APPENDIX B

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS BY SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 29 MAY 2024

There were several overlapping questions raised by the shareholders, therefore, we have combined such questions to avoid repetition. The responses to substantial and relevant questions raised by the shareholders are set out below.

Question 1. A shareholder asked if the Company's expansion strategy in every territory mirrors the approach in Australia, where it is necessary to establish the Company's own centres before franchising.

Company's Response: Chairman replied that while the Company owned 19 centres in Australia, the Company does not need to replicate the same approach for the U.S. or elsewhere, given the fact that the Company has now built a very strong reputation. For example, the Company has some franchisees purchasing licences in the U.S. even though we do not have any COCO (Company Owned Company Operated) centres there.

Question 2. A shareholder asked about the fees payable by a franchisee to the Company.

Company's Response: Chairman responded that there are two parts of the fees: (a) Franchise Licence Fee is about S$200,000 in Singapore, A$135,000 in Australia and US$100,000 in the U.S. The renewal fee thereafter will be 50% of the original Franchise Licence Fee; (b) the Royalty Fee is 9% of the total turnover.

Question 3. A shareholder referred to GCFO's presentation and asked about the reasons why the Company recorded a loss after tax in the second half of FY2023 regardless of a better performance year-on-year between FY2022 and FY2023.

Company's Response: As part of the Company's financial management practice, there is an impairment of approximately S$3.1 million contributed to the loss in our second half of FY2023 due to non-collectible receivables resulting from the past franchise transactions. GCFO envisaged that the twelve-month-profit after tax ("PAT") had increased from FY2022 to FY2023.

Question 4. A shareholder referred to the GCFO's presentation and asked the following questions:

(a) Had the Company ever delayed payment for the defaulted franchisee and why the impairment is S$3.1 million?

(b) Is the provision or impairment a non-recurring event or it is in the Company's ordinary course of business?

(c) How does the Company address receivables impairment within the context of its franchise business model?

Company's Response: GCFO shared that there were master franchisees who bought large number of licences to gain their exclusivity territory right. They had to perform in accordance with certain milestones on centre openings and payments. Unfortunately, they failed on both fronts. As a result, the Company had to terminate their franchise licence and an impairment allowance when the receivable is not collectible as part of the Company's financial risk management practice.

Barring any unforeseen circumstances, GCFO envisaged that the Company does not expect similar provisions or impairment subject to the annual credit risk review in accordance with the accounting standard.

GCFO added that there are milestones set for the Company's franchisees, which allow the Company to terminate the franchise agreement if the franchisee fails to meet the Company's key performance indicators. After termination, the exclusivity will cease thereby allowing the Company to regain the business right in those territories.

Question 5. A shareholder remained unsure about the accounting standard and asked why there was a write-off even though the profit had already been recognised.

Company's Response: Chairman explained that the Company could collect fees upfront and establish specific milestones that these master franchisees have to achieve. However, despite the Company's meticulous selection process, there may be instances when the said master franchisees could experience a slowdown if their other businesses encounter problems. In such a scenario, non-compliance with these set milestones could result in their loss of territorial exclusivity, resulting in the Company regaining the territories and starting its franchise sale.

GCFO added that a master franchisee would want exclusivity for the whole country because of first mover privilege. To sell exclusivity for the whole country means that the master franchisee would need to buy many licences from the Company. The Company had recommended to limit their exclusive territorial right to only certain states, however, the master franchisee would always want exclusivity for the whole country for them who will invest their resources as the first mover in the territory. Hypothetically, if the total consideration of the master franchise agreement was valued at S$2 million, the Company would recognise the full S$2 million as the revenue for the performance obligations delivered. The Company could have already collected S$1 million and the outstanding S$1 million would be accounted as a receivable in the Company's book. If the outstanding balance is not collectible, the Company will make an impairment allowance accordingly. This explains the impairment loss of S$3.1 million in second half of FY2023.

Question 6. A shareholder commented that the Company had recognised these master franchise revenues before the milestones were reached and asked if there was any issue on such revenue recognition by the Company.

Company's Response: GCFO replied that the Company recognised the revenue when it satisfied the relevant performance obligation(s).

Question 7. A shareholder inquired whether the auditors found the accounting and disclosure practices of the Company satisfactory when compared to other companies.

Auditors' Response: CLA's representative confirmed that they are satisfied with the accounting and disclosure practices as the audit report is unqualified.

Question 8. A shareholder asked if the Company had received any questions from shareholders before the AGM. He shared that it is a common practice to address these questions before the AGM. He also noted that other listed companies would consolidate the questions and management team would provide answers, which are then published on the SGXNet. He said that he had observed this process in previous years and asked whether there had been questions this year.

Company's Response: Chairman shared that no answers had been posted. Company Secretary added that the Company had received questions from two shareholders, answers of which had been emailed to them.

Company Secretary further added that the Company fully understands the importance of transparency, and while it is not required to post it on SGXNet before the AGM, any questions raised today would be recorded in the minutes of the Meeting and subsequently posted on SGXNet.

Question 9. A shareholder provided feedback that there were infrequent disclosures on SGXNet and the difficulty in finding historical information, including franchisee names. These could impact on the share price of the Company as trading could be based on sentiments rather than facts. He clarified that his question/comment was not a criticism, but a constructive suggestion for the Company's benefits. He felt that the lack of information from SGXNet, the impairment or loans etc make the business model of the Company unclear to the shareholders, which is why the share price of the Company is low.

Company's Response: Chairman noted the feedback on having greater frequency of announcements on SGXNet. The Company respects the law and will always abide and follow the law and regulations. If it is mandatory to do any acts, the Company will comply. The Company also needs to be mindful of questions which are from competitors.

Chairman shared that our first Australia franchisee is a couple who set up a centre at Frenchs Forest ("FF Centre") and another smaller centre in a church. However, they could not pay the loan owed to the Company. The Company then decided to take over the FF Centre which is profitable and generating profit of about A$500,000 – A$600,000 per annum.

Question 10. A shareholder inquired when shareholders could start receiving dividends. He said that one cent was paid in the first year of the Company's IPO listing and then it stopped. He understood that a goal of a growth company is to invest. However, he noted that many of the shareholders are retirees, and while they could wait for a reasonable period, they are also looking forward to a steady flow of dividends. He commented that the Company should correctly recognise in the P&L statement and determine what is truly eligible for dividends payment. Otherwise, the entire accounting scenario could shift.

Company's Response: Chairman explained that as the Company prepares for expansion, it has made significant investment for the next phase. As long as the Company stays on track with its plan in Australia, dividends will be coming. He further noted that the Company is strategically relying on Singapore for its growth. The franchisees have enhanced the MindChamps brand in their respective country, enabling the Company to command the franchise licence at a higher amount. He added that the Company always exercises considerable caution in its assessment process and has turned down numerous offers from certain territories.

He clarified that the Company has made significant progress under phase one, which focuses on the Company's identity. A next goal is to expand strategically, ensuring that the Company's growth is appropriate for each territory - Australia, New Zealand, the U.S., the UK, and Singapore. The management team continues to work diligently to achieve that goal. The team has put in great efforts to reach the Company's current position, particularly with the Company's expansion into Australia and the U.S.

Question 11. A shareholder asked about the recent food poisoning incidents in MindChamps' preschool centres and noted that such incidents were extremely serious and could potentially compromise the nutritional strategy of the Company. He asked how the Company would address these issues in areas such as disclosures and accounting.

Company's Response: Chairman explained that best practices for disclosure could vary across different industries. Some companies might choose to disclose information differently. He reiterated that it is key for the Company to comply with regulatory requirements and not violate any rules.

Question 12. A shareholder asked for the Chairman's view whether Chairman was satisfied with the Company's performance result last year and whether the Company is making profit.

Company's Response: Chairman shared that he was certainly pleased with the Company's performance result for FY2023. It was a significant achievement for the Company to achieve such performance and compared the same to other industries like IT or pharmaceutical companies which may require more investment or time to reach the Company's current stage. He commended the management team for their exceptional work, to the extent that even a third party in China went so far as to infringe on the Company's trade mark and pass off their school as a MindChamps preschool centre.

He added that the Company's brand had been compared to other brands like Mercedes and Ritz Carlton by a #1 New York Times & Wall Street Journal Bestselling Author. The key focus for the Company is the U.S. expansion. He also suggested that the Company may provide avenue for pre-AGM engagement with shareholders for the shareholders to interact with the management team.

Question 13. A shareholder inquired whether the Directors' Fee includes the salary of the directors.

Company's Response: Company Secretary replied that the Directors' Fee are for Non-Executive Directors of the Company.

Question 14. A shareholder referred to the proposed Resolution 5 and asked if the auditing firm was re-appointed, what improvements could they do for the accounting and disclosure practices of the Company.

Auditors' Response: CLA's representative answered that CLA would continuously improve their audit processes to ensure that their clients, including MindChamps, comply with the accounting standards. They are using technological tools for data analytics and have various methods to analyse the data that the companies provide. That allows them to offer insights to the client and compare them with other companies. Accounting standards are fluid and not static, which evolve, and new interpretations emerge. Whenever new literature is available, they always share it with their clients.

Question 15. A shareholder asked whether the postponement of the Annual General Meeting was a matter of concern to the auditors.

Auditors' Response: CLA's representative responded that the postponement of the Company's AGM did not pose a concern as the auditor had requested additional information from the Company, which required some time to compile. This is the only reason for the extension of the AGM.

Question 16. A shareholder asked if the auditor could address the issue of the Company recognising its revenue for franchise(s) before milestones were achieved. He also commented that there was precedent given, which created risk of not being able to collect the revenue recognized ahead of schedule. He further inquired if there could be any more effective method for the Company to recognize the revenue, so as to avoid initially reporting favourable figures only to write them off and making adjustments later. He asked if there is any improvement suggestion from the auditor, or whether the auditor was completely satisfied with the accounts.

Auditors' Response: CLA's representative said that the accounting standards are fluid and judgements are always involved during the audit process. He added that CLA will revisit some of these comments raised by the shareholders and work with the Company.