MINDCHAMPS PRESCHOOL LIMITED

(Company Registration Number: 200814577H)
(Incorporated in Singapore)

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2019

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

Consolidated Statement of Comprehensive Income for the Fourth Quarter and Full Year Ended 31 December 2019

	Fourth Quarter			Full Year		
	31.12.2019 S$'000	31.12.2018 S$'000	+/- %	31.12.2019 S$'000	31.12.2018 S$'000	+/- %
Revenue	15,810	14,131	12%	53,890	36,960	46%
Cost of sales	(7,951)	(5,297)	50%	(26,453)	(14,639)	81%
Gross profit	**7,859**	**8,834**	**(11%)**	**27,437**	**22,321**	**23%**
Other income						
- Interest income	16	109	(85%)	131	429	(69%)
- Others	797	685	16%	3,274	2,998	9%
Other gains and losses						
- Gain from corporate transactions	6,207	-	N.M.	6,207	-	N.M.
- (Impairment loss) / reversal of impairment loss on financial assets	(92)	99	N.M.	(125)	69	N.M.
- Other loss – net	(8)	(68)	(88%)	(97)	(198)	(51%)
Expenses						
- Administrative	(7,322)	(5,211)	41%	(25,345)	(16,915)	50%
- Finance	(756)	(229)	N.M.	(2,507)	(576)	N.M.
- Marketing	(531)	(305)	74%	(1,228)	(809)	52%
- Acquisitions	(91)	(246)	(63%)	(395)	(496)	(20%)
Share of loss of an associated corporation and joint ventures	(42)	-	N.M.	(42)	-*	N.M.
Profit before income tax	**6,037**	**3,668**	**65%**	**7,310**	**6,823**	**7%**
Income tax (expense) / credit	(173)	94	N.M.	(362)	(336)	8%
Net profit	**5,864**	**3,762**	**56%**	**6,948**	**6,487**	**7%**

N.M.: Not meaningful
** Less than $1,000*

Consolidated Statement of Comprehensive Income for the Fourth Quarter and Full Year Ended 31 December 2019 (continued)

	Fourth Quarter			Full Year		
	31.12.2019 S$'000	31.12.2018 S$'000	+/- %	31.12.2019 S$'000	31.12.2018 S$'000	+/- %
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation – (loss)	(1,304)	(884)	48%	(1,542)	(2,365)	(35%)
Total comprehensive income	**4,560**	**2,878**	**58%**	**5,406**	**4,122**	**31%**
Profit attributable to:						
Equity holders of the Company	5,885	3,668	60%	6,927	6,384	9%
Non-controlling interests	(21)	94	N.M.	21	103	(80%)
	5,864	**3,762**	**56%**	**6,948**	**6,487**	**7%**
Total comprehensive income attributable to:						
Equity holders of the Company	4,581	2,784	65%	5,385	4,019	34%
Non-controlling interests	(21)	94	N.M.	21	103	(80%)
	4,560	**2,878**	**58%**	**5,406**	**4,122**	**31%**

N.M.: Not meaningful

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

	Fourth Quarter			Full Year		
	31.12.2019 S$'000	31.12.2018 S$'000	+/- %	31.12.2019 S$'000	31.12.2018 S$'000	+/- %
Amortisation of intangible assets	116	143	(19%)	458	550	(17%)
Depreciation of property, plant and equipment	2,422	217	N.M.	8,524	662	N.M.
Allowance for impairment loss / (reversal of impairment loss) on financial assets	92	(99)	N.M.	125	(69)	N.M.

N.M.: Not meaningful

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

Balance Sheets

	Group		Company	
	As at 31.12.2019 S$'000	As at 31.12.2018 S$'000	As at 31.12.2019 S$'000	As at 31.12.2018 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	5,768	35,437	1,150	23,915
Trade and other receivables	20,794	12,009	13,342	50,870
Inventories	169	138	5	-
Lease receivables	529	-	529	-
	27,260	47,584	15,026	74,785
Non-current assets				
Property, plant and equipment	34,726	1,940	3,866	217
Intangible assets	89,887	43,953	2,211	1,744
Lease receivables	2,389	-	2,389	-
Deferred income tax assets	1,318	251	-	37
Investments in subsidiary corporations	-	-	81,677	2,473
Investment in an associated corporation	-	-	-	-
Investment in joint ventures	314	-	-	-
	128,634	46,144	90,143	4,471
Total assets	155,894	93,728	105,169	79,256
LIABILITIES				
Current liabilities				
Trade and other payables	13,291	8,965	15,121	6,516
Borrowings	10,640	5,838	9,713	5,838
Contract liabilities	2,151	2,155	-	-
Lease liabilities	8,252	-	1,059	-
Current income tax liabilities	1,040	216	-	-
	35,374	17,174	25,893	12,354
Non-current liabilities				
Borrowings	30,695	15,088	26,456	15,088
Deferred income tax liabilities	28	16	5	-
Lease liabilities	26,196	-	4,778	-
Provision for reinstatement costs	940	764	31	-
	57,859	15,868	31,270	15,088
Total liabilities	93,233	33,042	57,163	27,442
NET ASSETS	**62,661**	**60,686**	**48,006**	**51,814**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(4,082)	(2,540)	-	-
Retained profits / (Accumulated losses)	17,664	13,974	(1,295)	2,513
	62,883	60,735	48,006	51,814
Non-controlling interests	(222)	(49)	-	-
TOTAL EQUITY	**62,661**	**60,686**	**48,006**	**51,814**

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

	Group			
	As at 31.12.2019		As at 31.12.2018	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	12,078	-	6,690	-
Amount repayable after one year	33,257	-	16,300	-
Total	**45,335**	**-**	**22,990**	**-**

Details of collaterals

The Group's borrowings consist of term loans and are secured by means of Specific Security Deeds in respect of securities over shares in the following subsidiary corporations:

- MindChamps Early Learning Australia Pty. Limited
- MindChamps Early Learning 1 Pty. Limited
- MindChamps Early Learning 3 Pty. Limited
- MindChamps Early Learning 4 Pty. Limited
- MindChamps Early Learning 6 Pty. Limited
- MindChamps Early Learning 7 Pty. Limited
- MindChamps Early Learning 8 Pty. Limited
- MindChamps Early Learning 9 Pty. Limited
- MindChamps Early Learning 10 Pty. Limited
- MindChamps Early Learning 11 Pty. Limited
- MindChamps Early Learning 12 Pty. Limited
- MindChamps PreSchool @ Punggol Northshore Pte. Limited
- MindChamps PreSchool @ Buangkok Private Limited

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

Consolidated Statement of Cash Flows

	Fourth Quarter		Full Year	
	31.12.2019 S$'000	31.12.2018 S$'000	31.12.2019 S$'000	31.12.2018 S$'000
Cash flows from operating activities				
Net profit	5,864	3,762	6,948	6,487
Adjustments for:				
- Acquisition related expenses	91	246	395	496
- Amortisation of intangible assets	116	142	458	550
- Depreciation of property, plant and equipment	2,422	217	8,524	662
- Gain from corporate transactions	(6,207)	-	(6,207)	-
- Interest expense	756	229	2,507	576
- Interest income	(16)	(109)	(131)	(429)
- Income tax expense / (credit)	173	(94)	362	336
- Property, plant and equipment written off	-	-	2	5
- Share of loss from joint ventures	42	-*	42	-*
- Unrealised currency translation (gain) / loss	(1,265)	(27)	(323)	114
	1,976	4,366	12,577	8,797
Change in working capital, net of effects from acquisitions of businesses and subsidiary corporations:				
- Trade and other receivables	(3,731)	(935)	(4,561)	(4,009)
- Inventories	(1)	16	(40)	(48)
- Trade and other payables	4,217	959	761	2,929
- Contract liabilities	(478)	(86)	(8)	504
Cash generated from operations	1,983	4,320	8,729	8,173
Income tax paid	(216)	-	(274)	(706)
Income tax refund	52	6	54	-
Net cash provided by operating activities	**1,819**	**4,326**	**8,509**	**7,467**
Cash flows from investing activities				
Acquisitions of preschool businesses	(594)	(2,934)	(594)	(22,033)
Acquisitions of subsidiary corporations, net of cash acquired	-	-	(42,554)	(1,122)
Acquisitions of interests of an associated corporation and joint ventures, net of cash acquired	(26)	-*	(26)	-*
Acquisitions related expenses paid	(91)	(167)	(395)	(492)
Additions to intangible assets	(101)	(91)	(2,508)	(640)
Additions to property, plant and equipment	(801)	(74)	(1,447)	(435)
Divestment of subsidiary corporations, net of cash disposed of	1,129	-	1,129	-
Repayment of an acquisition deposit from a third party	-	2,093	-	-
Interest received	16	193	131	429
Net cash used in investing activities	**(468)**	**(980)**	**(46,264)**	**(24,293)**

** Less than $1,000*

Consolidated Statement of Cash Flows (continued)

	Fourth Quarter		Full Year	
	31.12.2019 S$'000	31.12.2018 S$'000	31.12.2019 S$'000	31.12.2018 S$'000
Cash flows from financing activities				
Dividend paid to equity holders of the Company	-	-	(3,237)	-
Dividend paid to non-controlling interests	-	-	(170)	(120)
Interest paid	(406)	(208)	(1,318)	(505)
Proceeds from borrowings	-	2,352	29,203	17,538
Repayments of finance lease liabilities	-	(11)	(14)	(42)
Repayments of borrowings	(2,676)	(1,641)	(8,557)	(3,773)
Repayments of principal element of lease payments	(2,166)	-	(7,739)	-
Net cash (used in) / provided by financing activities	**(5,248)**	**492**	**8,168**	**13,098**
Net (decrease) / increase in cash and cash equivalents	**(3,897)**	**3,838**	**(29,587)**	**(3,728)**
Cash and cash equivalents				
Beginning of financial period / year	9,610	31,744	35,437	39,377
Effects of currency translation on cash and cash equivalents	55	(145)	(82)	(212)
End of financial period / year	**5,768***	**35,437**	**5,768***	**35,437**

**Subsequent to the 2019 year end, the Company has received $4,585,000 of the remaining consideration from the divestment of a subsidiary corporation which was completed on 31 December 2019.*

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

(A) Group – Consolidated Statement of Changes in Equity for the Fourth Quarter Ended 31 December 2019

	Attributable to equity holders of the Company					
	Share capital	Currency translation reserve	Retained profits	Total	Non-controlling interests	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2019						
Balance as at 1 October 2019	49,301	(2,778)	11,779	58,302	(201)	58,101
Total comprehensive (loss) / income for the financial period	-	(1,304)	5,885	4,581	(21)	4,560
Balance as at 31 December 2019	**49,301**	**(4,082)**	**17,664**	**62,883**	**(222)**	**62,661**
2018						
Balance as at 1 October 2018	49,301	(1,656)	10,306	57,951	(143)	57,808
Total comprehensive (loss) / income for the financial period	-	(884)	3,668	2,784	94	2,878
Balance as at 31 December 2018	**49,301**	**(2,540)**	**13,974**	**60,735**	**(49)**	**60,686**

(B) Group – Consolidated Statement of Changes in Equity for the Full Year Ended 31 December 2019

	Attributable to equity holders of the Company					
	Share capital	Currency translation reserve	Retained profits	Total	Non-controlling interests	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2019						
Balance as at 1 January 2019	49,301	(2,540)	13,974	60,735	(49)	60,686
Total comprehensive (loss) / income for the financial year	-	(1,542)	6,927	5,385	21	5,406
Dividend paid	-	-	(3,237)	(3,237)	-	(3,237)
Dividend paid to non-controlling interests	-	-	-	-	(170)	(170)
Acquisition of a subsidiary corporation	-	-	-	-	(24)	(24)
Balance as at 31 December 2019	**49,301**	**(4,082)**	**17,664**	**62,883**	**(222)**	**62,661**
2018						
Balance as at 31 December 2017	49,301	(175)	7,574	56,700	(32)	56,668
Adoption of SFRS(I) 9	-	-	16	16	-	16
Balance as at 1 January 2018	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	-	-	-	-	(120)	(120)
Balance as at 31 December 2018	**49,301**	**(2,540)**	**13,974**	**60,735**	**(49)**	**60,686**

(C) Company – Statement of Changes in Equity for the Fourth Quarter Ended 31 December 2019

	Attributable to equity holders of the Company		
	Share capital	(Accumulated losses) / Retained profits	Total
	S$'000	S$'000	S$'000
2019			
Balance as at 1 October 2019	49,301	12	49,313
Total comprehensive loss for the financial period	-	(1,307)	(1,307)
Balance as at 31 December 2019	**49,301**	**(1,295)**	**48,006**
2018			
Balance as at 1 October 2018	49,301	306	49,607
Total comprehensive income for the financial period	-	2,207	2,207
Balance as at 31 December 2018	**49,301**	**2,513**	**51,814**

(D) Company – Statement of Changes in Equity for the Full Year Ended 31 December 2019

	Attributable to equity holders of the Company		
	Share capital	(Accumulated losses) / Retained profits	Total
	S$'000	S$'000	S$'000
2019			
Balance as at 1 January 2019	49,301	2,513	51,814
Total comprehensive loss for the financial year	-	(571)	(571)
Dividend paid	-	(3,237)	(3,237)
Balance as at 31 December 2019	**49,301**	**(1,295)**	**48,006**
2018			
Balance as at 1 January 2018	49,301	1,174	50,475
Total comprehensive income for the financial year	-	1,339	1,339
Balance as at 31 December 2018	**49,301**	**2,513**	**51,814**

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

Share Buy Back

No shares were bought back by the Company during the current quarter under the Share Purchase Mandate (first approved by the shareholders on 9 November 2017 and last renewed at the Annual General Meeting on 30 April 2019).

Share Capital

	Number of shares ('000)
Issued and paid ordinary shares	
Balance as at 1 October 2019 and as at 31 December 2019	241,600
Balance as at 1 October 2018 and as at 31 December 2018	241,600

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 31 December 2019 and 31 December 2018.

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

	As at 31.12.2019	As at 31.12.2018
Ordinary shares of the Company Number of shares issued and paid-up ('000)	241,600	241,600

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

The Company did not have any sales, transfers, cancellation and/or use of treasury shares as at 31 December 2019.

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

The Company did not have any sales, transfers, cancellation and/or use of subsidiary holdings as at 31 December 2019.

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

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

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

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

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

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2018.

The Group adopted the new/revised Singapore Financial Reporting Standards (International) ("SFRS(I)") that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) Interpretation.

The following are the new SFRS(I) and SFRS(I) Interpretations, that are relevant to the Group:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty Over Income Tax Treatments

The adoption of the above SFRS(I) and SFRS(I) Interpretations did not have any significant impact on the financial statements of the Group except for the following:

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not reinstate the comparative amount for the preceding financial year prior to the adoption of SFRS(I) 16.

SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet of the Group as at 1 January 2019, 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 leases and leases of low value assets. The accounting for lessors has not changed significantly.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

Lease liabilities are included as part of net debt and are taken into consideration when deriving the net gearing ratio.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

	01.01.2019 S$'000
Consolidated Balance Sheet	
Increase in right-of-use assets	19,213
Increase in lease liabilities	18,682
Decrease in renovation (provision for reinstatement cost) – net book value	(531)

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Refer to Paragraph 4.

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

	Fourth Quarter		Full Year	
Earnings Per Ordinary Share	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Based on the weighted average number of ordinary shares on issue (in Singapore cents)	2.44	1.52	2.87	2.64
On a fully diluted basis (detailing any adjustments made to the earnings) (in Singapore cents)	2.44	1.52	2.87	2.64

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

Net asset value Per Ordinary Share	Group		Company	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net asset value per share based on total number of issued shares at the end of year (in cents)	26.03	25.14	19.87	21.45

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

(A) COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In view of the latest SFRS(I) developments and the irrelevance of the Initial Public Offering expenses incurred in 2017 as a comparative in the Company's Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2019, the Company has updated and simplified the format of the Consolidated Statement of Comprehensive Income for the Fourth Quarter and the Full Year Ended 31 December 2019 onwards. The most recent comparatives have also been re-presented in the updated format, and this format will also be adopted in the audited annual report for the financial year ended 31 December 2019 to be released in April 2020.

(i) Fourth Quarter Ended 31 December 2019 ("Q4 2019") and 31 December 2018 ("Q4 2018")

(1) For the fourth quarter ended 31 December 2019, the Group recorded a profit before tax of S$6.0 million in Q4 2019, an increase of approximately 65% from S$3.7 million in Q4 2018 and a profit after tax of S$5.9 million in Q4 2019, an increase of approximately 56% from S$3.8 million in Q4 2018.

(2) Revenue increased by approximately S$1.7 million or 12%, from S$14.1 million in Q4 2018 to S$15.8 million in Q4 2019. The increase was mainly attributable to an increase in school fees, which resulted from the increased number of enrolled students following the acquisitions of preschool centres in 2018 and 2019.

(3) Cost of sales increased by approximately S$2.7 million or 50%, from S$5.3 million in Q4 2018 to S$8.0 million in Q4 2019. The increase was mainly due to higher academic staff costs incurred, which resulted from the increased number of academic staff following the acquisitions of preschool centres in 2018 and 2019.

(4) Gain from corporate transactions increased by approximately S$6.2 million, from nil in Q4 2018 to S$6.2 million in Q4 2019. The increase was mainly due to the divestment of subsidiary corporations in Q4 2019 on a turnkey basis to franchisees to continue to operate such preschool centres under the MindChamps PreSchool brand name to achieve the Company's desired mix of company-owned and franchised centres via divestment of mature centres.

(5) Administrative expenses increased by approximately S$2.1 million or 41%, from S$5.2 million in Q4 2018 to S$7.3 million in Q4 2019. The increase was mainly attributable to an increase in:

(a) administrative costs of approximately S$1.1 million incurred by the preschool centres acquired in 2018 and 2019, such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;

(b) corporate staff costs of approximately S$0.9 million which mainly resulted from an increase in the number of staff to support the Group's business expansion overseas; and

support staff costs of preschool centres of approximately S$0.1 million which resulted from the increased number of support staff following the acquisitions of preschool centres in 2018 and 2019.

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

(6) Finance expenses increased by approximately S$0.5 million, from S$0.2 million in Q4 2018 to S$0.7 million in Q4 2019. The increase was attributable to an increase in:

(a) finance expenses of S$0.3 million which mainly resulted from the recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in Paragraph 4; and

(b) finance expenses of S$0.2 million which mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in 2018 and 2019.

(7) Marketing expenses increased by approximately S$0.2 million or 74%, from S$0.3 million in Q4 2018 to S$0.5 million in Q4 2019. The increase was in line with the increase in scale of the Group's operations and branding requirements of new overseas business.

(8) Currency translation loss arising from consolidation increased by approximately S$0.4 million, from a loss of S$0.9 million in Q4 2018 to S$1.3 million in Q4 2019. These exchange differences arose from the translation of financial statements of the Group's Australian operations whose functional currencies are different to the Group's presentation currency.

(ii) *Full Year Ended 31 December 2019 ("2019") and 31 December 2018 ("2018")*

(1) For the full year ended 31 December 2019, the Group recorded a profit before tax of $7.3 million in 2019, an increase of approximately 7% from S$6.8 million in 2018 and a profit after tax of S$6.9 million in 2019, an increase of approximately 7% from S$6.5 million in 2018.

(2) Revenue increased by approximately S$16.9 million or 46%, from S$37.0 million in 2018 to S$53.9 million in 2019. The increase was mainly attributable to an increase in school fees, which resulted from the increased number of enrolled students following the acquisitions of preschool centres in 2018 and 2019.

(3) Cost of sales increased by approximately S$11.8 million or 81%, from S$14.6 million in 2018 to S$26.5 million in 2019. The increase was mainly due to higher academic staff costs incurred, which resulted from the increased number of academic staff following the acquisitions of preschool centres in 2018 and 2019.

(4) Interest income decreased by approximately S$0.3 million or 69%, from S$0.4 million in 2018 to S$0.1 million in 2019, mainly due to a decrease in the interest income from fixed deposit placements.

(5) Gain from corporate transactions increased by approximately S$6.2 million, from nil in 2018 to S$6.2 million in 2019. The increase was mainly due to the divestment of subsidiary corporations in Q4 2019 on a turnkey basis to franchisees to continue to operate such preschool centres under the MindChamps PreSchool brand name to achieve the Company's desired mix of company-owned and franchised centres via divestment of mature centres.

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

(6) Administrative expenses increased by approximately S$8.4 million or 50%, from S$16.9 million in 2018 to S$25.3 million in 2019. The increase was mainly attributable to an increase in:

(a) administrative costs of approximately S$5.1 million incurred by the preschool centres acquired in 2018 and 2019, such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;

(b) corporate staff costs of approximately S$2.5 million which mainly resulted from an increase in the number of staff to support the Group's business expansion overseas; and

(c) support staff costs of preschool centres of approximately S$0.8 million which resulted from the increased number of support staff following the acquisitions of preschool centres in 2018 and 2019.

(7) Finance expenses increased by approximately S$1.9 million, from S$0.6 million in 2018 to S$2.5 million in 2019. The increase was attributed to an increase in:

(a) finance expenses of S$1.0 million which mainly resulted from the recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in Paragraph 4; and

(b) finance expenses of S$0.9 million which mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in 2018 and 2019.

(8) Marketing expenses increased by approximately S$0.4 million or 52%, from S$0.8 million in 2018 to S$1.2 million in 2019. The increase was in line with the increase in scale of the Group's operations and branding requirements of new overseas business.

(9) Currency translation loss arising from consolidation decreased by approximately S$0.8 million, from S$2.3 million in 2018 to S$1.5 million in 2019. These exchange differences arose from the translation of financial statements of the Group's Australian operations whose functional currencies are different to the Group's presentation currency.

(B) COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

(1) Current assets

The Group's current assets decreased by approximately S$20.3 million or 43%, from S$47.6 million as at 31 December 2018 to S$27.3 million as at 31 December 2019 which was mainly due to a decrease in cash and cash equivalents of approximately S$29.7 million, an increase in trade and other receivables of approximately S$8.8 million and an increase in lease receivable of S$0.5 mil.

The decrease in cash and cash equivalents was mainly due to:

(a) purchase consideration paid for the acquisitions of preschool centres in 2019;

(b) distribution of dividends to the Company's shareholders in 2019; and

(c) net movements in repayments and procurements of borrowings and payments of interest in relation to the acquisitions of preschool centres.

The increase in trade and other receivables was mainly due to:

(a) purchase consideration received for the divestment of preschool centre by February 2020; and

(b) rental deposits paid to landlords in securing the leases to operate those preschool centres acquired in 2019 and the new corporate office.

The increase in lease receivables was mainly due to the effects of SFRS(I) 16 on a sublease agreement entered in Q4 2019.

(2) Non-current assets

The Group's non-current assets increased by approximately S$82.5 million, from S$46.1 million as at 31 December 2018 to S$128.6 million as at 31 December 2019. The increase is mainly due to:

(a) the recognition of goodwill of approximately S$44.8 million and the acquired fixed assets of approximately S$0.7 million which resulted from the acquisitions of preschool centres in 2019;

(b) the recognition of right-of-use assets of approximately S$31.4 million arising from the adoption of SFRS(I) 16 as disclosed in Paragraph 4; and

(c) the recognition of non-current lease receivables of S$2.4 million which resulted from the effects of SFRS(I) 16 on a sublease agreement entered in Q4 2019.

(B) COMMENTARY ON THE CONSOLIDATED BALANCE SHEET (continued)

(3) Current liabilities

The Group's current liabilities increased by approximately S$18.2 million, from S$17.2 million as at 31 December 2018 to S$35.4 million as at 31 December 2019 mainly due to:

(a) an increase of approximately S$8.3 million in current lease liabilities which resulted from the recognition of current portion of lease liabilities arising from the adoption of SFRS(I) 16 as disclosed in Paragraph 4;

(b) an increase of approximately S$4.8 million in current borrowings in relation to the acquisitions of preschool centres in 2019; and

(c) an increase of approximately S$2.3 million in accrued expenses as a result of acquisitions of preschool centres in 2019 and its related operations.

(4) Non-current liabilities

The Group's non-current liabilities increased by approximately S$42.0 million, from S$15.9 million as at 31 December 2018 to S$57.9 million as at 31 December 2019 mainly due to:

(a) an increase of approximately S$26.2 million in non-current lease liabilities which resulted from the recognition of non-current portion of lease liabilities arising from the adoption of SFRS(I) 16 as disclosed in Paragraph 4; and

(b) an increase of approximately S$15.6 million in borrowings which resulted from the net movements of repayments and procurements of borrowings in relation to the acquisitions of preschool centres.

(C) COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Fourth Quarter Ended 31 December 2019 ("Q4 2019")

The Group's cash and cash equivalents decreased by approximately S$3.8 million or 40%, from S$9.6 million as at 30 September 2019 to S$5.8 million as at 31 December 2019.

Major cash inflows in Q4 2019 were:

(a) net cash provided by operating activities of approximately S$1.8 million; and

(b) net consideration received from the divestments of preschool centres of approximately S$1.1 million.

Major cash outflows in Q4 2019 were:

(a) repayments of borrowings and payments of interest in relation to the acquisitions of preschool centres amounting to approximately S$3.1 million;

(b) repayments of principal element of lease payments in relation to the leasing of preschool centres of approximately S$2.2 million; and

(c) net purchase consideration of S$0.6 million paid for the acquisitions of preschool centres in Q4 2019.

(C) COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS
(continued)

(ii) Full Year Ended 31 December 2019 ("2019")

The Group's cash and cash equivalents decreased by approximately S$29.6 million or 84%, from S$35.4 million as at 31 December 2018 to S$5.8 million as at 31 December 2019.

Major cash inflows in 2019 were:

(a) procurement of loan of approximately S$29.2 million in relation to the acquisitions of preschool centres; and

(b) net cash provided by operating activities of approximately S$8.5 million.

Major cash outflows in 2019 were:

(a) purchase consideration of S$43.1 million paid for the acquisitions of preschool centres in 2019;

(b) repayments of borrowings and payments of interest in relation to the acquisitions of preschool centres amounting to approximately S$9.9 million;

(c) repayments of principal element of lease payments in relation to the leasing of preschool centres of approximately S$7.7 million; and

(d) distribution of dividends to the Company's shareholders of approximately S$3.2 million.

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

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

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

(a) Divestment of 100% Shareholding Interest in MindChamps PreSchool @ Changi Business Part Pte. Ltd ("CBP").

On 31 December 2019, the Group divested all of its shares in CBP to its franchisee, Yirong Education Pte. Ltd for a total cash consideration of S$1,030,000. The transaction contributed to a gain on divestment of S$952,000 to the Group for the financial year ended 31 December 2019.

Post completion, CBP continues to operate the same preschool business under the MindChamps PreSchool brand name pursuant to a franchise agreement entered into with the Group, and under which CBP will pay royalties to the Group from 1 January 2020 onwards. This is aligned with the Company's strategy to achieve the desired mix of company-owned and franchised centres.

(b) Divestment of 100% Shareholding Interest in MindChamps PreSchool @ TPY Business Part Pte. Limited ("TPY")

On 31 December 2019, the Group divested all of its shares in TPY to its franchisee, Iconic Investment Pte. Limited for a total cash consideration of S$5,085,000. The transaction contributed to a gain on divestment of S$5,011,000 to the Group for the financial year ended 31 December 2019.

Post completion, TPY continues to operate the same preschool business under the MindChamps PreSchool brand name pursuant to a franchise agreement entered into with the Group, and under which TPY will pay royalties to the Group from 1 January 2020 onwards. This is aligned with the Company's strategy to achieve the desired mix of company-owned and franchised centres.

11 If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends recommended in the current reported financial period.

(b) (i) Amount per share

Not applicable.

(ii) Previous corresponding period

Name of Dividend	: Final dividend
Dividend Type	: Cash
Dividend Amount	: 1.34 cents per ordinary share

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the quarter ended 31 December 2019 as the Company intends to reinvest the profits generated in the current financial period.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

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

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

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

(a) Geographical Segment

	Sales		EBITDA	
	2019 S$'000	**2018 S$'000**	**2019 S$'000**	**2018 S$'000**
Singapore	26,833	25,209	14,094	8,089
Australia	27,057	11,751	4,574	94
	53,890	**36,960**	**18,668**	**8,183**

(b) Business Segment

	← Singapore →				← Australia →		Group
	Corporate S$'000	**Education S$'000**	**Franchise S$'000**	**Others S$'000**	**Corporate S$'000**	**Education S$'000**	**Total S$'000**
2019							
Sales							
Total segment sales	-	19,440	9,154	-	-	27,057	55,651
Inter-segment sales	-	-	(1,761)	-	-	-	(1,761)
Sales to external parties	-	19,440	7,393	-	-	27,057	53,890
EBITDA	**(3,190)**	**15,502**	**1,837**	**(55)**	**(3,706)**	**8,280**	**18,668**
2018							
Sales							
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
EBITDA	**(2,958)**	**4,568**	**6,492**	**(13)**	**(1,924)**	**2,018**	**8,183**

16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

The percentage of contribution to turnover and earnings by the business or geographical segments is tabulated as follows:

	Sales		EBITDA	
	2019	**2018**	**2019**	**2018**
By business segment				
Corporate				
- Singapore	-	-	(17%)	(36%)
- Australia	-	-	(20%)	(24%)
Education				
- Singapore	36%	41%	83%	56%
- Australia	50%	32%	44%	25%
Franchise				
- Singapore	14%	27%	10%	79%
- Australia	-	-	-	-
Others	-	-	-*	-*
	100%	100%	100%	100%
By geographical segment				
Singapore	50%	68%	75%	99%
Australia	50%	32%	25%	1%
	100%	100%	100%	100%

**Less than 1%*

The Education segment and Singapore segment remained as the largest contributor in the business and geographical segment respectively for turnover and earnings in 2019 and 2018.

17 A breakdown of sales as follows:-

	Group		
	2019 S$'000	**2018 S$'000**	**Change %**
(a) Sales reported for first half year	22,473	13,657	65%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	745	1,558	(52%)
(c) Sales reported for second half year	31,417	23,303	35%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	6,203	4,929	25%

18 A breakdown of the total annual dividend (in dollar value) for the Company's latest full year and its previous full year as follows:

	31 December 2019 S$'000	31 December 2018 S$'000
Ordinary	-	3,237*
Preference	-	-
Total	**-**	**3,237***

* The total annual dividend was calculated based on proposed final dividend of 1.34 cents per ordinary share in cash and the number of issued ordinary shares of 241,600,000 (excluding treasury shares) as at 31 December 2018.

19 Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704 (13) in the format below. If there are no such persons, the Company must make an appropriate negative statement.

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704 (13).

By order of the Board

Mr. David Chiem Phu An
Executive Chairman
27 February 2020