

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the “**Board**”) of MindChamps PreSchool Limited (the “**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited on 4 May 2022 in relation to the Company’s Annual Report for the financial year ended 31 December 2021 (the “**FY2021 Annual Report**”), and sets out the Company’s response as follows:

Question 1:

Listing Rule 704(6) provides that “In addition to Rule 704, an issuer must immediately announce the following:- if an issuer has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors.”

Please clarify whether and how Listing Rule 704(6) has been complied with.

Company’s Response:

The Company and our auditors are of the view that the adjustments made to the preliminary full-year results are not material adjustments, and there was no impact to the net profit and cash flows as a result of the adjustments.

Question 2:

With reference to the audited consolidated statement of comprehensive income on page 59 of the Company’s AR2021, please provide an explanation for the material difference in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the year ended 31 December 2021:-

- (i) Other comprehensive (loss)/income: Currency translation differences arising from consolidation – (loss) / gain of \$(2,661,000) as compared to other comprehensive (loss)/income: Currency translation differences arising from consolidation – (loss)/gain of \$(3,019,000); and
- (ii) Total comprehensive (loss)/income of \$(414,000) as compared to total comprehensive (loss)/income of \$(57,000).

Company’s Response:

The variance between the preliminary final results and the audited accounts in the FY2021 Annual Report is mainly due to an adjustment in the currency translation of the financials of the subsidiaries in Australia resulting in a decrease in other comprehensive loss of \$358,000.

Question 3:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person, and no explanation was provided for in your AR2021 on how it is consistent with the intent of Principle 3 of the Code.

It is noted that page 27 of AR2021 states amongst others "The Board believes that notwithstanding that the Chairman and the CEO is the same person, there is an appropriate balance of power, increased accountability and greater capacity for independent decision making within the Board."

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Company's Response:

The Company had disclosed on page 27 of its FY2021 Annual Report that:

"Although the Chairman and the 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 also chaired by Independent Directors of the Company. In addition, Mr Chiem abstains from discussions and decisions where he is conflicted. These measures avoid concentration of power in Mr Chiem and ensure a degree of checks and balances."

The Company is of the view that the practices that the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Question 4:

We note that the Company had not complied with Provision 8.1(a) of the Code with regards to the disclosure of remuneration, and there was no explanation provided for in your AR2021 on how it is consistent with the intent of Principle 8 of the Code.

It is noted that page 34 of AR 2021 states amongst others "Given the confidentiality of and commercial sensitivity attached to remuneration matters, the Board believes that disclosing in the respective bands and disclosing in aggregate the total remuneration of the Directors provides a sufficient overview of the remuneration of the Directors."

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

The Company had disclosed on page 34 of its FY2021 Annual Report the reasons for deviating from Provision 8.1, as follows:

"The remuneration of the Directors, including the CEO, is disclosed in bands of S\$100,000 instead of 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 in aggregate the total remuneration of the Directors provides a sufficient overview of the remuneration of the Directors."

The Company had also disclosed on page 32 and page 33 of its FY2021 Annual Report that:

- (i) 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 it. A significant and appropriate proportion of the Executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is also aligned with the achievement of the objectives of their functions and the interests of shareholders and other stakeholders and promotes the long-term success of the Company.
- (ii) 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.
- (iii) 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 and Independent Directors.

The Company is of the view that the practices that the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

MindChamps PreSchool Limited
9 May 2022