstatement costs	22	<b>764</b>	164	145
		<b>15,868</b>	4,817	3,938
<b>Total liabilities</b>		<b>33,042</b>	14,535	11,769
<b>NET ASSETS</b>		<b>60,686</b>	56,668	4,165
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	24	<b>49,301</b>	49,301	500
Currency translation reserve		<b>(2,540)</b>	(175)	37
Retained profits	25	<b>13,974</b>	7,574	3,187
		<b>60,735</b>	56,700	3,724
<b>Non-controlling interests</b>	18	<b>(49)</b>	(32)	441
<b>TOTAL EQUITY</b>		<b>60,686</b>	56,668	4,165

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET – COMPANY**

AS AT 31 DECEMBER 2018

	Note	31 December		1 January
		2018	2017	2017
		\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11	<b>23,915</b>	32,803	181
Trade and other receivables	12	<b>50,870</b>	23,472	3,982
		<b>74,785</b>	56,275	4,163
<b>Non-current assets</b>				
Property, plant and equipment	14	<b>217</b>	244	283
Intangible assets	15	<b>1,744</b>	639	361
Deferred income tax assets	23	<b>37</b>	67	–
Investments in subsidiary corporations	18	<b>2,473</b>	8,138	6,755
Investment in an associated corporation	16	<b>–</b>	–	–
		<b>4,471</b>	9,088	7,399
<b>Total assets</b>		<b>79,256</b>	65,363	11,562
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	19	<b>6,516</b>	7,937	6,686
Contract liabilities	4(b)	<b>–</b>	–	56
Borrowings	20	<b>5,838</b>	2,315	40
		<b>12,354</b>	10,252	6,782
<b>Non-current liabilities</b>				
Other payables	19	<b>–</b>	–	3,737
Borrowings	20	<b>15,088</b>	4,636	56
		<b>15,088</b>	4,636	3,793
<b>Total liabilities</b>		<b>27,442</b>	14,888	10,575
<b>NET ASSETS</b>		<b>51,814</b>	50,475	987
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	24	<b>49,301</b>	49,301	500
Retained profits	25	<b>2,513</b>	1,174	487
<b>TOTAL EQUITY</b>		<b>51,814</b>	50,475	987

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

<u>Attributable to equity holders of the Company</u>						
Note	Share capital \$'000	Currency translation reserve \$'000	Retained profits \$'000	Total \$'000	Non- controlling interests \$'000	Total \$'000
<b>2018</b>						
<b>As at 31 December 2017</b>	49,301	(175)	7,574	56,700	(32)	56,668
Adoption of SFRS(I) 9	2.2(d)	–	–	16	–	16
<b>As at 1 January 2018</b>	49,301	(175)	7,590	56,716	(32)	56,684
Total comprehensive (loss)/income for the financial year	–	(2,365)	6,384	4,019	103	4,122
Dividend paid to non- controlling interests	18	–	–	–	(120)	(120)
<b>As at 31 December 2018</b>	49,301	(2,540)	13,974	60,735	(49)	60,686
<b>2017</b>						
<b>As at 1 January 2017</b>	500	37	3,187	3,724	441	4,165
Total comprehensive (loss)/income for the financial year	–	(212)	4,565	4,353	325	4,678
Dividend paid to non- controlling interests	18	–	–	–	(110)	(110)
Acquisition of a preschool business	31	–	–	–	(186)	(186)
Acquisitions of non- controlling interests	18	–	(178)	(178)	(502)	(680)
New shares issued pursuant to initial public offering	24	51,128	–	51,128	–	51,128
Initial public offering expenses capitalised	24	(2,327)	–	(2,327)	–	(2,327)
<b>As at 31 December 2017</b>	49,301	(175)	7,574	56,700	(32)	56,668

*The accompanying notes form an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note	Group	
	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>		
Net profit	6,487	4,890
Adjustments for:		
– Acquisition related expenses	31 496	495
– Amortisation of intangible assets	7 550	509
– Depreciation of property, plant and equipment	7 662	421
– Interest expense	9 576	58
– Interest income	5 (429)	(40)
– Income tax expense	10 336	312
– Initial public offering expenses	–	507
– Property, plant and equipment written off	14 5	–*
– Share of loss of an associated corporation and a joint venture	16,17 –*	–
– Unrealised currency translation losses	114	17
	<b>8,797</b>	<b>7,169</b>
Change in working capital, net of effects from acquisitions of businesses and subsidiary corporation:		
– Contract liabilities	504	(876)
– Inventories	(48)	(9)
– Trade and other receivables	(4,009)	(2,387)
– Trade and other payables	2,929	2,042
Cash generated from operations	8,173	5,939
Income tax paid	(706)	(484)
Income tax refund	–	39
<b>Net cash provided by operating activities</b>	<b>7,467</b>	<b>5,494</b>
<b>Cash flows from investing activities</b>		
Acquisitions of non-controlling interests	18 –	(680)
Acquisitions of preschool businesses	31 (22,033)	(16,629)
Acquisition of subsidiary corporation, net of cash acquired	31 (1,122)	–
Acquisitions related expenses paid	(492)	(495)
Additions to intangible assets	(640)	(723)
Additions to property, plant and equipment	(435)	(419)
Interest received	429	40
<b>Net cash used in investing activities</b>	<b>(24,293)</b>	<b>(18,906)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to equity holders of the Company	–	(2,500)
Dividend paid to non-controlling interests	18 (120)	(110)
Initial public offering expenses	–	(2,834)
Interest paid	(505)	(33)
Proceeds from bank borrowings	17,538	13,168
Proceeds from initial public offering	–	47,566
Repayments of bank borrowings	(3,773)	(6,298)
Repayments of finance lease liabilities	(42)	(40)
<b>Net cash provided by financing activities</b>	<b>13,098</b>	<b>48,919</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,728)</b>	<b>35,507</b>
<b>Cash and cash equivalents</b>		
Beginning of financial year	39,377	3,874
Effects of currency translation on cash and cash equivalents	(212)	(4)
<b>End of financial year</b>	<b>35,437</b>	<b>39,377</b>

\* Less than \$1,000

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### Reconciliation of liabilities arising from financing activities

	Bank borrowings \$'000	Finance lease liabilities \$'000	Total \$'000
<b>As at 1 January 2018</b>	6,895	56	6,951
Changes from financing cash flows:			
– Proceeds from bank borrowings	17,538	–	17,538
– Repayments of bank borrowings	(3,773)	–	(3,773)
– Repayments of finance lease liabilities	–	(42)	(42)
– Interest paid	(504)	(1)	(505)
Total changes from financing cash flows	13,261	(43)	13,218
Liabilities related other change			
– Loan transaction costs	181	–	181
– Interest expense	575	1	576
<b>As at 31 December 2018</b>	<b>20,912</b>	<b>14</b>	<b>20,926</b>
<b>As at 1 January 2017</b>	–	96	96
Changes from financing cash flows:			
– Proceeds from bank borrowings	13,168	–	13,168
– Repayments of bank borrowings	(6,298)	–	(6,298)
– Repayments of finance lease liabilities	–	(40)	(40)
– Interest paid	(30)	(3)	(33)
Total changes from financing cash flows	6,840	(43)	6,797
Liability related other change			
– Interest expense	55	3	58
<b>As at 31 December 2017</b>	<b>6,895</b>	<b>56</b>	<b>6,951</b>

*The accompanying notes form an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1 General information

MindChamps PreSchool Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480.

The principal activities of the Company are those relating to childcare services and investment holding. The principal activities of its subsidiary corporations are those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services, provision of commercial schools offering higher education programmes, and business and management consulting services.

The immediate holding corporation is MindChamps Holdings Pte. Limited and the ultimate holding corporation is Champion Minds Pte. Limited, both companies are incorporated in Singapore.

### 2 Significant accounting policies

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### 2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of the Group’s financial statements prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group’s opening balance sheet has been prepared as at 1 January 2017, which is the Group’s date of transition to SFRS(I) (“date of transition”).



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.2 Adoption of SFRS(I)** (Continued)

## (a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

## (i) Business combinations

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

## (ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(iii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(iv) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts, the Group did not restate the contracts that began and ended within the same year or were completed before that date of transition at 1 January 2017; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.2 Adoption of SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I):

Note	As at 31 December 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 15 <sup>^</sup> \$'000	As at 31 December 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 9 <sup>^</sup> \$'000	As at 1 January 2018 reported under SFRS(I) \$'000	
<b>ASSETS</b>						
<b>Current assets</b>						
	Cash and cash equivalents	39,377	–	39,377	–	39,377
	Trade and other receivables	B1 7,944	–	7,944	16	7,960
	Inventories	90	–	90	–	90
		47,411	–	47,411	16	47,427
<b>Non-current assets</b>						
	Property, plant and equipment	2.3 1,725	–	1,725	–	1,725
	Intangible assets	2.3 21,679	–	21,679	–	21,679
	Deferred income tax assets	388	–	388	–	388
		23,792	–	23,792	–	23,792
	<b>Total assets</b>	71,203	–	71,203	16	71,219
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
	Trade and other payables	5,046	–	5,046	–	5,046
	Deferred income	A1 1,635	(1,635)	–	–	–
	Contract liabilities	A1 –	1,635	1,635	–	1,635
	Borrowings	2,315	–	2,315	–	2,315
	Current income tax liabilities	722	–	722	–	722
		9,718	–	9,718	–	9,718
<b>Non-current liabilities</b>						
	Borrowings	4,636	–	4,636	–	4,636
	Deferred income tax liabilities	17	–	17	–	17
	Provision for reinstatement costs	164	–	164	–	164
		4,817	–	4,817	–	4,817
	<b>Total liabilities</b>	14,535	–	14,535	–	14,535
	<b>NET ASSETS</b>	56,668	–	56,668	16	56,684

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Significant accounting policies (Continued)

### 2.2 Adoption of SFRS(I) (Continued)

- (b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I): (Continued)

Note	As at 31 December 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 15 <sup>^</sup> \$'000	As at 31 December 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 9 <sup>^</sup> \$'000	As at 1 January 2018 reported under SFRS(I) \$'000
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	49,301	–	49,301	–	49,301
Currency translation reserve	(175)	–	(175)	–	(175)
Retained profits	7,574	–	7,574	16	7,590
	56,700	–	56,700	16	56,716
<b>Non-controlling interests</b>	(32)	–	(32)	–	(32)
<b>TOTAL EQUITY</b>	56,668	–	56,668	16	56,684

<sup>^</sup> The explanatory notes on the effects of applying the SFRS(I) 9 and 15 are detailed in Note 2.2(d).

- (c) There were no material adjustments to the Group's statement of comprehensive income and statement of cash flows arising from the transition from SFRS to SFRS(I).
- (d) Explanatory notes to reconciliations

The effects of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

#### A. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(iv), the Group has also elected to apply the transition provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in reclassifications to the previously issued SFRS financial statements as explained below:

##### A1. Presentation of deferred income as contract liabilities

The Group has changed the presentation of deferred income to contract liabilities in the balance sheet as at 31 December 2017 on adoption of SFRS(I) 15. The contract liabilities were in relation to the advances received from customers arising from the franchise agreements and student enrolments of \$566,000 and \$1,069,000 (1 January 2017: \$1,106,000 and \$983,000) under SFRS respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.2 Adoption of SFRS(I) (Continued)

(d) Explanatory notes to reconciliations (Continued)

#### B. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(iii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.12.

#### B1. Classification and measurement of financial assets

For financial assets held by the Company on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under the SFRS(I) 9. Reclassifications resulting from management's assessment are as follows:

	Note	Financial assets at amortised cost* \$'000	Retained profits \$'000
<b>As at 31 December 2017 – before adoption of SFRS(I) 9</b>		7,779	7,574
Allowance for expected credit loss impairment of financial assets	(i)	16	16
<b>As at 1 January 2018 – after adoption of SFRS(I) 9</b>		7,795	7,590

\* Includes financial assets measured at amortised costs except for cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Significant accounting policies (Continued)

### 2.2 Adoption of SFRS(I) (Continued)

(d) Explanatory notes to reconciliations (Continued)

#### B. Adoption of SFRS(I) 9 (Continued)

B1. Classification and measurement of financial assets (Continued)

##### (i) Impairment of financial assets

The Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.12 and Note 29(b).

(e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There was no material impact to the Company's balances on adoption of SFRS(I), except for the effects arising from the application of SFRS(I) 15, as follows:

##### *Presentation of deferred income as contract liabilities*

The Company has changed the presentation of deferred income to contract liabilities in the balance sheet as at 1 January 2017 on adoption of SFRS(I) 15. The contract liabilities were in relation to the advances received from customers arising from the franchise agreements of \$56,000 under SFRS. Material reclassifications resulting from management's assessment are as follows:

	<b>Deferred income \$'000</b>	<b>Contract liabilities \$'000</b>
<b>As at 31 December 2016 – before adoption of SFRS(I) 15</b>	56	–
Advances received from franchise agreements	(56)	56
<b>As at 1 January 2017 – after adoption of SFRS(I) 15</b>	–	56

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.3 Restatement of consolidated balance sheet as at 31 December 2017

As disclosed in Note 15(a) of the Group's financial statements for the financial year ended 31 December 2017, goodwill arising from the preschool businesses acquired on 10 November 2017 in Australia were provisionally determined. Paragraph 45 of SFRS(I) 3 *Business Combinations* allows the acquirer to complete the fair value assessments on the assets or liabilities acquired within one year after the acquisition date.

In 2018, the Group has completed the fair value assessment and retrospectively adjusted the provisional amounts recognised at the acquisition date in accordance with SFRS(I) 3. The following reconciliation summarises the impact on the Group's consolidated balance sheet as at 31 December 2017:

	As previously reported \$'000	Effects of SFRS(I) 3 \$'000	As restated \$'000
<b>Non-current assets</b>			
Property, plant and equipment	1,725	(398)	1,327
Intangible assets	21,679	398	22,077

#### 2.4 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. The amount of revenue presented is the amount net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

(a) School fee

School fee is recognised over time when the Group satisfies its PO by conducting classes to the student.

School fee received in advance is not recognised as revenue as the PO is not satisfied and therefore a contract liability is recognised over the period in which the conduct of classes representing the Group's obligation to the student to date. It was recognised as deferred income prior to 1 January 2018.

(b) Administrative and event income

Administrative and event income is recognised at a point in time when the Group satisfies its PO by rendering the service to the customer.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.4 Revenue recognition** (Continued)(c) Sale of merchandise

Revenue from the sale of merchandise is recognised at a point in time when the Group satisfies its PO by transferring the control of a promised merchandise to the customer.

(d) Royalty fee

Royalty fee is recognised over time in accordance with the substance of the franchise agreement for the continuing use of rights and curriculum granted to the franchisee. The royalty fee is calculated at a fixed percentage of the franchisee's revenue that occur and invoiced on a monthly basis.

(e) Franchise income

## (i) Unit franchise licences

Franchise income generated from unit franchise licences is recognised at a point in time, being when the Group satisfies its PO by fulfilling its franchisor's obligations stated in the franchise agreement or in the event of the expiry of the unit franchise licence, which is when the franchisee fails to commence the franchise business within the stipulated period stated in the franchise agreement.

The Group, as a franchisor, has developed a customary business practice to undertake activities such as advice on site selection, key person training, updates on course materials and programmes, annual review of the performance and budgeting. However, the Group concludes that these activities do not directly transfer goods or services to the franchisee because they are part of the Group's promise to grant a licence. Therefore, the Group concludes that there is only one PO in these contracts.

Any unfulfilled PO which the Group receives consideration in advance is recognised as a contract liability. It was recognised as deferred income prior to 1 January 2018.

## (ii) Master franchise licences

Exclusive rights to operate the MindChamps franchise model in a territory is granted to a master franchisee upon execution of the master franchise agreement, prohibiting the Group from entering such territory. As such, franchise income is recognised as revenue at a point in time upon the execution of the master franchise agreement as the exclusive rights is granted to a master franchisee. This revenue recognition is independent of the number of unit franchise licences sold or the number of centres established in such exclusive territory, as it is the master franchisee's obligation to support the unit franchisees in such exclusive territory.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.4 Revenue recognition (Continued)

(e) Franchise income (Continued)

(ii) Master franchise licences (Continued)

If a master franchise agreement contains an element of significant financing, the Group adjusts the transaction price with the promised consideration for the effects of the significant financing component using a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the grant of exclusive rights to a master franchisee and the payment date is one year or less.

(f) Commission income

Commission income is recognised at a point in time when the Group satisfies its PO by referring students to the franchisee.

(g) Service income

Service income is recognised at point in time when the Group satisfies its PO by rendering the service to the customer.

Service income received in advance is not recognised as revenue as the PO is not satisfied therefore a contract liability is recognised over the period in which the provision of service representing the Group's obligation to the customer to date. It was recognised as deferred income prior to 1 January 2018.

(h) Interest income

Interest income is recognised using the effective interest method.

#### 2.5 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related cost which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

## 2 Significant accounting policies (Continued)

### 2.6 Group accounting

#### (a) *Subsidiary corporations*

##### (i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from the involvement of the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances, and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise of the portion of subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

##### (ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.6 Group accounting (Continued)

##### (a) *Subsidiary corporations* (Continued)

##### (ii) *Acquisitions* (Continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

##### (iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to paragraph "Investments in subsidiary corporations and associated corporations" for the accounting policy on investments in subsidiary corporations.

##### (b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.6 Group accounting** (Continued)*(c) Associated corporations and joint ventures*

Associated corporations are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated corporations and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

*(i) Acquisitions*

Investments in associated corporations and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated corporations and joint ventures represents the excess of the cost of acquisition of the associated corporation or joint venture over the Group's share of the fair value of the identifiable net assets of the associated corporation or joint venture and is included in the carrying amount of the investments.

*(ii) Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated corporations' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated corporations or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated corporation or joint venture equals to or exceeds its interest in the associated corporation or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated corporation or joint venture. If the associated corporation or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated corporation or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.6 Group accounting (Continued)

(c) *Associated corporations and joint ventures (Continued)*

(ii) *Equity method of accounting (Continued)*

Unrealised gains on transactions between the Group and its associated corporations or joint ventures are eliminated to the extent of the Group's interest in the associated corporations or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated corporations or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated corporations or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated corporation or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated corporations" for the accounting policy on investments in associated corporations.

#### 2.7 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.7 Property, plant and equipment (Continued)

##### (b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Furniture and office equipment	3 – 5 years
Renovation	5 years
Computer equipment	3 years
Motor vehicles	10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

##### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

##### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains and (losses)”.

#### 2.8 Intangible assets

##### (a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.8 Intangible assets (Continued)

(b) *Acquired trademarks and licences*

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6 years, which is the period of contractual rights.

(c) *Courseware development costs*

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of courseware are capitalised as intangible assets only when the technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the courseware and the costs can be measured reliably. Such costs include consulting fees and payroll-related costs of employees directly involved in the project.

Following initial recognition of the courseware development costs as intangible assets, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development has been completed and the asset is available for use. The courseware development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of two years.

(d) *Acquired computer software licences*

Acquired computer software are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with the maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight line method over their estimated useful lives of two years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the profit and loss when the changes arise.

#### 2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.10 Investments in subsidiary corporations and associated corporations**

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Investments in associated corporations are accounted for in the Company's financial statements using the equity method of accounting, in conformity with the Group Accounting Policy disclosed in Note 2.6 (c).

**2.11 Impairment of non-financial assets***(i) Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

*(ii) Intangible assets**Property, plant and equipment**Investments in subsidiary corporations, associated corporations and joint ventures*

Intangible assets, property, plant and equipment and investments in subsidiary corporations, associated corporations and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.11 Impairment of non-financial assets (Continued)

(ii) *Intangible assets*

*Property, plant and equipment*

*Investments in subsidiary corporations, associated corporations and joint ventures (Continued)*

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

#### 2.12 Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Cash and cash equivalents" (Note 11) and "Trade and other receivables" (Note 12) on the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.12 Financial assets** (Continued)

The accounting for financial assets before 1 January 2018 is as follows: (Continued)

*(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit and loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

*(c) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

*(d) Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

*(e) Impairment*

The Group assesses at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.12 Financial assets (Continued)

The accounting for financial assets from 1 January 2018 is as follows:

(a) *Classification and measurement*

The Group classifies its financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) *Impairment*

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.12 Financial assets** (Continued)

The accounting for financial assets from 1 January 2018 is as follows: (Continued)

*(c) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

**2.13 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.14 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost.

**2.15 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.16 Fair value estimation of financial assets and liabilities**

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.17 Leases

*When the Group is the lessee*

The Group leases motor vehicles under finance lease and premises, computer equipment and office equipment under operating leases.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

#### 2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.19 Income taxes** (Continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated corporations and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

**2.20 Provisions for liabilities and charges***(a) General*

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.20 Provisions for liabilities and charges (Continued)

(b) *Asset dismantlement, removal or restoration*

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

#### 2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the balance sheet date.

#### 2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which it operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company and have been rounded to the nearest thousand ("'\$'000").

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**2 Significant accounting policies** (Continued)**2.22 Currency translation** (Continued)*(b) Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented within “finance expense”. All other foreign exchange gains and losses impacting profit or loss are presented within “other gains/(losses) – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

*(c) Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting policies (Continued)

#### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

#### 2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

#### 2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

#### 2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

### 3 Critical accounting estimates, assumptions and judgements

Estimates assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### 3.1 Critical accounting estimates and assumptions

##### *Impairment of goodwill*

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 15, the recoverable amounts of the cash-generating units ("CGUs") in which goodwill has been attributable to are determined by using value-in-use ("VIU") calculations.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**3 Critical accounting estimates, assumptions and judgements** (Continued)**3.1 Critical accounting estimates and assumptions** (Continued)*Impairment of goodwill* (Continued)

Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on past performance and its expectations of market developments in Singapore and Australia. Specific estimates are disclosed in Note 15.

The carrying amount of goodwill as at 31 December 2018 is \$41,945,000 (31 December 2017: \$21,158,000; 1 January 2017: \$4,724,000). Management has assessed that the change in the estimated recoverable amount from any reasonably possible change on the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

**3.2 Critical judgements in applying the entity's accounting policies***Impairment of trade receivables*

As at 31 December 2018, the Group's trade receivables amounted to \$6,790,000 (Note 12), arising from the Group's different revenue segments – "Education" and "Franchise and Corporate".

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. A loss allowance of \$125,000 for trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 29(b)(i).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**4 Revenue****(a) Disaggregation of revenue**

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams and geographical regions. Revenue is attributed to countries by source of revenue generation.

	<b>Group</b>		
	<b>At a point in time \$'000</b>	<b>Over time \$'000</b>	<b>Total \$'000</b>
<b>2018</b>			
<b>Singapore</b>			
– School fees	–	14,757	14,757
– Royalty fees	–	5,317	5,317
– Franchise income	4,210	–	4,210
– Sale of merchandise	558	–	558
– Others	368	–	368
	<b>5,136</b>	<b>20,074</b>	<b>25,210</b>
<b>Australia</b>			
– School fees	–	11,733	11,733
– Others	17	–	17
	<b>17</b>	<b>11,733</b>	<b>11,750</b>
Total	<b>5,153</b>	<b>31,807</b>	<b>36,960</b>
<b>2017</b>			
<b>Singapore</b>			
– School fees	–	13,175	13,175
– Royalty fees	–	4,566	4,566
– Franchise income	2,978	–	2,978
– Sale of merchandise	466	–	466
– Others	765	–	765
	<b>4,209</b>	<b>17,741</b>	<b>21,950</b>
<b>Australia</b>			
– School fees	–	840	840
– Others	1	–	1
	<b>1</b>	<b>840</b>	<b>841</b>
Total	<b>4,210</b>	<b>18,581</b>	<b>22,791</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 4 Revenue (Continued)

#### (b) Contract liabilities

	Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<i>Contract liabilities</i>			
– School fees	1,366	1,069	983
– Franchise income	735	555	1,081
– Others	54	11	25
Total contract liabilities	<b>2,155</b>	1,635	2,089

	Company		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<i>Contract liabilities</i>			
– Franchise income	–	–	56

The increase in contract liabilities was mainly due to the increase in student enrolments during the financial year ended 31 December 2018, resulting in increased school fees collected in advance which the Group billed and received consideration ahead of the provision of services.

#### (i) Revenue recognised in relation to contract liabilities

	Group	
	2018	2017
	\$'000	\$'000
<i>Revenue recognised in current financial year that was included in the contract liabilities balance at the beginning of the financial year</i>		
– School fees	1,069	983
– Franchise income	–	656
– Others	11	25

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 4 Revenue (Continued)

#### (b) Contract liabilities (Continued)

##### (ii) Unsatisfied performance obligations

	Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<i>Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied</i>			
– School fees	1,366	–*	–*
– Franchise income	735	–*	–*
– Others	54	–*	–*

\* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 are not disclosed.

Management expects that \$1,580,000 (73%) from the unsatisfied performance obligations as of 31 December 2018 may be recognised as revenue in the financial year ending 31 December 2019. The remaining \$575,000 (27%) may be recognised as revenue after the financial year ending 31 December 2019.

### 5 Other income

	Group	
	2018	2017
	\$'000	\$'000
Service income	2,438	1,089
Government grants	411	238
Interest income – bank deposits	429	40
Others	149	75
	<b>3,427</b>	<b>1,442</b>

### 6 Other loss – net

	Group	
	2018	2017
	\$'000	\$'000
Currency exchange loss – net	198	13



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 7 Expenses by nature

	Group	
	2018 \$'000	2017 \$'000
Advertising and marketing	809	560
Amortisation of intangible assets (Note 15(e))	550	509
Associate trainer fees	538	96
Change in inventories	(48)	(9)
Commission	121	298
Depreciation of property, plant and equipment (Note 14)	662	421
Employee compensation (Note 8)	20,864	10,163
Event and excursion expenses	146	464
Insurance	82	18
Professional fees	860	627
Purchase of merchandise	473	326
Rental – operating lease	4,866	2,978
Repair and maintenance	111	81
Student welfare	845	527
Telecommunication	57	34
Training	138	96
Travel expenses	433	328
Utilities	248	129
Others	608	308
<b>Total cost of sales, administrative expenses, and marketing expenses</b>	<b>32,363</b>	<b>17,954</b>

### 8 Employee compensation

	Group	
	2018 \$'000	2017 \$'000
Wages, salaries and other costs	19,037	9,095
Employer's contribution to Central Provident Fund	1,827	1,068
	<b>20,864</b>	<b>10,163</b>

### 9 Finance expenses

	Group	
	2018 \$'000	2017 \$'000
Interest expenses:		
– Finance lease liabilities	1	3
– Term loan	524	30
	<b>525</b>	<b>33</b>
Amortisation of transaction cost	51	25
	<b>576</b>	<b>58</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 10 Income tax expense

	Group	
	2018 \$'000	2017 \$'000
Income tax expense/(credit) attributable to profit is made up of:		
Profit for the financial year:		
– Current income tax – Singapore	200	695
Deferred income tax (Note 23)	136	(371)
Over provision in prior financial years		
– Current income tax – Singapore	–	(12)
	<b>336</b>	<b>312</b>

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018 \$'000	2017 \$'000
Profit before income tax	6,823	5,202
Share of loss of an associated corporation and a joint venture (Notes 16 and 17)	–*	–
Profit before income tax and share of loss of an associated corporation and a joint venture	<b>6,823</b>	<b>5,202</b>
Tax calculated at a tax rate of 17%:	1,160	884
Effects of:		
– expenses not deductible for tax purposes	193	112
– different tax rate in other country	29	23
– deferred tax assets not recognised	27	31
– recognition of previously unrecognised:		
– deductible temporary differences	–	(136)
– tax losses	–	(235)
– tax incentives	(925)	(234)
– income not subject to tax	(51)	(6)
– capitalisation of revenue expense	(97)	(115)
– over provision in prior financial years	–	(12)
– others	–	–*
	<b>336</b>	<b>312</b>

\* Less than \$1,000

Subject to agreement with the tax authorities, the Group has unutilised tax losses and capital allowances amounting to \$1,876,000 and \$125,000 (2017: \$2,673,000 and \$125,000) respectively at the balance sheet date which can be carried forward for offsetting against future taxable income subject to compliance with the provisions of the Income Tax Act of Singapore and the Income Tax Assessment Act of Australia and meeting certain statutory requirements in Singapore and Australia.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 11 Cash and cash equivalents

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at banks	14,148	7,365	3,041	2,670	802	181
Short-term bank deposits	21,244	32,000	822	21,244	32,000	–
Cash in hand	45	12	11	1	1	–*
	<b>35,437</b>	39,377	3,874	<b>23,915</b>	32,803	181

\* Less than \$1,000

### 12 Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Current</i>						
Trade receivables						
– Non-related parties	6,915	5,174	3,866	4,693	3,671	2,341
– Subsidiary corporations	–	–	–	7	–	–
– Related corporations	–	31	–	–	4	–*
	<b>6,915</b>	5,205	3,866	<b>4,700</b>	3,675	2,341
Less: Loss allowance (Note 29(b))						
– Non-related parties	(125)	(209)	(205)	–	–	–
Trade receivables – net	<b>6,790</b>	4,996	3,661	<b>4,700</b>	3,675	2,341
Other receivables						
– Non-related parties	674	577	307	228	265	109
– Immediate holding corporation	476	108	–	476	108	–
– Related corporations	149	164	–	127	–	–
– Subsidiary corporations	–	–	–	44,567	19,055	1,308
– Shareholders of subsidiary corporations	–	–	6	–	–	–
	<b>1,299</b>	849	313	<b>45,398</b>	19,428	1,417
Less: Loss allowance (Note 29(b))						
– Non-related parties	(65)	(66)	(66)	–	–	–
– Subsidiary corporation	–	–	–	(343)	(343)	(343)
Other receivables – net	<b>1,234</b>	783	247	<b>45,055</b>	19,805	1,074
Prepayments	712	165	98	209	71	32
Deposits	3,273	2,000	1,398	906	641	535
	<b>12,009</b>	7,944	5,404	<b>50,870</b>	23,472	3,982

\* Less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 12 Trade and other receivables (Continued)

Non-trade amount due from immediate holding corporation, related corporations, subsidiary corporations and shareholders of subsidiary corporations are unsecured, interest-free and are repayable on demand.

### 13 Inventories

	Group		
	31 December	2017	1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
<i>At cost</i>			
Finished goods – merchandise for sale	138	90	80

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$425,000 (2017: \$317,000).

### 14 Property, plant and equipment

	Furniture and office equipment	Renovation	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>					
<b>2018</b>					
<i>Cost</i>					
As at 1 January 2018	1,167	1,352	330	435	3,284
Currency translation differences	(41)	(37)	(5)	(6)	(89)
Acquisitions of preschool businesses and subsidiary corporation (Note 31)	268	12	33	–	313
Additions	132	731	97	62	1,022
Write-off	(6)	–	–	–	(6)
As at 31 December 2018	1,520	2,058	455	491	4,524
<i>Accumulated depreciation</i>					
As at 1 January 2018	843	754	205	155	1,957
Currency translation differences	(22)	(10)	(1)	(1)	(34)
Depreciation charge (Note 7)	240	283	95	44	662
Write-off	(1)	–	–	–	(1)
As at 31 December 2018	1,060	1,027	299	198	2,584
<b>Net book value</b>					
<b>As at 31 December 2018</b>	<b>460</b>	<b>1,031</b>	<b>156</b>	<b>293</b>	<b>1,940</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 14 Property, plant and equipment (Continued)

	<b>Furniture and office equipment \$'000</b>	<b>Renovation \$'000</b>	<b>Computer equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
<b>Group</b>					
<b>2017 (Restated)</b>					
<i>Cost</i>					
As at 1 January 2017	904	1,153	194	435	2,686
Currency translation differences	(6)	(2)	–	–	(8)
Acquisitions of preschool businesses (Note 31)	122	38	11	–	171
Additions	150	163	125	–	438
Write-off	(3)	–	–	–	(3)
As at 31 December 2017	<u>1,167</u>	<u>1,352</u>	<u>330</u>	<u>435</u>	<u>3,284</u>
<i>Accumulated depreciation</i>					
As at 1 January 2017	730	522	175	112	1,539
Currency translation differences	–*	–*	–*	–*	–*
Depreciation charge (Note 7)	116	232	30	43	421
Write-off	(3)	–	–	–	(3)
As at 31 December 2017	<u>843</u>	<u>754</u>	<u>205</u>	<u>155</u>	<u>1,957</u>
<b>Net book value</b>					
<b>As at 1 January 2017</b>	<u>174</u>	<u>631</u>	<u>19</u>	<u>323</u>	<u>1,147</u>
<b>As at 31 December 2017</b>	<u>324</u>	<u>598</u>	<u>125</u>	<u>280</u>	<u>1,327</u>

\* Less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 14 Property, plant and equipment (Continued)

	Furniture and office equipment \$'000	Computer equipment \$'000	Motor vehicle \$'000	Total \$'000
<b>Company</b>				
<b>2018</b>				
<i>Cost</i>				
As at 1 January 2018	–	–	393	393
Additions	5	11	–	16
As at 31 December 2018	5	11	393	409
<i>Accumulated depreciation</i>				
As at 1 January 2018	–	–	149	149
Depreciation charge	2	3	38	43
As at 31 December 2018	2	3	187	192
<b>Net book value</b>				
<b>As at 31 December 2018</b>	<b>3</b>	<b>8</b>	<b>206</b>	<b>217</b>
<b>Company</b>				
<b>2017</b>				
<i>Cost</i>				
As at 1 January 2017	–	–	393	393
Additions	–	–	–	–
As at 31 December 2017	–	–	393	393
<i>Accumulated depreciation</i>				
As at 1 January 2017	–	–	110	110
Depreciation charge	–	–	39	39
As at 31 December 2017	–	–	149	149
<b>Net book value</b>				
<b>As at 1 January 2017</b>	<b>–</b>	<b>–</b>	<b>283</b>	<b>283</b>
<b>As at 31 December 2017</b>	<b>–</b>	<b>–</b>	<b>244</b>	<b>244</b>

The carrying amount of the Group's and the Company's motor vehicle held under finance leases liabilities is \$206,000 (31 December 2017: \$244,000; 1 January 2017: \$283,000) at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 15 Intangible assets

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
	(Restated)					
<u>Composition</u>						
Goodwill arising on consolidation (Note (a))	41,945	21,158	4,724	-	-	-
Franchise licences (Note (b))	11	24	37	-	-	-
Courseware development costs (Note (c))	952	854	579	715	617	342
Computer software licences (Note (d))	1,045	41	89	1,029	22	19
	<b>43,953</b>	22,077	5,429	<b>1,744</b>	639	361

#### (a) Goodwill arising on consolidation

	Group	
	2018 \$'000	2017 \$'000
	(Restated)	
<u>Cost</u>		
Beginning of financial year	21,244	4,810
Acquisition of preschool businesses and subsidiary corporation (Note 31)	23,010	16,651
Currency translation differences	(2,223)	(217)
End of financial year	42,031	21,244
<u>Accumulated impairment</u>		
Beginning and end of financial year	86	86
<b>Net book value</b>	<b>41,945</b>	21,158

#### *Impairment tests for goodwill*

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to each of the operating entities.

A segment-level summary of the goodwill allocation is as follows:

	31 December		1 January
	2018 \$'000	2017 \$'000	2017 \$'000
<b>Education</b>			
Singapore	6,179	4,917	4,724
Australia	35,766	16,241	-
	<b>41,945</b>	21,158	4,724

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 15 Intangible assets (Continued)

#### (a) Goodwill arising on consolidation (Continued)

##### *Impairment tests for goodwill (Continued)*

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period.

##### (i) Goodwill arising from the preschool businesses in Australia

For the MindChamps Early Learning (“MCEL”) businesses below, there was no impairment of goodwill for the financial year ended 31 December 2018.

Key assumptions used for value-in-use calculations:

	<b>Gross margin<sup>1</sup></b>	<b>Growth rate<sup>2</sup></b>	<b>Discount rate<sup>3</sup></b>
<b>MCEL @ Broadway</b>			
– As at 31 December 2018	<b>51.8%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Cherrybrook</b>			
– As at 31 December 2018	<b>54.5%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Eastwood</b>			
– As at 31 December 2018	<b>43.4%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Hornsby</b>			
– As at 31 December 2018	<b>54.0%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Ropes Crossing</b>			
– As at 31 December 2018	<b>33.0%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ West Hoxton</b>			
– As at 31 December 2018	<b>40.7%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Lane Cove</b>			
– As at 31 December 2018	<b>39.0%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Penrith</b>			
– As at 31 December 2018	<b>35.4%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Hurstville</b>			
– As at 31 December 2018	<b>40.1%</b>	<b>3.0%</b>	<b>8.3%</b>
<b>MCEL @ Wheeler Heights</b>			
– As at 31 December 2018	<b>46.0%</b>	<b>3.0%</b>	<b>8.3%</b>

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the budgeted period

3 Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry report. The discount rates used were pre-tax and reflected specific risks relating to the segment. There were no reasonably possible changes in significant assumptions used in the value-in-use calculations which would cause the recoverable amount of each business to fall below the respective carrying amounts.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 15 Intangible assets (Continued)

#### (a) Goodwill arising on consolidation (Continued)

##### *Impairment tests for goodwill (Continued)*

##### (i) Goodwill arising from the preschool businesses in Australia (Continued)

Goodwill arising from a preschool business acquired on 2 November 2018 in Australia is provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired, liabilities and contingent liabilities assumed. The fair value exercise is expected to be finalised within 12 months from date of acquisition; hence, the goodwill has not been allocated to the relevant cash-generating unit ("CGU"). The Group has not performed any impairment assessment on this acquisition as the initial allocation of goodwill has not been completed. Furthermore, there are no internal and external triggering events that warrant an impairment assessment, as this business is generating revenue and profit for the financial year ended 31 December 2018.

##### (ii) Goodwill arising from the preschool businesses in Singapore

There was no impairment of goodwill allocated to the preschool businesses in Singapore.

*Key assumptions used for value-in-use calculations:*

	<b>Gross margin<sup>1</sup></b>	<b>Growth rate<sup>2</sup></b>	<b>Discount rate<sup>3</sup></b>
<b>MindChamps PreSchool @ Paragon Pte. Limited</b>			
– As at 31 December 2018	<b>45.6%</b>	<b>3.0%</b>	<b>9.3%</b>
– As at 31 December 2017	46.4%	3.0%	10.4%
<b>MindChamps PreSchool @ Serangoon Pte. Limited</b>			
– As at 31 December 2018	<b>45.7%</b>	<b>3.0%</b>	<b>9.3%</b>
– As at 31 December 2017	48.9%	3.0%	10.5%
<b>MindChamps PreSchool @ Zhongshan Park Pte. Ltd.</b>			
– As at 31 December 2018	<b>45.0%</b>	<b>3.0%</b>	<b>9.3%</b>
– As at 31 December 2017	43.2%	3.0%	10.4%
<b>MindChamps PreSchool @ Leisure Park Kallang Pte. Limited</b>			
– As at 31 December 2018	<b>41.0%</b>	<b>3.0%</b>	<b>9.3%</b>
– As at 31 December 2017	48.3%	3.0%	9.9%
<b>MindChamps PreSchool @ Woodlands Pte. Ltd.</b>			
– As at 31 December 2018	<b>47.6%</b>	<b>3.0%</b>	<b>9.3%</b>

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the budgeted period

3 Pre-tax discount rate applied to the pre-tax cash flow projections

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 15 Intangible assets (Continued)

#### (a) Goodwill arising on consolidation (Continued)

##### *Impairment tests for goodwill (Continued)*

##### (ii) Goodwill arising from the preschool businesses in Singapore (Continued)

Management determined budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry report. The discount rates used were pre-tax and reflected specific risks relating to the segment. There were no reasonably possible changes in significant assumptions used in the value-in-use calculations which would cause the recoverable amount of each entity to fall below the respective carrying amounts.

#### (b) Franchise licences

	Group	
	2018 \$'000	2017 \$'000
<u>Cost</u>		
Beginning of financial year	46	46
Acquisition of subsidiary corporation (Note 31)	10	–
End of financial year	56	46
<u>Accumulated amortisation</u>		
Beginning of financial year	22	9
Amortisation charge	23	13
End of financial year	45	22
<b>Net book value</b>	<b>11</b>	<b>24</b>

#### (c) Courseware development costs

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<u>Cost</u>				
Beginning of financial year	1,738	1,060	1,502	824
Additions	571	678	571	678
End of financial year	2,309	1,738	2,073	1,502
<u>Accumulated amortisation</u>				
Beginning of financial year	884	481	885	482
Amortisation charge	473	403	473	403
End of financial year	1,357	884	1,358	885
<b>Net book value</b>	<b>952</b>	<b>854</b>	<b>715</b>	<b>617</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 15 Intangible assets (Continued)

#### (d) Computer software

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Cost</i>				
Beginning of financial year	216	171	76	38
Additions	1,058	45	1,042	38
End of financial year	1,274	216	1,118	76
<i>Accumulated amortisation</i>				
Beginning of financial year	175	82	54	19
Amortisation charge	54	93	35	35
End of financial year	229	175	89	54
<b>Net book value</b>	<b>1,045</b>	<b>41</b>	<b>1,029</b>	<b>22</b>

#### (e) Amortisation expenses included in the statement of comprehensive income is analysed as follows:

	Group	
	2018 \$'000	2017 \$'000
Administrative expenses (Note 7)	550	509

### 16 Investment in an associated corporation

	Group and Company	
	2018 \$'000	2017 \$'000
<i>Equity accounting</i>		
Beginning of financial year	-	-
Addition	-*	-
Share of loss of an associated corporation	(-*)	-
End of financial year	-	-

\* Less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 16 Investment in an associated corporation (Continued)

Set out below is the associated corporation of the Group and Company as at 31 December 2018.

Name	Place of business/ country of incorporation	% of ownership Interest		
		31 December 2018	2017	1 January 2017
MindChamps (BeiJing) Education Ltd.	People's Republic of China	49%	–	–

On 22 June 2018, the Company, together with First Capital Education Investment (Shenzhen) Co. Ltd. ("FCEIS"), have incorporated MindChamps (BeiJing) Education Ltd. ("MCBJE") in the People's Republic of China ("PRC"). The Company holds 49% and FCEIS holds 51% of the agreed share capital of MCBJE. The paid-up capital of MCBJE is nominal.

MCBJE is 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.

There are no contingent liabilities relating to the Group and the Company's interest in MCBJE.

#### Summarised financial information for an associated corporation

##### Summarised balance sheet

	MCBJE		
	31 December 2018	2017	1 January 2017
	\$'000	\$'000	\$'000
Current assets	181	–	–
Current liabilities	(2,579)	–	–
Non-current assets	1,404	–	–
Non-current liabilities	–	–	–

##### Summarised statement of comprehensive income

	MCBJE	
	For the year ended 31 December	
	2018	2017
	\$'000	\$'000
Total comprehensive loss, representing net loss	(1,022)	–

The information above reflects the amounts presented in the financial statements of MCBJE (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and MCBJE.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 16 Investment in an associated corporation (Continued)

#### Summarised financial information for an associated corporation (Continued)

#### Summarised statement of comprehensive income (Continued)

The Group's and the Company's share of losses in MCBJE equals to its interest in MCBJE. The Group and the Company did not recognise further losses. As at 31 December 2018, the cumulative unrecognised loss with respect to MCBJE was \$487,000.

#### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group and Company's interest in MCBJE, is as follows:

	MCBJE		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Net liabilities	(994)	–	–
Group's equity interest	49%	–	–
Group's share of net liabilities	–*	–	–
Carrying value	–	–	–

\* Less than \$1,000

### 17 Investment in a joint venture

	Group	
	2018	2017
	\$'000	\$'000
<i>Equity accounting</i>		
Beginning of financial year	–	–
Addition	–*	–
Share of loss of a joint venture	(–*)	–
End of financial year	–	–

\* Less than \$1,000

Set out below is the joint venture of the Group as at 31 December 2018.

Name	Place of business/ country of incorporation	% of ownership Interest		
		31 December 2018	2017	1 January 2017
MindChamps – First Capital PreSchool China Capital Management Limited	Cayman Islands	50%	–	–

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 17 Investment in a joint venture (Continued)

On 24 May 2018, the Group, together with First Capital Mega International Limited (“FCMI”), have incorporated MindChamps – First Capital PreSchool China Capital Management Limited (“MFCPCCM”) in the Cayman Islands. The total issued capital of MFCPCCM is US\$2.00, of which the Group holds 50% and FCMI holds 50%.

MFCPCCM is intended to be a General Partner to an investment fund.

There are no contingent liabilities relating to the Group’s interest in MFCPCCM.

#### Summarised financial information for a joint venture

##### Summarised balance sheet

	<b>MFCPCCM</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current assets	–	–	–
Current liabilities	–*	–	–
Non-current assets	–	–	–
Non-current liabilities	–	–	–

\* Less than \$1,000

##### Summarised statement of comprehensive income

	<b>MFCPCCM</b>	
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Total comprehensive loss, representing net loss	(–*)	–

\* Less than \$1,000

The information above reflects the amounts presented in the financial statements of MFCPCCM (and not the Group’s share of those amounts), adjusted for differences in accounting policies between the Group and MFCPCCM.

The Group’s share of losses in MFCPCCM equals to its interest in MFCPCCM. The Group did not recognise further losses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 17 Investments in a joint venture (Continued)

#### Summarised financial information for joint venture (Continued)

#### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in MFCPCCM, is as follows:

	<b>MFCPCCM</b>		
	<b>31 December</b>	<b>1 January</b>	
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net liabilities	-*	-	-
Group's equity interest	<b>50%</b>	-	-
Group's share of net liabilities	-*	-	-
Carrying value	-	-	-

\* Less than \$1,000

### 18 Investments in subsidiary corporations

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Equity investments at cost</i>		
Beginning of financial year	<b>8,139</b>	6,756
Additions	-*	1,383
Transfers	<b>(5,665)</b>	-
End of financial year	<b>2,474</b>	8,139
Less: Allowance for impairment	<b>(1)</b>	(1)
	<b>2,473</b>	8,138

\* Less than \$1,000

As at 1 January 2017, the carrying amount of investments in subsidiary corporations was \$6,755,000.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**18 Investments in subsidiary corporations** (Continued)

The Group and the Company have the following subsidiary corporations as at 31 December 2018, 31 December 2017 and 1 January 2017:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group			Proportion of ordinary shares held by non-controlling interests		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
<i>Held by the Company</i>								
MindChamps PreSchool Singapore Pte. Limited (formerly known as MindChamps PreSchool Franchise Pte. Limited) <sup>(a)</sup>	Franchising of childcare services for preschool children	Singapore	<b>100.00</b>	100.00	93.58	-	-	6.42
MindChamps PreSchool @ TPY Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	-	100.00	100.00	-	-	-
MindChamps PreSchool @ Paragon Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	-	100.00	100.00	-	-	-
MindChamps PreSchool @ Serangoon Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	-	80.00	80.00	-	20.00	20.00
MindChamps PreSchool @ Zhongshan Park Pte. Ltd. <sup>(a)</sup>	Childcare and related services	Singapore	-	75.00	75.00	-	25.00	25.00
MindChamps PreSchool @ Changi Business Park Pte. Ltd. <sup>(a)</sup>	Childcare and related services	Singapore	-	100.00	51.00	-	-	49.00
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	-	51.00	51.00	-	49.00	49.00
Champion Mindset Academy Pte. Limited <sup>(a)</sup>	Commercial school offering higher education services	Singapore	<b>100.00</b>	100.00	100.00	-	-	-
MindChamps Shanghai Pte. Limited <sup>(a)</sup>	Business and management consultancy services and investment holding	Singapore	<b>60.00</b>	60.00	60.00	<b>40.00</b>	40.00	40.00
MindChamps – Pavcap PreSchool Global Holdings Pte. Limited <sup>(a), (b)</sup>	Other holding	Singapore	<b>100.00</b>	-	-	-	-	-
MindChamps Capital Pte. Limited <sup>(a), (b)</sup>	Asset management	Singapore	<b>100.00</b>	-	-	-	-	-
MindChamps Australia Pty. Ltd. <sup>(a), (c)</sup>	Childcare and related services	Australia	<b>100.00</b>	100.00	100.00	-	-	-
MindChamps Early Learning Australia Pty. Limited <sup>(a), (b)</sup>	Franchising of childcare services for preschool children	Australia	<b>100.00</b>	-	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 18 Investments in subsidiary corporations (Continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group			Proportion of ordinary shares held by non-controlling interests		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
<i>Held by MindChamps PreSchool</i>								
<i>Singapore Pte. Limited (formerly known as MindChamps PreSchool Franchise Pte. Limited)</i>								
MindChamps PreSchool @ TPY Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	100.00	-	-	-	-	-
MindChamps PreSchool @ Paragon Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	100.00	-	-	-	-	-
MindChamps PreSchool @ Serangoon Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	80.00	-	-	20.00	-	-
MindChamps PreSchool @ Zhongshan Park Pte. Ltd. <sup>(a)</sup>	Childcare and related services	Singapore	75.00	-	-	25.00	-	-
MindChamps PreSchool @ Changi Business Park Pte. Ltd. <sup>(a)</sup>	Childcare and related services	Singapore	100.00	-	-	-	-	-
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited <sup>(a)</sup>	Childcare and related services	Singapore	51.00	-	-	49.00	-	-
MindChamps PreSchool @ Woodlands Pte. Ltd. <sup>(a), (c)</sup>	Childcare and related services	Singapore	100.00	-	-	-	-	-
<i>Held by MindChamps Australia Pty. Ltd.</i>								
MindChamps Early Learning & Care @ Broadway Pty. Limited <sup>(d)</sup>	Childcare and related services	Australia	100.00	100.00	-	-	-	-
MindChamps Early Learning & Care @ Cherrybrook Pty. Limited <sup>(d)</sup>	Childcare and related services	Australia	100.00	100.00	-	-	-	-
MindChamps Early Learning & Care @ Eastwood Pty. Limited <sup>(d)</sup>	Childcare and related services	Australia	100.00	100.00	-	-	-	-
MindChamps Early Learning & Care @ Hornsby Pty. Limited <sup>(d)</sup>	Childcare and related services	Australia	100.00	100.00	-	-	-	-

(a) Audited by Nexia TS Public Accounting Corporation, a member firm of Nexia International

(b) Incorporated during the financial year

(c) Acquired during the financial year

(d) Audited by Nexia Sydney Audit Pty. Ltd., a member firm of Nexia International; and reviewed by Nexia TS Public Accounting Corporation for consolidation purposes

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**18 Investments in subsidiary corporations** (Continued)**Additions of subsidiary corporations**

- (i) On 1 March 2018, the Group acquired 100% equity interest in MindChamps PreSchool @ Woodlands Pte. Ltd.
- (ii) During the financial year, the Company incorporated the following wholly owned subsidiary corporations:

<b>Incorporation dates</b>	<b>Name</b>
16 May 2018	MindChamps – PavCap PreSchool Global Holdings Pte. Limited
6 June 2018	MindChamps Early Learning Australia Pty. Limited
18 July 2018	MindChamps Capital Pte. Limited

**Transfers of subsidiary corporations**

On 31 December 2018, the Company performed an internal restructuring exercise. The rationale for the exercise is to create an intermediate Singapore holding company, to facilitate more efficient performance monitoring and analysis at a country level.

In this regard, the Company has transferred its entire shareholding in the following subsidiary corporations, to a wholly-owned subsidiary corporation of the Company, MindChamps PreSchool Singapore Pte. Limited (formerly known as MindChamps PreSchool Franchise Pte. Limited):

<b>Name</b>	<b>Equity Interest Transferred</b>	<b>Consideration \$'000</b>	<b>Carrying Value \$'000</b>	<b>Excess of Consideration \$'000</b>
MindChamps PreSchool @ TPY Pte. Limited	100%	200	(200)	–
MindChamps PreSchool @ Changi Business Park Pte. Ltd.	100%	387	(387)	–
MindChamps PreSchool @ Paragon Pte. Limited	100%	153	(153)	–
MindChamps PreSchool @ Serangoon Pte. Limited	80%	4,115	(4,115)	–
MindChamps PreSchool @ Zhongshan Park Pte. Ltd.	75%	810	(810)	–
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited	51%	–*	–*	–
		5,665	(5,665)	–

\* Less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 18 Investments in subsidiary corporations (Continued)

#### Carrying value of non-controlling interests

	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
MindChamps PreSchool Singapore Pte. Limited (formerly known as MindChamps PreSchool Franchise Pte. Limited) ("MCS")	–	–	194
MindChamps PreSchool @ Serangoon Pte. Limited ("SRG")	<b>248</b>	210	190
Other subsidiary corporations with immaterial non-controlling interests	<b>(297)</b>	(242)	57
<b>Total</b>	<b>(49)</b>	(32)	441

#### Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for each subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

##### Summarised balance sheet

	SRG	
	2018	2017
	\$'000	\$'000
<b>Current</b>		
Assets	<b>2,250</b>	2,036
Liabilities	<b>(1,118)</b>	(1,124)
Total current net assets	<b>1,132</b>	912
<b>Non-current</b>		
Assets	<b>172</b>	202
Liabilities	<b>(62)</b>	(62)
Total non-current net assets	<b>110</b>	140
<b>Net assets</b>	<b>1,242</b>	1,052

##### Summarised income statement

	SRG	
	2018	2017
	\$'000	\$'000
Revenue	<b>3,661</b>	3,464
<b>Profit before income tax</b>	<b>801</b>	746
Income tax expense	<b>(100)</b>	(93)
<b>Total comprehensive income, representing net profit</b>	<b>701</b>	653
Total comprehensive income allocated to non-controlling interests	<b>140</b>	131
Dividends paid to non-controlling interests	<b>120</b>	110

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**18 Investments in subsidiary corporations** (Continued)**Summarised financial information of subsidiary corporations with material non-controlling interests** (Continued)*Summarised cash flows*

	SRG	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Cash generated from operations	969	818
Income tax paid	(77)	(21)
<b>Net cash provided by operating activities</b>	<b>892</b>	<b>797</b>
<b>Net cash used in investing activities</b>	<b>(38)</b>	<b>(100)</b>
<b>Net cash used in financing activities</b>	<b>(600)</b>	<b>(550)</b>
<b>Net increase in cash and cash equivalents</b>	<b>254</b>	<b>147</b>
Cash and cash equivalents at beginning of financial year	1,735	1,588
<b>Cash and cash equivalents at end of financial year</b>	<b>1,989</b>	<b>1,735</b>

**Transactions with non-controlling interests – acquisitions of additional interests in subsidiary corporations***(i) MindChamps PreSchool @ Changi Business Park Pte. Ltd. ("CBP")*

On 25 September 2017, the Group acquired the remaining 49.00% of the issued shares of CBP for a purchase consideration of \$387,000. Following the transaction, CBP became a wholly-owned subsidiary corporation of the Group. The carrying amount of the non-controlling interests in CBP on the date of acquisition was \$120,000. The Group derecognised non-controlling interests of \$120,000 and recorded a decrease in equity attributable to owners of the parents of \$267,000.

*(ii) MindChamps PreSchool Singapore Pte. Limited ("MCS")*

On 9 November 2017, the Group acquired the remaining 6.42% of the issued shares of MCS for a purchase consideration of \$293,000. Following the transaction, MCS became a wholly-owned subsidiary corporation of the Group. The carrying amount of the non-controlling interests in MCS on the date of acquisition was \$382,000. The Group derecognised non-controlling interests of \$382,000 and recorded an increase in equity attributable to owners of the parents of \$89,000.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 18 Investments in subsidiary corporations (Continued)

#### Transactions with non-controlling interests – acquisitions of additional interests in subsidiary corporations (Continued)

The effect of the changes in the ownership interest of CBP and MCS on the equity attributable to owners of the Company in 2017 is summarised as follows:

	CBP \$'000	MCS \$'000	Total \$'000
Carrying amount of non-controlling interests acquired	120	382	502
Considerations paid to non-controlling interests	(387)	(293)	(680)
<b>Excess of considerations paid recognised in parent's equity</b>	<b>(267)</b>	<b>89</b>	<b>(178)</b>

### 19 Trade and other payables

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<i>Current</i>						
Trade payables to:						
– non-related parties	208	99	129	–	–	–
– related corporations	–	50	–*	–	–	–*
– subsidiary corporations	–	–	–	1	–	149
	<b>208</b>	149	129	<b>1</b>	–	149
Other payables to:						
– non-related parties	899	1,077	758	131	429	19
– related parties	–	–	81	–	–	76
– related corporations	992	31	150	990	20	–
– subsidiary corporations	–	–	–	4,224	7,188	4,925
– immediate holding corporation	2	11	1,357	–	–	1,357
– shareholders of a subsidiary corporation	–	–	157	–	–	–
	<b>1,893</b>	1,119	2,503	<b>5,345</b>	7,637	6,377
Deposit received	2,678	2,089	1,304	32	32	–
Accrued operating expenses	4,186	1,689	1,282	1,138	268	160
	<b>8,965</b>	5,046	5,218	<b>6,516</b>	7,937	6,686
<i>Non-current</i>						
Deferred consideration payables	–	–	3,737	–	–	3,737
Total trade and other payables	<b>8,965</b>	5,046	8,955	<b>6,516</b>	7,937	10,423

\* Less than \$1,000

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**19 Trade and other payables** (Continued)

Non-trade amounts due to subsidiary corporations, related parties, related corporations, immediate holding corporation and shareholders of a subsidiary corporation are unsecured, interest-free and are repayable on demand.

The fair values of deferred consideration payables approximate to their carrying amounts at the balance sheet date, which were estimated by discounting the expected future cash flows at the market interest rate.

Deferred consideration payments pertained to the acquisitions of subsidiary corporations in 2016, which had been settled by the issuance of the Company's IPO shares in 2017.

**20 Borrowings**

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current</i>			
Term loan	<b>5,824</b>	2,273	–
Finance lease liabilities (Note 21)	<b>14</b>	42	40
	<b>5,838</b>	2,315	40
<i>Non-current</i>			
Term loan	<b>15,088</b>	4,622	–
Finance lease liabilities (Note 21)	<b>–</b>	14	56
	<b>15,088</b>	4,636	56
Total borrowings	<b>20,926</b>	6,951	96

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are follows:

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
6 months or less	<b>2,912</b>	1,136	–
6 – 12 months	<b>2,912</b>	1,136	–
1 – 5 years	<b>15,088</b>	4,623	–
Total borrowings	<b>20,912</b>	6,895	–

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 20 Borrowings (Continued)

#### (a) Security granted

Total borrowings include secured liabilities of \$20,926,000 (31 December 2017: \$6,951,000; 1 January 2017: \$96,000) for the Group and the Company. Term loan of the Group and the Company is secured by means of Memorandum of Charge/Assignment 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 Holding Pte. Limited.

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

#### (b) Fair value of non-current borrowings

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Term loan	<b>12,234</b>	3,944	–
Finance lease liabilities	–	13	49

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Term loan	<b>5.33</b>	5.28	–
Finance lease liabilities	–	5.28	5.35

The fair values are within level 2 of the fair values hierarchy.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**21 Finance lease liabilities**

The Group and the Company lease motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses as the Group and the Company intend to use these assets until the end of the assets' useful lives.

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Minimum lease payments due			
– Not later than one year	<b>14</b>	43	43
– Between one and five years	–	14	57
	<b>14</b>	57	100
Less: Future finance charges	–*	(1)	(4)
Present value of finance lease liabilities	<b>14</b>	56	96

\* Less than \$1,000

The present values of finance lease liabilities are analysed as follows:

	<b>Group and Company</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
– Not later than one year (Note 20)	<b>14</b>	42	40
– Between one and five years (Note 20)	–	14	56
	<b>14</b>	56	96

The effective interest rate for the Group and the Company is 3.96% (31 December 2017: 3.96%, 1 January 2017: 3.96%) per annum.

**22 Provision for reinstatement cost**

	<b>Group</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	<b>164</b>	145	80
Acquisition of a subsidiary corporation (Note 31)	<b>40</b>	–	–
Additions	<b>587</b>	19	65
Currency translation differences	<b>(27)</b>	–	–
End of financial year	<b>764</b>	164	145

The provision relates to the Group's obligation to reinstate leased premises to its original condition upon termination of each individual lease and is based on the management's estimate in similar situations. The Group expects to incur the liability upon the expiration of each individual lease.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 23 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Deferred tax assets	251	388	–	37	67	–
Deferred tax liabilities	(16)	(17)	–	–	–	–
Net deferred tax assets	235	371	–	37	67	–

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The deferred income tax assets balance of \$251,000 (31 December 2017: \$388,000, 1 January 2017: nil) relates to the temporary differences arising from the Company and certain profitable subsidiary corporations. The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income of the Company and its subsidiary corporations based on the approved business plans and budgets in upcoming financial years. The temporary differences have no expiry date.

The Group has unrecognised tax losses of \$1,849,000 (31 December 2017: \$1,689,000, 1 January 2017: \$2,361,000) and capital allowances of \$125,000 (31 December 2017: \$125,000, 1 January 2017: \$125,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

As at 31 December 2018, 31 December 2017 and 1 January 2017, no deferred tax liabilities were recognised for withholding and other taxes that would be payable on the unremitted profits of the Group's overseas subsidiary corporations when remitted to the holding corporation as the overseas subsidiary corporations did not have unremitted profits as at the balance sheet dates.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**23 Deferred income taxes** (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

**Group****Deferred income tax assets**

	<b>Provisions \$'000</b>	<b>Tax losses \$'000</b>	<b>Total \$'000</b>
<b>2018</b>			
Beginning of financial year	(153)	(235)	(388)
(Credited)/charged to profit or loss	(92)	229	137
End of financial year	<b>(245)</b>	<b>(6)</b>	<b>(251)</b>
<b>2017</b>			
Beginning of financial year	–	–	–
Credited to profit or loss	(153)	(235)	(388)
End of financial year	<b>(153)</b>	<b>(235)</b>	<b>(388)</b>

**Deferred income tax liabilities**

	<b>Total \$'000</b>
<u>Accelerated tax depreciation</u>	
<b>2018</b>	
Beginning of financial year	17
Credited to profit or loss	(1)
End of financial year	<b>16</b>
<b>2017</b>	
Beginning of financial year	–
Charged to profit or loss	17
End of financial year	<b>17</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 23 Deferred income taxes (Continued)

#### Company

##### *Deferred income tax assets*

	Provision \$'000	Tax losses \$'000	Total \$'000
<b>2018</b>			
Beginning of financial year	–	(67)	(67)
(Credited)/charged to profit or loss	(37)	67	30
End of financial year	(37)	–	(37)
<b>2017</b>			
Beginning of financial year	–	–	–
Credited to profit or loss	–	(67)	(67)
End of financial year	–	(67)	(67)

##### *Deferred income tax liabilities*

The Company did not have deferred income tax liabilities as at 31 December 2018, 31 December 2017 and 1 January 2017.

### 24 Share capital

	Group and Company			
	2018		2017	
	No. of ordinary shares issued ('000)	Amount \$'000	No. of ordinary shares issued ('000)	Amount \$'000
Beginning of financial year	241,600	49,301	500	500
Sub-division of shares <sup>(a)</sup>	–	–	179,500	–
New shares issued pursuant to initial public offering <sup>(b)</sup>	–	–	61,600	51,128
Initial public offering expenses capitalised <sup>(b)</sup>	–	–	–	(2,327)
End of financial year	241,600	49,301	241,600	49,301

(a) On 9 November 2017, 500,000 shares in the capital of the Company were sub-divided into 180,000,000 shares.

(b) On 24 November 2017, the Company was listed on Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). 57,307,831 new shares were offered to the public at \$0.83 per share and 4,292,169 new shares were issued to the minority shareholders of two subsidiary corporations as part of the deferred consideration payments for the acquisitions of two subsidiary corporations took place in 2016. Pursuant to the initial public offering exercise, the listing expenses of \$2,327,000 were capitalised in the share capital of the Company.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**25 Retained profits**

- (a) The retained profits of the Group and the Company are distributable.
- (b) Movement in retained profits for the Company is as follows:

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	<b>1,174</b>	487
Net profit	<b>1,339</b>	687
End of financial year	<b>2,513</b>	1,174

**26 Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Net profit attributable to equity holders of the Company (\$'000)	<b>6,384</b>	4,565
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>241,600</b>	186,413
Basic earnings per share (cents per share)	<b>2.64</b>	2.45

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

**27 Dividends**

At the coming Annual General Meeting on 30 April 2019, a final dividend of 1.34 cents per share amounting to \$3,237,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 28 Commitments

#### Operating lease commitments – where the Group is a lessee

The Group leases premises, computer equipment and office equipment under operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	5,210	3,481
Between one and five years	9,743	5,744
Later than five years	6,032	957
	<b>20,985</b>	10,182

### 29 Financial risk management

#### Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The key management team then establishes the detailed policies such as authority levels, risk identification and measurement, oversight responsibilities, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by the Group's finance team. The finance team measures actual exposures against the limits set and prepares regular reports for the review of the key management team and the Board of Directors. The information presented below is based on the information provided to key management team.

#### (a) Market risk

##### (i) Currency risk

The Group operates in Singapore and Australia. Entities in the Group regularly transact in their respective functional currencies. The Group has hedging arrangements in place. Currently, the Group does not enter into any hedging arrangements or instruments for the purposes of hedging currency risk. In the event that the Group encounters any significant exposure or potential exposure to any currency risk, the Group may take precautionary measures including entering into hedging arrangements or instruments as may be prudent or necessary.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

The Group is not exposed to the currency transaction risk as the transactions, financial assets and financial liabilities are denominated in the currency of respective country where the business domiciles and operates.

The Group is exposed to currency translation risk on the net assets of the Group's foreign operations in Australia, which are denominated in Australian Dollar ("AUD"). The Group does not enter into any of the hedging instruments for the purpose of hedging the translation of its foreign operations. There is no debt instrument denominated in foreign currency as at balance sheet date.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company is not exposed to the currency risk as the transactions are predominantly denominated in Singapore Dollar ("SGD").

The Group's currency exposure based on the information provided to key management is as follows:

	<b>31 December 2018</b>	
	<b>SGD</b>	<b>AUD</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>		
<b>Financial assets</b>		
Cash and cash equivalents	31,274	4,154
Trade and other receivables	9,450	1,847
Intra-group receivables	48,528	16,323
	<b>89,252</b>	<b>22,324</b>
<b>Financial liabilities</b>		
Borrowings	(20,926)	-
Trade and other payables	(6,210)	(2,755)
Intra-group payables	(7,688)	(57,163)
	<b>(34,824)</b>	<b>(59,918)</b>
<b>Net financial assets/(liabilities)</b>	<b>54,428</b>	<b>(37,594)</b>
<b>Currency exposure of financial liabilities</b>		
<b>net of those denominated in the respective entities'</b>		
<b>functional currencies</b>	<b>-</b>	<b>(40,840)</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (a) Market risk (Continued)

##### (i) Currency risk (Continued)

The Group was not exposed to significant currency translation risk as at 31 December 2017 and 1 January 2017.

If the AUD changes against the SGD by 7% with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset (excluding equity instruments) that are exposed to currency risk will be as follows:

	Increase/(Decrease) 31 December 2018	
	Profit after tax \$'000	Other comprehensive income \$'000
Group		
AUD against SGD		
– Strengthened	159	2,373
– Weakened	(159)	(2,373)
	(159)	(2,373)

##### (ii) Price risk

The Group and the Company are not exposed to equity price risk as the Group and the Company do not hold equity financial assets.

##### (iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company has no significant interest-bearing assets and liabilities, the Group's and the Company's operating cash flows are substantially independent of changes in market interest rate.

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 10% (2017: 10%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$43,000 (2017: \$2,000) as a result of higher/lower interest expense on these borrowings.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**29 Financial risk management** (Continued)**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are trade receivables, other receivables, deposits and cash and cash equivalents.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history.

For other financial assets, the Group adopts the policy of dealing only with high credit quality financial institutions and counterparties.

Credit exposure to an individual customer is restricted by establishing maximum payment periods of less than one-month period for both individual and corporate customers. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the management and at the Group level by the credit controller.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

The movements in credit loss allowance are as follows:

	<b>Trade receivables \$'000</b>	<b>Other receivables \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>Balance at 1 January 2018</b>	209	66	275
Application of SFRS(I) 9 (Note 2.2(d))	(16)	–	(16)
<b>Balance at 1 January 2018 under SFRS(I) 9</b>	193	66	259
Loss allowance recognised in profit or loss during the year on:			
– Reversal of unutilised amounts	(68)	(1)	(69)
<b>Balance at 31 December 2018 (Note 12)</b>	125	65	190
<b>Company</b>			
<b>Balance at 1 January 2018</b>	–	343	343
Application of SFRS(I) 9 (Note 2.2(d))	–	–	–
<b>Balance at 1 January 2018 under SFRS(I) 9</b>	–	343	343
Loss allowance recognised in profit or loss during the year on:			
– Reversal of unutilised amounts	–	–	–
<b>Balance at 31 December 2018 (Note 12)</b>	–	343	343

The Group's cash and cash equivalents, other receivables and deposits are subject to immaterial credit loss.

The Company's cash and cash equivalents, trade receivables and deposits are subject to immaterial credit loss.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (b) Credit risk (Continued)

##### (i) Trade receivables

The Group and the Company use a provision matrix to measure the lifetime Expected Credit Loss (“ECL”) allowance for trade receivables.

In calculating the ECL rates, trade receivables are grouped based on shared credit risk characteristics and days past due. The Group and the Company consider historical loss rates for each category of customers and adjust to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and the Company have identified the gross domestic product (“GDP”) of the countries in which it sell goods and services to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and/or the Company. The Group and the Company consider a financial asset as in default if the counterparty fails to make contractual payments within 180 days when they fall due and writes off the financial asset when it is certain that the outstanding amount is not collectible. Where receivables are written off, the Group and the Company continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group’s and the Company’s credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

	Current \$’000	← Past due →			Total \$’000
		Less than 3 months \$’000	3 to 6 months \$’000	More than 6 months \$’000	
<b>Group</b>					
<b>School fees</b>					
Expected loss rate	–	–	–	29%	
Trade receivables	137	451	26	–	614
Loss allowance	–	–	–	–	–
<b>Franchise income</b>					
Expected loss rate	–	–	–	29%	
Trade receivables	4,026	70	–	–	4,096
Loss allowance	–	–	–	–	–
<b>Royalty income and sales of merchandise</b>					
Expected loss rate	–	–	–	34%	
Trade receivables	795	866	175	369	2,205
Loss allowance	–	–	–	125	125

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**29 Financial risk management** (Continued)**(b) Credit risk** (Continued)*(i) Trade receivables* (Continued)

	← Past due →				Total \$'000
	Current \$'000	Less than 3 months \$'000	3 to 6 months \$'000	More than 6 months \$'000	
<b>Company</b>					
<b>Franchise income</b>					
Expected loss rate	–	–	–	29%	
Trade receivables	4,026	70	–	–	4,096
Loss allowance	–	–	–	–	–
<b>Royalty income and sales of merchandise</b>					
Expected loss rate	–	–	–	34%	
Trade receivables	82	496	26	–	604
Loss allowance	–	–	–	–	–

*(ii) Cash and cash equivalents, other receivables and deposits*

The Group and the Company use the general approach for assessment of ECLs for these financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs.

As at 31 December 2018, the Group and the Company performed an assessment of qualitative and quantitative factors which are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, available press information and applying experienced credit judgement) and an assessment of impairment using the 12-month ECL basis on these financial assets. The Group concluded that the loss allowance on these financial assets is insignificant. The Company concluded that the loss allowance provided for other receivables is adequate and the loss allowance on other financial assets is insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (b) Credit risk (Continued)

*Previous accounting policy for impairment of trade receivables and other receivables*

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. When there is objective evidence of impairment for trade and other receivables, management has made judgments as to whether an impairment loss should be recorded as an expense.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy; and
- Default or delinquency in payments.

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

	← Past due →			Total \$'000
	Less than 3 months \$'000	3 to 6 months \$'000	More than 6 months \$'000	
<b>31 December 2017</b>				
<b>Group</b>				
<b>Trade receivables</b>				
Gross carrying amount:				
– Not past due				4,166
– Past due but not impaired	560	53	217	830
– Past due but impaired	–	–	209	209
	560	53	426	5,205
Less: Allowance for impairment (Note 12)				(209)
Net carrying amount				4,996
<b>Company</b>				
<b>Trade receivables</b>				
Gross carrying amount:				
– Not past due				3,615
– Past due but not impaired	44	14	2	60
– Past due but impaired	–	–	–	–
	44	14	2	3,675
Less: Allowance for impairment (Note 12)				–
Net carrying amount				3,675

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**29 Financial risk management** (Continued)**(b) Credit risk** (Continued)*Previous accounting policy for impairment of trade receivables and other receivables* (Continued)

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:  
(Continued)

	← Past due →			Total \$'000
	Less than 3 months \$'000	3 to 6 months \$'000	More than 6 months \$'000	
<b>1 January 2017</b>				
<b>Group</b>				
<b>Trade receivables</b>				
Gross carrying amount:				
– Not past due				2,734
– Past due but not impaired	657	105	165	927
– Past due but impaired	–	–	205	205
	657	105	370	3,866
Less: Allowance for impairment (Note 12)				(205)
Net carrying amount				3,661
<b>Company</b>				
<b>Trade receivables</b>				
Gross carrying amount:				
– Not past due				2,313
– Past due but not impaired	11	17	–	28
– Past due but impaired	–	–	–	–
	11	17	–	2,341
Less: Allowance for impairment (Note 12)				–
Net carrying amount				2,341

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (b) Credit risk (Continued)

*Previous accounting policy for impairment of trade receivables and other receivables (Continued)*

The carrying amount of other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	<b>Group 2017 \$'000</b>	<b>Company 2017 \$'000</b>
Gross amount	66	343
Less:		
Allowance for impairment	(66)	(343)
	–	–
Beginning of financial year	66	343
Allowance made during the financial year	–	–
End of financial year (Note 12)	66	343

An allowance for impairment has been made to profit or loss, as management determined the likelihood of recoverability is low and payments are not forthcoming.

*Financial assets that are past due and/or impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially within credit terms and individuals or companies with a good collection track record with the Group and the Company.

*Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**29 Financial risk management** (Continued)**(c) Liquidity risk**

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below analyses non-derivative financial liabilities of the Group and of the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<b>Less than 1 year \$'000</b>	<b>Between 2 and 5 years \$'000</b>
<b>Group</b>		
<b>At 31 December 2018</b>		
Trade and other payables	<b>8,965</b>	–
Borrowings	<b>6,616</b>	<b>16,208</b>
<b>At 31 December 2017</b>		
Trade and other payables	5,046	–
Borrowings	2,582	4,905
<b>At 1 January 2017</b>		
Trade and other payables	8,955	–
Borrowings	43	57
<b>Company</b>		
<b>At 31 December 2018</b>		
Trade and other payables	<b>6,516</b>	–
Borrowings	<b>6,616</b>	<b>16,208</b>
<b>At 31 December 2017</b>		
Trade and other payables	7,937	–
Borrowings	2,582	4,905
<b>At 1 January 2017</b>		
Trade and other payables	10,423	–
Borrowings	43	57

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 29 Financial risk management (Continued)

#### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Board of Director's monitors its capital based on net debt and total capital. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net debt	–	–	5,177	<b>3,527</b>	–	10,338
Total equity	<b>60,686</b>	56,668	4,165	<b>51,814</b>	50,475	987
Total capital	<b>60,686</b>	56,668	9,342	<b>55,341</b>	50,475	11,325
Gearing ratio	–	–	55%	<b>6%</b>	–	91%

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2018.

#### (e) Fair value measurements

The carrying amounts of financial assets and financial liabilities of the Group and of the Company are assumed to approximate their fair values.

#### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments disclosed is as follows:

	Group	Company
	\$'000	\$'000
<b>31 December 2018</b>		
Financial assets, at amortised cost	<b>46,734</b>	<b>74,576</b>
Financial liabilities, at amortised cost	<b>30,655</b>	<b>27,442</b>
<b>31 December 2017</b>		
Loans and receivables	47,156	56,204
Financial liabilities, at amortised cost	12,161	14,888
<b>1 January 2017</b>		
Loans and receivables	9,180	4,131
Financial liabilities, at amortised cost	9,196	10,519

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**30 Related party transactions**

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

**(a) Sales and purchases of goods and services**

	<b>Group</b>	
	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Fees received from an associated corporation		
– Franchise income	<b>1,500</b>	–
Fees received from related corporations		
– Allocated staff costs	<b>131</b>	145
– Rental income	<b>241</b>	241
– Royalty fees	<b>304</b>	369
– Service income	<b>591</b>	–
Fees paid to related corporations		
– Advertising and marketing fees	<b>2</b>	291
– Commission	<b>118</b>	296
– Deposit for curriculum development services	<b>274</b>	–
– Purchase of intangible assets	<b>990</b>	–
– Purchase of merchandise and event expense	<b>175</b>	121
– Rental expense	<b>129</b>	128
Fees received from immediate holding corporation		
– Service income	<b>403</b>	–
– Legal fees	<b>134</b>	31
Fees paid to immediate holding corporation		
– Management fee	–	435
Fees paid to immediate holding corporation of a controlling shareholder		
– Rental expenses	<b>477</b>	443

\* Less than \$1,000

Outstanding balances at 31 December 2018, arising from sales and purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 19 respectively.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 30 Related party transactions (Continued)

#### (b) Key management compensation

Key management personnel compensation is as follows:

	Group	
	2018 \$'000	2017 \$'000
Wages and salaries	1,500	366
Employer's contribution to defined contribution plan, including Central Provident Fund	52	16
Other benefit	478	40
	<b>2,030</b>	422

### 31 Business combination

#### (i) Acquisitions of a subsidiary corporation and preschool businesses in 2018

On 1 March 2018, the Group completed the acquisition of 100% equity interest in MindChamps PreSchool @ Woodlands Pte. Ltd. ("WDL"). The principal activities of WDL are those relating to provision of childcare, education and learning related services for preschool children.

On 15 June, 6 July, 27 July and 21 September 2018, the Group completed the acquisitions of six preschool businesses ("MCEL 2") in Sydney, Australia. The principal activities of the MCEL 2 are those relating to provision of childcare, education and learning related services for preschool children.

On 2 November 2018, the Group completed the acquisition of a preschool business ("MCEL 3") in Sydney, Australia. The principal activities of MCEL 3 are those relating to provision of childcare, education and learning related services for preschool children.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	WDL \$'000	MCEL 2 \$'000	MCEL 3 \$'000	Total \$'000
(a) Purchase consideration				
<b>Consideration transferred for the business</b>	1,309	19,092	2,941	23,342
(b) Effect on cash flows of the Group				
Cash paid (as above)	1,309	19,092	2,941	23,342
Less: cash and cash equivalents in preschool businesses acquired	(187)	-	-	(187)
<b>Cash outflow on acquisition</b>	<b>1,122</b>	<b>19,092</b>	<b>2,941</b>	<b>23,155</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 31 Business combination (Continued)

#### (i) Acquisitions of subsidiary corporation and preschool businesses in 2018 (Continued)

	WDL At fair value \$'000	MCEL 2 At fair value \$'000	MCEL 3 Provisional fair value \$'000	Total \$'000
(c) Identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	187	–	–	187
Property, plant and equipment (Note 14)	28	255	30	313
Intangible assets (Note 15)	10	–	–	10
Other receivables	56	–	–	56
<b>Total assets</b>	<b>281</b>	<b>255</b>	<b>30</b>	<b>566</b>
Other payables	(178)	–	–	(178)
Provision for reinstatement cost (Note 22)	(40)	–	–	(40)
Contract liabilities	(16)	–	–	(16)
<b>Total liabilities</b>	<b>(234)</b>	<b>–</b>	<b>–</b>	<b>(234)</b>
<b>Total identifiable net assets</b>	<b>47</b>	<b>255</b>	<b>30</b>	<b>332</b>
Add: Goodwill (Note 15(a), (f) below)	1,262	18,837	2,911	23,010
<b>Consideration transferred for the business</b>	<b>1,309</b>	<b>19,092</b>	<b>2,941</b>	<b>23,342</b>

#### (d) Acquisition-related costs

Acquisition-related costs of \$496,000 were expensed in the consolidated statement of comprehensive income and included in investing cash flows in the consolidated statement of cash flows.

#### (e) Acquired receivables

##### WDL

The fair value of other receivables is \$56,000, which comprises the rental and utilities deposits.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**31 Business combination** (Continued)**(i) Acquisitions of subsidiary corporation and preschool businesses in 2018** (Continued)

## (f) Goodwill

WDL

The goodwill of \$1,262,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 2

The goodwill of \$18,837,000 arising from the acquisitions is attributable to the development of channel to access the new market in Australia as part of the Group's business expansion initiative, specifically from setting up market presences in the early learning industry in Australia.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 3

The goodwill of \$2,911,000 is provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired and liabilities assumed. The fair value exercise is expected to be finalised within 12 months from date of acquisition.

## (g) Revenue and profit contribution

WDL

The acquired business contributed revenue of \$1,412,000 and net profit of \$308,000 to the Group for the financial period from 1 March 2018 to 31 December 2018.

Had WDL been consolidated from 1 January 2018, consolidated revenue and consolidated net profit for the financial year ended 31 December 2018 would have been \$37,203,000 and \$6,126,000 respectively.

MCEL 2 & MCEL 3

The acquired businesses contributed revenue of \$5,659,000 and net profit of \$199,000 to the Group for the financial period from 15 June 2018 to 31 December 2018.

Had MCEL 2 and MCEL 3 been consolidated from 1 January 2018, consolidated revenue and consolidated net profit for the financial year ended 31 December 2018 would have been \$44,726,000 and \$6,698,000 respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**31 Business combination** (Continued)**(ii) Acquisitions of preschool businesses in 2017**

On 9 January 2017, MindChamps PreSchool @ Mountbatten Pte. Ltd. ("MBT") transferred its preschool business to a subsidiary corporation of the Group, MindChamps PreSchool @ Leisure Park Kallang Pte. Limited ("LPK") for a cash consideration of \$1, under the conditions specified in a loan agreement entered between the Company (as a lender) and the shareholders of MBT (as borrowers). The principal activities of MBT's business are those relating to provision of childcare, education and learning related services for preschool children.

On 10 November 2017, the Group completed an acquisition of four preschool businesses ("MCEL 1") in Sydney, Australia. The principal activities of the four preschool businesses are those relating to provision of childcare, education and learning related services for preschool children.

As disclosed in Note 2.3, the Group has completed the fair value assessment of the assets acquired on 10 November 2017 in 2018 and retrospectively adjusted the provisional amounts recognised at the acquisition date in accordance with SFRS(I) 3 *Business Combinations*.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	<b>LPK \$'000</b>	<b>MCEL 1 \$'000</b>	<b>Total \$'000</b>
(a) Purchase consideration			
<b>Consideration transferred for the business</b>	–*	16,629	16,629
(b) Effect on cash flows of the Group			
Cash paid (as above)	–*	16,629	16,629
Less: cash and cash equivalents in preschool businesses acquired	–	–	–
<b>Cash outflow on acquisition</b>	–*	16,629	16,629
	<b>LPK At fair value \$'000</b>	<b>MCEL 1 At fair value \$'000</b>	<b>Total \$'000</b>
(c) Identifiable assets acquired and liabilities assumed			
Property, plant and equipment (Note 14)	–	171	171
Other receivables	153	–	153
Total assets	153	171	324
Other payables	(109)	–	(109)
Contract liabilities	(423)	–	(423)
Total liabilities	(532)	–	(532)
<b>Total identifiable net (liabilities)/assets</b>	(379)	171	(208)
Add: Non-controlling interests	186	–	186
Add: Goodwill (Note 15(a), (f) below)	193	16,458	16,651
<b>Consideration transferred for the business</b>	–*	16,629	16,629

\* Less than \$1,000

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**31 Business combination** (Continued)**(ii) Acquisitions of preschool businesses in 2017** (Continued)

## (d) Acquisition-related costs

LPK

There was no acquisition-related cost incurred as the transfer of business was a performance of the conditions specified in a loan agreement.

MCEL 1

Acquisition-related costs of \$495,000 were expensed in the consolidated statement of comprehensive income and in investing cash flows in the consolidated statement of cash flows.

## (e) Acquired receivables

LPK

The fair value of other receivables is \$153,000, which comprises the rental, utilities and renovation deposits of \$103,000 and a renovation down payment of \$50,000.

## (f) Goodwill

LPK

The goodwill of \$193,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 1

The goodwill of \$16,458,000 arising from the acquisitions is attributable to the development of channel to access the new market in Australia as part of the Group's business expansion initiative, specifically from setting up market presences in the early learning industry in Australia.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**31 Business combination** (Continued)**(ii) Acquisitions of preschool businesses in 2017** (Continued)

## (g) Revenue and profit contribution

LPK

The acquired business contributed revenue of \$1,248,000 and net loss of \$210,000 to the Group for the financial period from 9 January 2017 to 31 December 2017.

Had LPK been consolidated from 1 January 2017, there would be no significant impact to the consolidated revenue and consolidated net profit for the financial year ended 31 December 2017.

MCEL 1

The acquired business contributed revenue of \$841,000 and net profit of \$242,000 to the Group for the financial period from 10 November 2017 to 31 December 2017.

Had MCEL been consolidated from 1 January 2017, consolidated revenue and consolidated net profit for the financial year ended 31 December 2017 would have been \$28,934,000 and \$6,920,000 respectively.

## (h) Non-controlling interests

LPK

The Group recognised the non-controlling interest at the proportionate share of the acquiree's identifiable net liabilities of \$186,000.

**32 Segment information**

The Key Management ("KM") is the Group's chief decision-maker. The KM comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Brand Officer and Group General Manager.

The KM considers the business from both a geographic and business segment perspective. Geographically, the KM manages and monitors the business in the two primary geographic areas namely, Singapore and Australia. From a business segment perspective, the KM separately considers the education and franchise activities in these geographic areas.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32 Segment information (Continued)

Operating segments that have similar economic characteristics and similar nature of products and services are aggregated into a single reportable segment. The following summary describes the operations in each of the Group's reportable segments:

#### (i) Education

Provision of childcare, education and learning related services for preschool children.

#### (ii) Franchise & Corporate

Franchising of childcare services and enrichment classes, provision of administrative support services and corporate office.

#### (iii) Others

Provision of commercial schools offering higher education programmes, business and management consulting services.

The segment information provided to the KM for the reportable segments are as follows:

	← Singapore →			← Australia →		Group Total \$'000
	Education \$'000	Franchise & Corporate \$'000	Others \$'000	Education \$'000	Franchise & Corporate \$'000	
<b>2018</b>						
<b>Sales</b>						
Total segment sales	15,175	11,415	-	11,751	-	38,341
Inter-segment sales	-	(1,381)	-	-	-	(1,381)
Sales to external parties	15,175	10,034	-	11,751	-	36,960
<b>Adjusted operating EBITDA</b>	4,568	3,534	(14)	2,018	(1,428)	8,678
Acquisitions related expenses	-	-	-	(1)	(495)	(496)
<b>Adjusted EBITDA</b>	4,568	3,534	(14)	2,017	(1,923)	8,182
Depreciation	317	72	-	256	18	662
Amortisation	23	527	-	-	-	550
<b>Segment assets</b>	13,225	36,773	360	40,299	3,071	93,728
Segment assets includes:						
Additions to:						
- property, plant and equipment	102	18	-	801	101	1,022
- intangible assets	-	1,629	-	-	-	1,629
<b>Segment liabilities</b>	(4,548)	(24,942)	(172)	(3,173)	(207)	(33,042)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32 Segment information (Continued)

The segment information provided to the KM for the reportable segments are as follows: (Continued)

	← Singapore →			← Australia →		Group Total \$'000
	Education \$'000	Franchise & Corporate \$'000	Others \$'000	Education \$'000	Franchise & Corporate \$'000	
<b>2017</b>						
<b>Sales</b>						
Total segment sales	13,472	9,789	–	841	76	24,178
Inter-segment sales	–	(1,311)	–	–	(76)	(1,387)
Sales to external parties	13,472	8,478	–	841	–	22,791
<b>Adjusted operating EBITDA</b>	4,007	3,266	(7)	264	(378)	7,152
Initial public offering expenses	–	(507)	–	–	–	(507)
Acquisitions related expenses	–	–	–	–	(495)	(495)
<b>Adjusted EBITDA</b>	4,007	2,759	(7)	264	(873)	6,150
Depreciation	325	67	–*	23	6	421
Amortisation	15	475	19	–	–	509
<b>Segment assets</b>	11,757	41,291	279	17,737	139	71,203
Segment assets includes:						
Additions to:						
– property, plant and equipment	362	18	–*	58	–	438
– intangible assets	–	723	–	–	–	723
<b>Segment liabilities</b>	(4,122)	(9,684)	(173)	(416)	(140)	(14,535)

\* Less than \$1,000



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32 Segment information (Continued)

#### (a) Reconciliation

##### *Segment profits*

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Adjusted EBITDA for reportable segments	<b>8,196</b>	6,157
Adjusted EBITDA for other segments	<b>(14)</b>	(7)
Depreciation (Note 7)	<b>(662)</b>	(421)
Amortisation (Note 7)	<b>(550)</b>	(509)
Finance expense (Note 9)	<b>(576)</b>	(58)
Interest income (Note 5)	<b>429</b>	40
<b>Profit before income tax</b>	<b>6,823</b>	5,202

#### (b) Revenue from major products and services

Revenues from external customers are mainly school fees, royalty fees and franchise income. Breakdown of the revenue from respective segment is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Revenue</u>		
Education	<b>26,926</b>	14,313
Franchise and Corporate	<b>10,034</b>	8,478
	<b>36,960</b>	22,791

These were no transactions with a single external customer which amounted to 10 per cent or more of the Group's revenue.

#### (c) Geographic information

The Group's three business segments operate in two geographical areas:

##### (i) Singapore

The Company is headquartered and has operations in Singapore. The operations in this area are principally those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services, provision of commercial schools offering higher education programmes, business and management consulting services, investment holding and corporate services.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 32 Segment information (Continued)

#### (c) Geographic information (Continued)

##### (ii) Australia

The operation in this area is principally those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services and corporate office.

	<b>Non-current assets</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Singapore	<b>9,193</b>	7,157
Australia	<b>36,951</b>	16,635
	<b>46,144</b>	23,792

The Group's revenue by geographical areas is disclosed under Note 4(a).

### 33 Events occurring after balance sheet date

#### (i) Changes of Names of Subsidiary Corporations

On 4 January 2019, the Group changed the names of the following wholly-owned subsidiary corporations in Australia:

	<b>Former Company Name</b>	<b>New Company Name</b>
1	MindChamps Australia Pty. Ltd.	MindChamps Early Learning 1 Pty. Limited
2	MindChamps Early Learning & Care @ Broadway Pty. Limited	MindChamps Early Learning 2 Pty. Limited
3	MindChamps Early Learning & Care @ Cherrybrook Pty. Limited	MindChamps Early Learning 3 Pty. Limited
4	MindChamps Early Learning & Care @ Eastwood Pty. Limited	MindChamps Early Learning 4 Pty. Limited
5	MindChamps Early Learning & Care @ Hornsby Pty. Limited	MindChamps Early Learning 5 Pty. Limited

#### (ii) Acquisition of MindChamps Preschool @ Punggol Northshore Pte. Limited ("PGL")

On 22 March 2019, the Group entered into a Share Purchase Agreement to acquire 100% of the issued ordinary shares of PGL for a total consideration of \$3,788,000. As at the date of financial statements, the Group has yet completed the acquisition. The details of the assets acquired and liabilities assumed and the effect on the cash flows for the Group will be disclosed in the financial statements for the financial year ending 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**33 Events occurring after balance sheet date** (Continued)**(iii) Acquisition of seven subsidiary corporations**

On 7 April 2019, the Group entered into a Share Purchase Agreement to acquire 100% of the issued ordinary shares of seven companies that own eight early learning centres in Australia for a total consideration of \$39,388,000 (A\$40,838,000). As at the date of financial statements, the Group has yet to complete the acquisition. Upon completion, the details of the assets acquired and liabilities assumed and the effect on the cash flows for the Group will be disclosed in the completion year's financial statements.

**34 New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

- **SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)**

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$20,985,000 (Note 28).

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately \$19,205,000 and lease liabilities of \$19,205,000 on 1 January 2019. Net current assets will be \$4,588,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately \$364,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately \$5,210,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows is expected to increase and financing cash flows is expected to decrease by approximately \$5,210,000 as the repayments of the principal portion of the lease liabilities will be classified as financing activities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 34 New or revised accounting standards and interpretations (Continued)

- **SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)**

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- (ii) that the entity should assume a tax authority will examine, the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances and the deductibility of certain expenses (“uncertain tax positions”) at each tax jurisdiction.

The Group does not have significant open tax assessments with a tax authority at the balance sheet date.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions as management believes that the current Group’s tax positions are sustainable on the adoption of the interpretation on 1 January 2019.

### 35 Authorisation of financial statements

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of MindChamps PreSchool Limited on 8 April 2019.

**SHAREHOLDERS' INFORMATION**

As at 28 March 2019

**Ordinary Shareholdings**

Total number of issued shares	:	241,600,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

The Company did not have treasury shares and shares held by a subsidiary corporation.

Size of Shareholdings	Number of Shareholders	%	Number of Ordinary Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	232	16.84	204,600	0.08
1,001 – 10,000	797	57.84	3,913,500	1.62
10,001 – 1,000,000	340	24.67	18,911,515	7.83
1,000,001 and above	9	0.65	218,570,385	90.47
<b>Total</b>	<b>1,378</b>	<b>100.00</b>	<b>241,600,000</b>	<b>100.00</b>

**Substantial Shareholders**

As recorded in the Register of Substantial Shareholders of the Company:

Name	Number of Ordinary Shares			
	Direct Interest	%*	Deemed Interest	%*
David Chiem Phu An	–	–	128,516,969 <sup>(1)</sup>	53.19
Catherine Du	–	–	128,516,969 <sup>(2)</sup>	53.19
MindChamps Holdings Pte. Limited	–	–	124,895,913 <sup>(3)</sup>	51.70
Champion Minds Pte. Limited	–	–	124,895,913 <sup>(4)</sup>	51.70
Invest Learning Pte. Ltd.	48,320,000	20.00	–	–
Singapore Press Holdings Limited	–	–	48,320,000 <sup>(5)</sup>	20.00

**Notes:**

\* Percentage is based on 241,600,000 ordinary shares (excluding treasury shares).

- (1) Mr David Chiem Phu An holds 35.4% of the issued ordinary shares of Champion Minds Pte. Limited ("**Champion Minds**"), which in turn wholly-owns MindChamps Holdings Pte. Limited ("**MCH**"). Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Mr Chiem is deemed to be interested in the shares of the Company ("**Shares**") held by MCH. In addition, Mr Chiem is deemed to be interested in the Shares in which his spouse, Ms Catherine Du, has an interest, including the 1,710,528 Shares which she holds through DBS Nominees (Private) Limited. As Mr Chiem already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as his deemed interest in Shares in which his spouse, Ms Du, has an interest. Mr Chiem also holds 1,910,528 Shares through DBS Nominees (Private) Limited.
- (2) Ms Catherine Du holds 35.4% of the issued ordinary shares of Champion Minds, which in turn wholly-owns MCH. Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Ms Du is deemed to be interested in the Shares held by MCH. In addition, Ms Du is deemed to be interested in the Shares in which her spouse, Mr David Chiem Phu An, has an interest, including the 1,910,528 Shares which he holds through DBS Nominees (Private) Limited. As Ms Du already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as her deemed interest in Shares in which her spouse, Mr Chiem, has an interest. Ms Du also holds 1,710,528 Shares through DBS Nominees (Private) Limited.
- (3) MCH holds 124,895,913 Shares through DBS Vickers Securities (Singapore) Pte. Ltd. and Maybank Nominees (Singapore) Private Limited.
- (4) Champion Minds wholly-owns MCH. Accordingly, for the purposes of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, Champion Minds is deemed to be interested in the Shares in which MCH has an interest.
- (5) Singapore Press Holdings Limited ("**SPH**") wholly-owns Invest Learning Pte. Ltd. ("**Invest Learning**"). Accordingly, for the purposes of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, SPH is deemed to be interested in the Shares in which Invest Learning has an interest.

**SHAREHOLDERS' INFORMATION**

As at 28 March 2019

**Twenty Largest Ordinary Shareholders**

As shown in the Register of Members and Depository Register of the Company:

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>%</b>
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	117,867,095	48.79
INVEST LEARNING PTE. LTD.	48,320,000	20.00
MAYBANK NOMINEES (SINGAPORE) PTE LTD	19,417,476	8.04
DBS NOMINEES PTE LTD	13,726,956	5.68
MERRILL LYNCH (SINGAPORE) PTE LTD	12,055,900	4.99
ABN AMRO CLEARING BANK N.V.	2,126,600	0.88
TEOH MEI YIAN (ZHAO MEIYAN)	1,807,229	0.75
WONG WEI HSNQ (WANG WEISHENG)	1,807,229	0.75
CITIBANK NOMINEES SINGAPORE PTE LTD	1,441,900	0.60
RAFFLES NOMINEES (PTE) LIMITED	898,100	0.37
PHILLIP SECURITIES PTE LTD	642,500	0.27
PEH POH GEOK	610,600	0.25
WATGLEN PTY LTD	589,504	0.24
ONG MIN KHIM	540,000	0.22
MAYBANK KIM ENG SECURITIES PTE. LTD.	483,800	0.20
ADELINE QUEK AI LIAN (ADELINE GUO AILIN)	400,000	0.17
KUA KOK CHWEE	380,000	0.16
TAN THIAM CHYE (CHEN TIANCAI)	380,000	0.16
OCBC NOMINEES SINGAPORE PTE LTD	371,600	0.15
OCBC SECURITIES PRIVATE LTD	311,900	0.13
	<b>224,178,389</b>	<b>92.80</b>

**Free Float**

Based on the information available to the Company, approximately 25.06% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

## NOTICE OF ANNUAL GENERAL MEETING



## MINDCHAMPS PRESCHOOL LIMITED

(Company Registration Number: 200814577H)  
 (Incorporated in the Republic of Singapore)  
 (the "Company")

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of the Company will be held at **Snyder Theatre, 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 on Tuesday, 30 April 2019 at 9.00 a.m.**, for the purpose of transacting the following businesses:

**As Ordinary Business**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 1.34 cents per ordinary share (one-tier tax exempt) in respect of the financial year ended 31 December 2018. **(Resolution 2)**
3. To re-elect Ms Catherine Du as Director who is retiring by rotation pursuant to Regulations 94 and 95. **(Resolution 3)**  

*(See Explanatory Note 1)*
4. To re-elect Ms Janice Wu Sung Sung as Director who is retiring by rotation pursuant to Regulations 94 and 95. **(Resolution 4)**  

*(See Explanatory Note 2)*
5. To approve payment of Directors' fees of S\$207,000 for the financial year ended 31 December 2018. **(Resolution 5)**  

*(See Explanatory Note 3)*
6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

**As Special Business**

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

7. Authority to issue Shares **(Resolution 7)**  

"That pursuant to Section 161 of the Companies Act, Cap. 50, Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Constitution of the Company, the Directors of the Company be and are hereby authorised to:

  - (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such person(s) as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below). Unless prior Shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury Shares will not require further Shareholder approval, and will not be included in the aforementioned limits;
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury Shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.”

**(See Explanatory Note 4)**



**NOTICE OF ANNUAL GENERAL MEETING**

8. Authority to grant options and issue Shares under the MindChamps PreSchool Share Option Plan **(Resolution 8)**

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to grant options in accordance with the provisions of the MindChamps PreSchool Share Option Plan and to allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the exercise of vested options granted under the MindChamps PreSchool Share Option Plan, provided that the total number of Shares over which options may be granted on any date, when added to (i) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury Shares and subsidiary holdings) delivered and/or to be delivered, pursuant to awards already granted under the MindChamps PreSchool Share Option Plan; (ii) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury Shares and subsidiary holdings) delivered and/or to be delivered, pursuant to awards already granted under the MindChamps PreSchool Performance Share Plan; and (iii) the total number of Shares subject to any other share option or share schemes of the Company, shall not exceed 15 per cent. of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) on the date preceding the date of the relevant award.”

**(See Explanatory Note 5)**

9. Authority to allot and issue Shares under the MindChamps PreSchool Performance Share Plan **(Resolution 9)**

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the MindChamps PreSchool Performance Share Plan and to allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of awards granted under the MindChamps PreSchool Performance Share Plan, provided that the total number of Shares over which awards may be granted on any date, when added to (i) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury Shares and subsidiary holdings) delivered and/or to be delivered, pursuant to awards already granted under the MindChamps PreSchool Performance Share Plan; (ii) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury Shares and subsidiary holdings) delivered and/or to be delivered, pursuant to share options already granted under the MindChamps PreSchool Share Option Plan; and (iii) the total number of Shares subject to any other share option or share schemes of the Company, shall not exceed 15 per cent. of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) on the date preceding the date of the relevant award.”

**(See Explanatory Note 6)**

**NOTICE OF ANNUAL GENERAL MEETING**

## 10. Authority to renew Share Purchase Mandate

**(Resolution 10)**

“That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the authority conferred on the Directors of the Company to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:
- (i) market purchase(s) on the SGX-ST transacted through the SGX-ST trading system; and/or
  - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Cap. 50,

and otherwise in accordance with the Companies Act, Cap. 50 and all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next AGM of the Company is held or required by law to be held;
  - (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
  - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five consecutive market days on which transactions in the Shares on the SGX-ST immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

**NOTICE OF ANNUAL GENERAL MEETING**

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the off-market purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price for an off-market purchase calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

“**Maximum Limit**” means that number of issued Shares representing 10% of the issued Shares (excluding treasury Shares and subsidiary holdings); and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of a market purchase of a Share, 105% of the Average Closing Price and in the case of an off-market purchase of a Share, 120% of the Average Closing Price.”

**(See Explanatory Note 7)**

**Any Other Business**

11. To transact any other business which may be properly transacted at an AGM.

**BY ORDER OF THE BOARD****Daryl Ong Toon Howe**

Company Secretary

Singapore, 15 April 2019

**Explanatory Notes to Resolutions:**

1. **Resolution 3** is to re-elect Ms Catherine Du who will, upon re-election, continue to serve as a Non-Independent Non-Executive Director of the Company. The detailed information of Ms Du can be found in the 'Board of Directors' section of the Company's Annual Report. Mr David Chiem Phu An, Founder Chief Executive Officer and Executive Chairman of the Company, is the spouse of Ms Du. Ms Du holds 35.4% of the issued ordinary shares of Champion Minds Pte. Limited, which in turn wholly-owns MindChamps Holdings Pte. Limited ("**MCH**"). Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Ms Du is deemed to be interested in the Shares held by MCH. In addition, Ms Du is deemed to be interested in the Shares in which her spouse, Mr Chiem, has an interest, including the 1,910,528 Shares which he holds through DBS Nominees (Private) Limited.
2. **Resolution 4** is to re-elect Ms Janice Wu Sung Sung who will, upon re-election, continue to serve as a Non-Independent Non-Executive Director of the Company. The detailed information of Ms Wu can be found in the 'Board of Directors' section of the Company's Annual Report.
3. **Resolution 5** is to approve the proposed Directors' fees of S\$207,000 for services rendered by the Non-Executive Directors of the Company on the Board and Board Committees in the financial year ended 31 December 2018.
4. **Resolution 7** is to empower the Directors from the date of the AGM until the date of the next AGM, to issue Shares and/or to make or grant Instruments convertible into Shares, and to issue Shares in pursuance of such Instruments. The aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the Company's total number of issued Shares (excluding treasury Shares and subsidiary holdings), provided that the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20 per cent. of the Company's total number of issued Shares (excluding treasury Shares and subsidiary holdings). This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instruments made or granted under this authority.

## NOTICE OF ANNUAL GENERAL MEETING

5. **Resolution 8** is to empower the Directors to grant options and to allot and issue Shares upon the exercise of such share options in accordance with the MindChamps PreSchool Share Option Plan.
6. **Resolution 9** is to empower the Directors to grant awards and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the MindChamps PreSchool Performance Share Plan.
7. **Resolution 10** is to provide the Company with the flexibility to undertake Share purchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases allow the Company greater flexibility over its capital structure. Further, Shares which are purchased by the Company pursuant to the Share Purchase Mandate and held in treasury may be transferred for the purposes of the Share Plans and any other employee share schemes implemented by the Company. The use of treasury Shares in lieu of issuing new Shares would mitigate the dilution impact on existing Shareholders. The purchase or acquisition of Shares will only be undertaken when the Directors are of the view that it can benefit the Company and its Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and/or the orderly trading of our Shares and/ or the financial position of our Group as a whole. Please refer to the Appendix to this Notice of AGM for more details. For the foregoing reasons, the Directors seek to renew the Share Purchase Mandate, which was approved by Shareholders at the AGM held on 16 April 2018.

### Notes:

1. (i) A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a Member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.
- (ii) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two (2) proxies, the appointments shall be invalid unless the Member specifies the number of shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a Member of the Company.
  3. The instrument appointing proxy or proxies must be deposited at the registered office of the Company at 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 not later than 72 hours before the time set for the AGM.

### Personal Data Privacy:

By lodging an instrument appointing a proxy(ies) and/or representative(s), a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (and its agents) for the purpose of the processing, administration and analysis by the Company (and its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (and its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING****APPENDIX DATED 15 APRIL 2019****THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Appendix is circulated to the shareholders (“**Shareholders**”) of MindChamps PreSchool Limited (the “**Company**”) together with the Company’s Annual Report 2018. Its purpose is to explain to the Shareholders the rationale and to provide information pertaining to the proposed renewal of the Share Purchase Mandate of the Company, and to seek Shareholders’ approval of the same at the Annual General Meeting to be held on 30 April 2019 at 9.00 a.m.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2018.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company (the “**Shares**”), you should immediately forward the Annual Report 2018 (including the Notice of Annual General Meeting and the Proxy Form) and this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

For investors who have used their Central Provident Fund (“**CPF**”) monies to buy shares in the capital of the Company, this Appendix is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

**MINDCHAMPS PRESCHOOL LIMITED**

(Company Registration Number: 200814577H)

(Incorporated in the Republic of Singapore)

**APPENDIX****TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 15 APRIL 2019****IN RELATION TO****THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING****LETTER TO SHAREHOLDERS****MINDCHAMPS PRESCHOOL LIMITED**

(Company Registration Number: 200814577H)  
(Incorporated in the Republic of Singapore)

**Directors:**

David Chiem Phu An (*Founder CEO and Executive Chairman*)  
Philip Antony Jeyaretnam (*Lead Independent Director*)  
Catherine Du (*Non-Independent Non-Executive Director*)  
Janice Wu Sung Sung (*Non-Independent Non-Executive Director*)  
Phua Chin Chor (*Independent Director*)  
Lee Suan Hiang (*Independent Director*)

**Registered Office:**

480 Lorong 6 Toa Payoh  
#17-01 HDB Hub  
Singapore 310480

15 April 2019

**To: The Shareholders of MindChamps PreSchool Limited**

Dear Sir/Madam

**THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

Reference is made to the Notice of Annual General Meeting of the Company dated 15 April 2019, accompanying the Annual Report 2018, convening the Annual General Meeting which is scheduled to be held on 30 April 2019 at 9.00 a.m. and the Ordinary Resolution 10 in relation to the proposed renewal of the Share Purchase Mandate under the heading "Special Business" set out in the Notice.

The purpose of this Appendix is to provide Shareholders with details in respect of the proposed renewal of the Share Purchase Mandate.

**1. Rationale for the Share Purchase Mandate**

In managing the business of our Group, our management will strive to increase Shareholders' value by improving, inter alia, the return on equity of our Company. In addition to growth and expansion of the business, Share purchases at the appropriate price levels may be considered as one of the ways through which the return on equity of our Company may be enhanced. Further, in line with international practice, the Share Purchase Mandate will provide our Company with greater flexibility in managing our capital and maximising returns to our Shareholders.

The Share Purchase Mandate will provide our Company the flexibility to undertake Share purchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases allow our Company greater flexibility over our capital structure.

Further, Shares which are purchased by our Company pursuant to the Share Purchase Mandate and held in treasury may be transferred for the purposes of the Share Plans and any other employee share schemes implemented by our Company. The use of treasury shares in lieu of issuing new Shares would mitigate the dilution impact on existing Shareholders.

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING**

The purchase or acquisition of Shares will only be undertaken when our Directors are of the view that it can benefit our Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit described below. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and/or the orderly trading of our Shares and/or the financial position of our Group as a whole.

**2. Authority and Limits of the Share Purchase Mandate**

Any purchase or acquisition of Shares by our Company would have to be made in accordance with and in the manner prescribed by the Companies Act and the Listing Manual and such other laws and regulations as may for the time being be applicable.

Our Company is also required to obtain approval of Shareholders at a general meeting if it wishes to purchase or acquire its own Shares.

The authority and limitations placed on purchases or acquisitions of Shares by our Company under the Share Purchase Mandate are summarised below:

**(a) Maximum Number of Shares**

Our Company may only purchase or acquire Shares which are issued and fully paid-up. The total number of Shares which may be purchased or acquired by our Company is limited to that number of Shares representing not more than 10% of our issued Shares (excluding treasury shares and subsidiary holdings).

Purely for illustrative purposes, on the basis of our Company having 241,600,000 issued Shares (excluding treasury shares and subsidiary holdings) as at 2 April 2019 (the "**Latest Practicable Date**"), and assuming that no further Shares are issued on or prior to the Annual General Meeting at which the resolution for the Share Purchase Mandate is passed, our Company may not purchase or acquire more than 24,160,000 Shares pursuant to the Share Purchase Mandate.

**(b) Duration of Authority**

Purchases or acquisitions of Shares by our Company may be made, at any time and from time to time, on and from the date of the passing of the resolution authorising the said purchases or acquisitions up to:

- (i) the date on which the next annual general meeting of our Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied;  
or
- (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

### (c) Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (i) on-market purchases (“**Market Purchases**”), transacted through the SGX-ST trading system and/or on any other securities exchange on which our Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by our Company for the purpose; and/or
- (ii) off-market purchases (“**Off-Market Purchases**”) (if effected otherwise than on a securities exchange), in accordance with an equal access scheme as defined in Section 76C of the Companies Act.

Our Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act as they consider fit in the interests of our Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same (except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares).

If our Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information as required under Rule 885 of the Listing Manual:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances; and
- (iii) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

### (d) Purchase Price

The purchase price to be paid for a Share as determined by our Directors (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) (the “**Maximum Price**”) must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price.



**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING**

For the above purposes:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five consecutive market days on which transactions in our Shares on the SGX-ST or, as the case may be, such other securities exchange on which our Shares may for the time being be listed or quoted, immediately preceding the date of the Market Purchase by our Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

**“date of the making of the offer”** means the date on which our Company announces its intention to make an offer for the off-market purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

**3. Status of Purchased Shares**

Shares purchased or acquired by our Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to our Shares will expire on such cancellation) unless such Shares are held by our Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by our Company, which are cancelled and are not held as treasury shares.

**4. Treasury Shares**

Under the Companies Act, Shares purchased or acquired by our Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

**(a) Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

**(b) Voting and Other Rights**

Our Company cannot exercise any right in respect of treasury shares. In particular, our Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, our Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of our Company's assets may be made, to our Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

### (c) Disposal and Cancellation

Where Shares are held as treasury shares, our Company may at any time but subject always to the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”):

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

### 5. Source of Funds

Our Company may only apply funds for the purchase or acquisition of the Shares as provided in our Constitution and in accordance with the applicable laws in Singapore.

Our Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Our Company may purchase or acquire its own Shares out of capital, as well as from its distributable profits, so long as our Company is solvent.

Our Company intends to use internal sources of funds to finance our Company’s purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. Our Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would materially and adversely affect the financial position of our Group.

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING****6. Financial Effects**

The financial effects on our Company and our Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, inter alia, the number of Shares purchased or acquired and the price paid for such Shares. The financial effects on our Group, based on the audited consolidated financial statements of our Group for the financial year ended 31 December 2018, are based on the assumptions set out below:

**(a) Purchase or Acquisition out of Capital or Profits**

- (i) if Shares are purchased or acquired entirely out of the capital of our Company, our Company shall reduce the amount of its share capital by the total amount of the purchase price paid by our Company for our Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the “**Purchase Price**”) and the amount available for the distribution of cash dividends by our Company will not be reduced;
- (ii) if Shares are purchased or acquired entirely out of profits of our Company, our Company shall reduce the amount of its profits by the total amount of the Purchase Price and correspondingly reduce the amount available for the distribution of cash dividends by our Company; or
- (iii) where Shares are purchased or acquired out of both the capital and the profits of our Company, our Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

**(b) Number of Shares Acquired or Purchased**

Based on our Company having 241,600,000 issued Shares as at the Latest Practicable Date, the purchase by our Company of up to the maximum 10% limit will result in the purchase or acquisition of 24,160,000 Shares.

**(c) Maximum Price Paid for Shares Acquired or Purchased**

In the case of Market Purchases and assuming that our Company purchases or acquires 24,160,000 Shares at the Maximum Price of S\$0.69 for each Share (being the price equivalent to 105% of the Average Closing Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 24,160,000 Shares would be approximately S\$16.67 million.

In the case of Off-Market Purchases and assuming that our Company purchases or acquires 24,160,000 Shares at the Maximum Price of S\$0.79 for each Share (being the price equivalent to 120% of the Average Closing Price as at the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 24,160,000 Shares would be approximately S\$19.09 million.

**(d) Illustrative Financial Effects**

The financial effects on our Company and our Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

For illustrative purposes only, and assuming the following:

- (i) our Company had on 31 December 2018 purchased 24,160,000 Shares (representing 10% of our issued Shares of 241,600,000 Shares); and
- (ii) such Share purchases are made entirely out of capital and held as treasury shares,

the financial effects on the consolidated financial statements of our Group for the financial year ended 31 December 2018 would have been as follows:

	Market Purchase		Off-Market Purchase	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<b>Profit attributable to equity holders of our Company as at 31 December 2018</b>	<b>6,384</b>	<b>6,384</b>	<b>6,384</b>	<b>6,384</b>
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(2,540)	(2,540)	(2,540)	(2,540)
Retained profits	13,974	13,974	13,974	13,974
Treasury shares	–	(16,670)	–	(19,086)
<b>Shareholders' equity</b>	<b>60,735</b>	<b>44,065</b>	<b>60,735</b>	<b>41,649</b>
<b>Total equity</b>	<b>60,686</b>	<b>44,016</b>	<b>60,686</b>	<b>41,600</b>
<b>Net assets value ("NAV")</b>	<b>60,686</b>	<b>44,016</b>	<b>60,686</b>	<b>41,600</b>
Current assets <sup>(1)</sup>	12,147	12,147	12,147	12,147
Current liabilities <sup>(1)</sup>	11,336	11,336	11,336	11,336
<b>Working capital</b>	<b>811</b>	<b>811</b>	<b>811</b>	<b>811</b>
Cash and cash equivalents	35,437	18,767	35,437	16,351
Total borrowings	20,926	20,926	20,926	20,926
<b>Net cash</b>	<b>14,511</b>	<b>(2,159)</b>	<b>14,511</b>	<b>(4,575)</b>
Number of shares as at 31 December 2018 ('000)	241,600	217,440	241,600	217,440
Weighted average number of shares as at 31 December 2018 ('000)	241,600	241,534	241,600	241,534
<b>Financial Ratios</b>				
NAV per share <sup>(2)</sup> (\$)	0.25	0.20	0.25	0.19
Gearing ratio <sup>(3)</sup>	0.34	0.48	0.34	0.50
Current ratio <sup>(4)</sup>	2.77	1.80	2.77	1.66
Basic EPS (\$) <sup>(5)</sup>	0.03	0.03	0.03	0.03

**Notes:**

- (1) Current assets excluding Cash and cash equivalents and Current liabilities excluding current borrowings
- (2) NAV divided by number of shares as at 31 December 2018
- (3) Total borrowings divided by Total equity
- (4) Current assets including Cash and cash equivalents divided by Current liabilities including current borrowings
- (5) Profit attributable to owners of our Company divided by the weighted average number of Shares as at 31 December 2018

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers for the financial year ended 31 December 2018, and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise our Company to purchase or acquire up to 10% of our issued Shares, our Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of our issued Shares. In addition, our Company may cancel or hold in treasury all or part of our Shares purchased or acquired.

Our Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of our Shares) in assessing the relative impact of a share purchase before execution.

### 7. Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by our Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisors.

### 8. Listing Rules

Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement must include, inter alia, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as of the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, our Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, our Company will not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of its full-year results and the period of two weeks before the announcement of the first quarter, half-year and third quarter results.

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. The term “public”, as defined under the Listing Manual, is persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of our Company or its subsidiaries, as well as the associates of such persons. As at the Latest Practicable Date, approximately 25.06% of our issued Shares are held by public Shareholders.

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

Assuming that our Company purchases or acquires as at the Latest Practicable Date through Market Purchases 24,160,000 Shares, being the full 10% limit pursuant to the Share Purchase Mandate and holds these shares as treasury shares, approximately 16.73% of our issued Shares (excluding treasury shares, preference shares and convertible equity securities) will be held by public Shareholders. Accordingly, our Company is of the view that there will be a sufficient number of the Shares in issue held by public Shareholders which would permit our Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

Our Directors will use their best efforts to ensure that we do not effect purchases or acquisitions of Shares if the purchase or acquisition of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity, adversely affect the orderly trading of our Shares or adversely affect our listing status.

### 9. Take-over Implications

Appendix 2 of the Singapore Take-Over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by our Company of our Shares are set out below:

#### (a) Obligation to Make a Take-over Offer

If the proportionate interest of a Shareholder and persons acting in concert with such Shareholder in the voting capital of our Company increases as a result of any purchase or acquisition by our Company of our Shares, such increase will be treated as an acquisition for the purposes of Rule 14 of the Singapore Take-Over Code. If such increase results in a Shareholder or group of Shareholders acting in concert obtaining or consolidating effective control of our Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for our Company under Rule 14 of the Singapore Take-Over Code.

#### (b) Persons Acting in Concert

Under the Singapore Take-Over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING**

- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20.0% but not more than 50.0% of the voting rights of the first-mentioned company.

The circumstances under which Shareholders (including our Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Singapore Take-Over Code after a purchase or acquisition of Shares by our Company are set out in Appendix 2 of the Singapore Take-Over Code.

**(c) Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Singapore Take-Over Code is that, unless exempted, our Directors and persons acting in concert with them will incur an obligation to make a take-over offer for our Company under Rule 14 if, as a result of our Company purchasing or acquiring our Shares, the voting rights of such Directors and their concert parties would increase to 30.0% or more, or if the voting rights of such Directors and their concert parties fall between 30.0% and 50.0% of our Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1.0% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2, a Shareholder not acting in concert with our Directors will not be required to make a take-over offer under Rule 14 if, as a result of our Company purchasing or acquiring our Shares, the voting rights of such Shareholder in our Company would increase to 30.0% or more, or, if such Shareholder holds between 30.0% and 50.0% of our Company's voting rights, the voting rights of such Shareholder would increase by more than 1.0% in any period of six months.

Based on their shareholding interests as disclosed in the "Shareholders' Information" section of the Company's Annual Report 2018 and assuming that none of their shares are purchased, none of our Company's substantial Shareholders would become obliged to make a take-over offer for our Company under Rule 14 of the Singapore Take-Over Code as a result of the purchase by our Company of the maximum limit of 10.0% of our issued Shares. The shareholding interests of our Directors are also disclosed in the "Directors' Statement" section of the Company's Annual Report 2018.

Shareholders are advised to consult their professional advisors and/or the Securities Industry Council of Singapore at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by our Company.

**APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING****10. Shares Purchased by our Company**

No purchases of Shares have been made by our Company in the 12 months preceding the Latest Practicable Date.

**11. Directors Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

**12. Directors' Recommendations**

The Directors, having carefully considered the terms and rationale of the proposed renewal of the Share Purchase Mandate, are of the opinion that the proposed Share Purchase Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 10, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate at the Annual General Meeting.

Yours faithfully,

For and on behalf of the Board of Directors  
**MindChamps PreSchool Limited**

**David Chiem Phu An**  
Founder CEO and Executive Chairman



**NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES****MINDCHAMPS PRESCHOOL LIMITED**

(Company Registration Number: 200814577H)  
(Incorporated in the Republic of Singapore)  
(the "**Company**")

**NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES**

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 14 May 2019 for the purpose of determining Members' entitlements to the proposed final dividend of 1.34 cents per ordinary share (one-tier tax exempt) in respect of the financial year ended 31 December 2018 ("**Final Dividend**").

Duly completed registrable transfers of shares in the Company (the "**Shares**") received up to the close of business at 5.00 p.m. (Singapore time) on 13 May 2019 by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), will be registered to determine Members' entitlements to the Final Dividend. Subject to the aforesaid, Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with the Shares as at 5.00 p.m. (Singapore time) on 13 May 2019 will be entitled to the Final Dividend.

Payment of the Final Dividend, if approved by the Shareholders at the Annual General Meeting of the Company to be held on 30 April 2019, will be made on 21 May 2019.

**BY ORDER OF THE BOARD**

**Daryl Ong Toon Howe**  
Company Secretary

Singapore, 15 April 2019

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## MINDCHAMPS PRESCHOOL LIMITED

(Company Registration Number: 200814577H)  
(Incorporated in the Republic of Singapore)

### PROXY FORM

**IMPORTANT:**

- For investors who have used their CPF monies to buy shares of MindChamps PreSchool Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- Personal Data Privacy**  
By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2019.

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Company Registration Number)

of \_\_\_\_\_ (Address)

being a Member/Members of MindChamps PreSchool Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at **Snyder Theatre, 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 on Tuesday, 30 April 2019 at 9.00 a.m.** and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes	No. of Votes
		For*	Against*
	<b>Ordinary Business</b>		
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statement and the Auditors' Report.		
2.	To declare a final dividend of 1.34 cents per ordinary share.		
3.	To re-elect Ms Catherine Du as Director pursuant to Regulations 94 and 95.		
4.	To re-elect Ms Janice Wu Sung Sung as Director pursuant to Regulations 94 and 95.		
5.	To approve payment of Directors' fees for the financial year ended 31 December 2018.		
6.	To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors and to authorise the Directors to fix their remuneration.		
	<b>Special Business</b>		
7.	To authorise Directors to issue Shares.		
8.	To authorise Directors to grant options, allot and issue Shares under the MindChamps PreSchool Share Option Plan.		
9.	To authorise Directors to grant awards, allot and issue Shares under the MindChamps PreSchool Performance Share Plan.		
10.	To authorise Directors to renew the Share Purchase Mandate.		

\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If no specified direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT: Please read notes overleaf.**



**Notes:**

1. (i) A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a Member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.
- (ii) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two proxies, the appointments shall be invalid unless the Member specifies the number of shares in relation to which each proxy has been appointed.

**“Relevant intermediary”** means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a Member of the Company.
  3. The instrument appointing proxy or proxies must be deposited at the registered office of the Company at 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 not later than 72 hours before the time set for the AGM.
  4. A Member should insert the total number of shares held. If the Member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the Member has shares registered in his/her name in the Register of Members of the Company, he/she should insert the number of shares. If the Member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Member.
  5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
  6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy and deposited at the registered office of the Company at 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 not later than 72 hours before the time set for the AGM, failing which the instrument may be treated as invalid.
  7. A corporation which is a Member of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM.
  8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
  9. Completion and return of an instrument appointing a proxy or proxies shall not preclude a Member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the AGM.
  10. An investor who buys shares of the Company using CPF monies and/or SRS monies (**“CPF and SRS Investor(s)”**) (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, if which case, the CPF and SRS Investors shall be precluded from attending the AGM.

AFFIX  
STAMP

The Company Secretary  
**MINDCHAMPS PRESCHOOL LIMITED**  
480 Lorong 6 Toa Payoh  
#17-01 HDB Hub  
Singapore 310480

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### **BOARD OF DIRECTORS**

David Chiem Phu An  
(Founder Chief Executive Officer & Executive Chairman)  
Philip Antony Jeyaretnam  
(Lead Independent Director)  
Catherine Du  
(Non-Independent Non-Executive Director)  
Janice Wu Sung Sung  
(Non-Independent Non-Executive Director)  
Phua Chin Chor (Independent Director)  
Lee Suan Hiang (Independent Director)

### **AUDIT COMMITTEE**

Phua Chin Chor (Chairman)  
Philip Antony Jeyaretnam  
Lee Suan Hiang

### **NOMINATING COMMITTEE**

Lee Suan Hiang (Chairman)  
Philip Antony Jeyaretnam  
Phua Chin Chor

### **REMUNERATION COMMITTEE**

Philip Antony Jeyaretnam (Chairman)  
Phua Chin Chor  
Lee Suan Hiang

### **REGISTERED OFFICE**

480 Lorong 6 Toa Payoh  
#17-01 HDB Hub  
Singapore 310480  
Tel: (65) 6828 2688  
Fax: (65) 6828 2699  
Website: [www.mindchamps.org/preschool](http://www.mindchamps.org/preschool)

### **SHARE REGISTRAR**

Tricor Barbinder Share Registration Services  
(a division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road  
#02-00 Singapore 068898  
Tel: (65) 6236 3333  
Fax: (65) 6236 4399  
Website: [www.sg.tricorglobal.com](http://www.sg.tricorglobal.com)

### **COMPANY SECRETARY**

Daryl Ong Toon Howe (LLB (Hons))

### **EXTERNAL AUDITORS**

Nexia TS Public Accounting Corporation  
(appointed on 19 October 2009)  
100 Beach Road  
#30-00 Shaw Tower  
Singapore 189702

Director-in-charge:  
Loh Ji Kin  
(appointed since the financial year  
ended 2018)

### **INTERNAL AUDITORS**

KPMG Services Pte. Ltd.  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

### **PRINCIPAL BANKERS**

Oversea-Chinese Banking  
Corporation Limited  
65 Chulia Street  
OCBC Centre  
Singapore 049513

### **INVESTOR RELATIONS**

480 Lorong 6 Toa Payoh  
#17-01 HDB Hub  
Singapore 310480  
Tel: (65) 6828 2688  
Email: [ir@mindchamps.org](mailto:ir@mindchamps.org)  
Website: [investor.mindchamps.org](http://investor.mindchamps.org)

### **STOCK CODE**

CNE.SI



## MindChamps PreSchool Limited

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Registered Office and Principal Place of Business  
480 Lorong 6 Toa Payoh  
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Singapore 310480  
+65 6828 2688  
ir@mindchamps.org  
[www.mindchamps.org/preschool](http://www.mindchamps.org/preschool)