



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

**RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS BY SHAREHOLDERS ON
MINDCHAMPS' ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The Board of Directors (the "**Board**") of MindChamps PreSchool Limited (the "**Company**") refers to the announcement dated 13 June 2020 on the Annual General Meeting of the Company for the financial year ended 31 December 2019 (the "**AGM**"), in particular the invitation to shareholders to submit questions in advance of the AGM.

The Board, together with the management of the Company, wishes to thank shareholders for the questions submitted. The Appendix below sets out the Company's response to the questions received from shareholders that are substantial and relevant to the AGM resolutions and the business of the Company.

MindChamps PreSchool Limited
29 June 2020

APPENDIX

Question 1:

Could you update how much impact is Covid-19 on the revenue?

Company's Response:

The Group's revenue has been impacted by the respective mandates of the Singapore and Australia governments to reduce school fees by 50% for April to May 2020 in Singapore and April to Mid-July 2020 in Australia. However, this impact has been cushioned by the government relief measures extended to the Group, such as the Job Support Scheme (Singapore), the Pay-as-you-go Cashflow Boost and JobKeeper Payouts (Australia) and rental rebates (Singapore and Australia).

Question 2:

How long do you think the business will be back to normal?

Company's Response:

The Group has been operating in accordance with the safety measures mandated by the governments of the countries where the Group operates. The Group's centres in Singapore have resumed full operations in June 2020 and the centres in Australia are expected to resume full operations in mid-July 2020, following the reopening plan announced by the Australian government.

Question 3:

When would you reinstate paying of dividends to shareholders?

Company's Response:

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 the Group's expected financial performance. The Board will review the declaration of dividends at the end of every financial year. For the financial year ending 31 December 2020, the Board will therefore review the declaration of dividends in 2021.

Question 4:

Any acquisition plans this year?

Company's Response:

The Company is unable to disclose specific acquisition plans before they come to fruition. When confirmed or completed, the Company will announce material acquisitions as required under the SGX Listing Rules.

Question 5:

The share price of MindChamps has been underperforming significantly for the past 2.5 years, despite registering record revenue in FY2019. What are the concrete growth plans that management has to improve profitability and to enhance shareholders' value and return to equity?

Question 6:

It is a concern that our expectations about Australia are taking longer to pan out; the student numbers of COCO there are almost half that of Singapore; Covid-19 has further extended our wait; the expected franchising opportunities are also not yet bearing fruit. Meanwhile, the costs are rising beyond plan seriously impacting recurring income. What is the expectation for the near, medium and longer term prospects and plans in Australia? How about franchising progress and divestment of COCO? What is the business case for setting up the Training academy and its break-even period?

Company's Response (to Questions 5 and 6):

Since its IPO, the Company has expanded its global presence by deploying IPO funds to acquire company-owned, company-operated centres ("COCOs"), especially in Australia. As at 31 December 2019, the Group had 1,113 students in its Australian COCOs and 1,025 students in its Singaporean COCOs.

The COCOs in Australia are needed for the Company to have showcase centres to effectively launch its franchising strategy in Australia. The most critical aspect of building a successful education brand, especially in a new territory, is to lay deep foundations the right way. Winning the trust of parents requires extensive work in training the educators, who will in turn deliver MindChamps' unique education model. In order for this to happen, the acquired centres and their staff and educators need to be integrated into the MindChamps Way.

In addition to integrating the 19 acquired COCOs in Australia in the first two years, another key priority is to build a strong corporate and franchising team, in order to roll out and support the franchise business plan in Australia. This next phase of franchising in Australia has begun to be rolled out, with MindChamps already having 2 operational franchised preschools in Australia and more franchisees in the pipeline for both Sydney and Melbourne.

Once the franchise business is established in Australia, the Group expects to generate more profits with higher margins, which will enhance shareholder value and returns on equity. With the Company's growing number of preschool centres globally, and especially in view of the expected growth in the number of franchised centres in Australia, there is a strong business case to set up a training academy to train and upgrade the teachers that will be required to staff the preschools. The academy will take the form of a Registered Training Organisation (RTO) in Australia, which would be able to take in public students and therefore derive additional revenue for the Group.

Question 7:

Similar to the Q6, please highlight the China, Singapore and other regional prospects and our expansion plans including the impact of Covid-19.

Company's Response:

Please refer to the responses to Questions 1, 5 and 6, as well as the Company's announcement on 6 April 2020 on the establishment of a GCC PreSchool Fund with Foundation Corporation Holdings.

Question 8:

What is the status and plans for the Three global funds which were announced earlier (The “MindChamp PreSchool Global Fund”, the “MindChamp China Fund” and the Keppel MindChamps Education Real Estate Fund)?

Company’s Response:

For the MindChamps PreSchool Global Fund and the Keppel MindChamps Education Real Estate Fund, the respective fund stakeholders have been sourcing for and evaluating appropriate targets, before taking further action. For the MindChamps PreSchool China Fund, due to recent regulatory changes on preschool ownership in China, further action will be taken when the regulatory climate in China is more settled and certain.

Question 9:

We are also concerned about the wide buy-ask spread and low liquidity of the MindChamps stock; What are the initiatives we can expect to bring back the interest of the market participants who can appreciate the intrinsic value of the MindChamps?

Company’s Response:

The Company believes that many of its substantial shareholders see the value in MindChamps, understand the need for the Company to make strategic investments at this point of its global expansion in order to set the stage for strong growth in the next phase and therefore continue to hold on to its shares, therefore resulting in the wide buy-ask spread and low liquidity. Management will continue to push forward with the Group’s expansion plans to enhance shareholder value, while communicating such efforts and the Company’s value proposition to the market, and please refer to the responses to Questions 5 and 6 for more details on this.

Question 10:

Can you please explain why the stock price is declining every year as it affects the confidence level of the shareholders? With a high teacher attrition rate across the MindChamps preschools, how does the management ensure that the quality of the teacher will not be affected and stay ahead of the competition?

Company’s Response:

Stock price movements are affected by many factors, including market sentiments and the macroeconomic environment, and many stocks in the market have been affected by recent macroeconomic factors. In the education industry, making knee jerk decisions based on the stock price will be detrimental to the business. It has been a little more than 2 years since the Company’s IPO, and we would urge shareholders to take a longer term view on MindChamps, as outlined in the response to Questions 5 and 6 above, some of the plans of which have already begun to bear fruit a little ahead of schedule.

As for how the Group retains its teachers (especially in the early learning industry where high turnover is the norm), ensures the quality of its teachers and stays ahead of the curve, please refer to the “Talent Retention”, “Quality of Education System” and “Quality of Teachers” sections of the Company’s Sustainability Report published on 30 May 2020. In particular, we would like to highlight that, based on independent surveys, MindChamps has received the Influential Brands Top Employer award for two years running in 2018 and 2019. We would also like to highlight MindChamps’ proprietary ChampionGold Standard used to audit and uphold standards at MindChamps centres, which is also elaborated in the Sustainability Report.