



**MINDCHAMPS PRESCHOOL LIMITED**  
 (Company Registration Number: 200814577H)  
 (Incorporated in Singapore)

**UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018**

**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 Second Quarter and Half Year Ended 30 June 2018**

	Second Quarter			Half Year		
	30.06.2018	30.06.2017	+/-	30.06.2018	30.06.2017	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	7,649	4,772	60%	13,657	9,203	48%
Cost of sales	(2,763)	(2,027)	36%	(5,347)	(3,851)	39%
<b>Gross profit</b>	<b>4,886</b>	<b>2,745</b>	<b>78%</b>	<b>8,310</b>	<b>5,352</b>	<b>55%</b>
Other income	771	293	N.M.	1,596	662	N.M.
Expenses						
- Administrative	(3,958)	(2,149)	84%	(7,405)	(4,266)	74%
- Marketing	(164)	(90)	82%	(310)	(151)	N.M.
<b>Operating profit</b>	<b>1,535</b>	<b>799</b>	<b>92%</b>	<b>2,191</b>	<b>1,597</b>	<b>37%</b>
Other gain/(loss) - net	2	(2)	N.M.	(63)	16	N.M.
Non-operating expenses						
- Finance	(79)	(1)	N.M.	(180)	(2)	N.M.
- Mergers and acquisitions	(95)	-	N.M.	(95)	-	N.M.
<b>Profit before income tax</b>	<b>1,363</b>	<b>796</b>	<b>71%</b>	<b>1,853</b>	<b>1,611</b>	<b>15%</b>
Income tax expense	(124)	(47)	N.M.	(295)	(115)	N.M.
<b>Net profit</b>	<b>1,239</b>	<b>749</b>	<b>65%</b>	<b>1,558</b>	<b>1,496</b>	<b>4%</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation - (loss)/gain	(31)	2	N.M.	(680)	(5)	N.M.
<b>Total comprehensive income</b>	<b>1,208</b>	<b>751</b>	<b>61%</b>	<b>878</b>	<b>1,491</b>	<b>(41%)</b>

**Consolidated Statement of Comprehensive Income for the Second Quarter and Half Year Ended 30 June 2018**  
(continued)

	Second Quarter			Half Year		
	30.06.2018	30.06.2017	+/-	30.06.2018	30.06.2017	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Profit/(Loss) attributable to:</b>						
Equity holders of the Company	1,260	687	83%	1,601	1,377	16%
Non-controlling interests	(21)	62	N.M.	(43)	119	N.M.
	<u>1,239</u>	<u>749</u>	65%	<u>1,558</u>	<u>1,496</u>	4%
<b>Total comprehensive income</b>						
<b>/(loss) attributable to:</b>						
Equity holders of the Company	1,229	689	78%	921	1,372	(33%)
Non-controlling interests	(21)	62	N.M.	(43)	119	N.M.
	<u>1,208</u>	<u>751</u>	61%	<u>878</u>	<u>1,491</u>	(41%)

NM: Not meaningful

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

	Second Quarter			Half Year		
	30.06.2018	30.06.2017	+/-	30.06.2018	30.06.2017	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Amortisation of intangible assets	133	96	39%	266	190	40%
Depreciation of property, plant and equipment	176	94	87%	318	190	67%
Allowance for impairment of trade and other receivables	30	-	N.M.	30	1	N.M.

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.

**Consolidated Balance Sheet**

	Group		Company	
	As at 30.06.2018 S\$'000	As at 31.12.2017 S\$'000	As at 30.06.2018 S\$'000	As at 31.12.2017 S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	33,165	39,377	28,648	32,803
Trade and other receivables	12,520	7,944	33,054	23,472
Inventories	152	90	-	-
	45,837	47,411	61,702	56,275
<b>Non-current assets</b>				
Property, plant and equipment	1,954	1,725	239	244
Intangible assets	27,906	21,679	704	639
Deferred income tax assets	235	388	67	67
Investments in subsidiary corporations	-	-	8,138	8,138
Investment in an associated corporation	-*	-	-*	-
Investment in a joint venture	-*	-	-	-
	30,095	23,792	9,148	9,088
<b>Total assets</b>	75,932	71,203	70,850	65,363
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	5,444	5,046	10,402	7,937
Deferred income	2,020	1,635	-	-
Borrowings	3,165	2,315	3,165	2,315
Current income tax liabilities	502	722	-	-
	11,131	9,718	13,567	10,252
<b>Non-current liabilities</b>				
Borrowings	6,981	4,636	6,981	4,636
Deferred income tax liabilities	17	17	-	-
Provision for reinstatement costs	377	164	-	-
	7,375	4,817	6,981	4,636
<b>Total liabilities</b>	18,506	14,535	20,548	14,888
<b>NET ASSETS</b>	57,426	56,668	50,302	50,475
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(855)	(175)	-	-
Retained profits	9,175	7,574	1,001	1,174
	57,621	56,700	50,302	50,475
<b>Non-controlling interests</b>	(195)	(32)	-	-
<b>TOTAL EQUITY</b>	57,426	56,668	50,302	50,475

\* Less than \$1,000

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

	<b>Group</b>			
	<b>As at 30.06.2018</b>		<b>As at 31.12.2017</b>	
	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
Amount repayable in one year or less, or on demand	3,247	-	2,352	-
Amount repayable after one year	7,151	-	4,711	-
<b>Total</b>	<b>10,398</b>	<b>-</b>	<b>7,063</b>	<b>-</b>

**Details of collaterals**

The Group's borrowings consist of term loan and finance lease liabilities.

The Group's term loans are secured by means of:

- Specific Security Deed in respect of securities over shares in a subsidiary corporation, MindChamps Australia Pty. Ltd. and MindChamps Early Learning & Care @ Cherrybrook Pty. Limited; and
- Deed of Guarantee and Indemnity for all monies from immediate holding corporation, MindChamps Holdings Pte. Limited.

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

**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**

	Second Quarter		Half Year	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Net profit	1,239	749	1,558	1,496
Adjustments for:				
- Amortisation of intangible assets	133	96	266	190
- Depreciation of property, plant and equipment	176	94	318	190
- Interest expense	79	1	180	2
- Interest income	(129)	(28)	(214)	(28)
- Income tax expense	124	47	295	115
- Mergers and acquisitions expenses	95	-	95	-
- Property, plant and equipment written off	5	-	5	-
- Unrealised currency translation losses/(gain)	7	6	32	(11)
	<u>1,729</u>	<u>965</u>	<u>2,535</u>	<u>1,954</u>
Change in working capital:				
- Trade and other receivables	(2,176)	202	(2,393)	(747)
- Inventories	(54)	(40)	(62)	(62)
- Trade and other payables	801	1,137	18	1,418
- Deferred income	104	(648)	369	(142)
Cash generated from operations	<u>404</u>	<u>1,616</u>	<u>467</u>	<u>2,421</u>
Income tax paid	<u>(351)</u>	<u>(242)</u>	<u>(363)</u>	<u>(242)</u>
<b>Net cash provided by operating activities</b>	<u>53</u>	<u>1,374</u>	<u>104</u>	<u>2,179</u>
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(61)	(44)	(222)	(203)
Additions to intangible assets	(179)	-	(371)	(207)
Acquisition of a subsidiary corporation, net of cash acquired	-	-	(1,122)	-
Acquisitions of preschool businesses	(5,638)	-*	(5,638)	-*
Incorporation of an associated corporation	-*	-	-*	-
Incorporation of a joint venture	-*	-	-*	-
Provision of a deposit to a third party in the form of loan	(512)	-	(2,093)	-
Interest received	72	28	157	28
<b>Net cash used in investing activities</b>	<u>(6,318)</u>	<u>(16)</u>	<u>(9,289)</u>	<u>(382)</u>
<b>Cash flows from financing activities</b>				
Dividend paid to equity holders of the Company	-	(1,250)	-	(2,500)
Dividend paid to non-controlling interests	(120)	-	(120)	(110)
Interest paid	(71)	(1)	(150)	(2)
Proceeds from borrowings	4,431	-	4,431	-
Repayments of finance lease liabilities	(11)	(10)	(21)	(20)
Repayments of borrowings	(569)	-	(1,137)	-
<b>Net cash provided by/(used in) financing activities</b>	<u>3,660</u>	<u>(1,261)</u>	<u>3,003</u>	<u>(2,632)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(2,605)</u>	<u>97</u>	<u>(6,182)</u>	<u>(835)</u>
<b>Cash and cash equivalents</b>				
Beginning of financial period	35,772	2,952	39,377	3,874
Effects of currency translation on cash and cash equivalents	(2)	(4)	(30)	6
End of financial period	<u>33,165</u>	<u>3,045</u>	<u>33,165</u>	<u>3,045</u>

\* Less than \$1,000

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 Second Quarter Ended 30 June 2018

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Currency translation reserve	Retained profits	Total		
	S\$'000	S\$'000	S\$'000	S\$'000		
<b>2018</b>						
<b>Balance as at 1 April 2018</b>	49,301	(824)	7,915	56,392	(54)	56,338
Total comprehensive (loss)/income for the financial period	-	(31)	1,260	1,229	(21)	1,208
Dividend paid to non-controlling interests	-	-	-	-	(120)	(120)
<b>Balance as at 30 June 2018</b>	49,301	(855)	9,175	57,621	(195)	57,426
<b>2017</b>						
<b>Balance as at 1 April 2017</b>	500	30	3,877	4,407	388	4,795
Total comprehensive income for the financial period	-	2	687	689	62	751
Acquisition of a preschool business	-	-	-	-	(186)	(186)
<b>Balance as at 30 June 2017</b>	500	32	4,564	5,096	264	5,360

**(B) Group - Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2018**

	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
<b>2018</b>						
<b>Balance as at 1 January 2018</b>	49,301	(175)	7,574	56,700	(32)	56,668
Total comprehensive (loss)/income for the financial period	-	(680)	1,601	921	(43)	878
Dividend paid to non-controlling interests	-	-	-	-	(120)	(120)
<b>Balance as at 30 June 2018</b>	<b>49,301</b>	<b>(855)</b>	<b>9,175</b>	<b>57,621</b>	<b>(195)</b>	<b>57,426</b>
<b>2017</b>						
<b>Balance as at 1 January 2017</b>	500	37	3,187	3,724	441	4,165
Total comprehensive (loss)/income for the financial period	-	(5)	1,377	1,372	119	1,491
Dividend paid to non-controlling interests	-	-	-	-	(110)	(110)
Acquisition of a preschool business	-	-	-	-	(186)	(186)
<b>Balance as at 30 June 2017</b>	<b>500</b>	<b>32</b>	<b>4,564</b>	<b>5,096</b>	<b>264</b>	<b>5,360</b>

**(C) Company - Statement of Changes in Equity for the Second Quarter Ended 30 June 2018**

	<u>Attributable to equity holders of the Company</u>		
	<u>Share capital</u>	<u>Retained profits</u>	<u>Total</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>2018</b>			
<b>Balance as at 1 April 2018</b>	49,301	562	49,863
Total comprehensive loss for the financial period	-	439	439
<b>Balance as at 30 June 2018</b>	<u>49,301</u>	<u>1,001</u>	<u>50,302</u>
<b>2017</b>			
<b>Balance as at 1 April 2017</b>	500	671	1,171
Total comprehensive loss for the financial period	-	(290)	(290)
<b>Balance as at 30 June 2017</b>	<u>500</u>	<u>381</u>	<u>881</u>

**(D) Company - Statement of Changes in Equity for the Half Year Ended 30 June 2018**

	<u>Attributable to equity holders of the Company</u>		
	<u>Share capital</u>	<u>Retained profits</u>	<u>Total</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>2018</b>			
<b>Balance as at 1 January 2018</b>	49,301	1,174	50,475
Total comprehensive loss for the financial period	-	(173)	(173)
<b>Balance as at 30 June 2018</b>	<u>49,301</u>	<u>1,001</u>	<u>50,302</u>
<b>2017</b>			
<b>Balance as at 1 January 2017</b>	500	487	987
Total comprehensive income for the financial period	-	(106)	(106)
<b>Balance as at 30 June 2017</b>	<u>500</u>	<u>381</u>	<u>881</u>



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, 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 Buy Back Mandate (first approved by the Shareholders on 9 November 2017 and last renewed at the Annual General Meeting on 16 April 2018).

**Share Capital**

	<b>As at 30.06.2018</b>	<b>As at 30.06.2017</b>
<b>Ordinary shares of the Company</b>		
Number of shares issued and paid-up ('000)	241,600	500

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 30 June 2018 and 30 June 2017.

**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.**

	<b>As at 30.06.2018</b>	<b>As at <del>30.06.2017</del> 30.06.2017</b>
<b>Ordinary shares of the Company</b>		
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 30 June 2018.

**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 30 June 2018.

**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.**

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the most recently audited financial statements.

As required by the listing requirements of the Singapore Exchange, the Group has adopted Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") on 1 January 2018. The adoption of SFRS(I) has not resulted in any substantial changes to the Group's accounting policies nor has any significant impact on these financial statements.

**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.**

Not applicable. Refer to Note 4 above.

**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**

<b>Earnings Per Ordinary Share</b>	<b>Second Quarter</b>		<b>Half Year</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
Based on the weighted average number of ordinary shares on issue (in Singapore cents)	0.52	0.38*	0.66	0.77*
On a fully diluted basis (detailing any adjustments made to the earnings) (in Singapore cents)	0.52	0.38*	0.66	0.77*

*\*Earnings per ordinary share for the corresponding period is calculated by dividing the net profit attributable to equity holders of the Company to the pre-invitation share capital of the Company. The Company's pre-invitation number of shares of 180,000,000 has been used in the calculation of basic and diluted earnings per ordinary share for the corresponding period presented in accordance with FRS 33, assuming the subdivision of ordinary shares pursuant to the IPO exercise had been completed on 1 January 2017.*

**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**

<b>Net Asset Value Per Share</b>	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
Net asset value per share based on total number of issued shares at the end of period/year (in cents)	23.77	23.46	20.82	20.89

**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**

**(I) Second Quarter Ended 30 June 2018 ("Q2 2018") and 30 June 2017 ("Q2 2017")**

- (1) For the second quarter ended 30 June 2018, the Group recorded an increase of approximately 92% in operating profit of S\$1.5 million (Q2 2017: S\$0.8 million). Taking non-operating expenses into consideration, the Group recorded an increase of approximately 71% in profit before tax to S\$1.4 million in Q2 2018 (Q2 2017: S\$0.8 million).
- (2) Revenue increased by approximately S\$2.8 million or 60%, from S\$4.8 million in Q2 2017 to S\$7.6 million in Q2 2018. The increase was mainly attributable to:
  - (a) an increase of approximately S\$2.2 million in school fees, resulted from the increased number of enrolled students following the acquisitions of six preschool centres in Australia and one preschool centre in Singapore;
  - (b) an increase of approximately S\$0.5 million in franchise income, mainly resulted from a sale of master franchise license in China in June 2018; and
  - (c) an increase of approximately S\$0.1 million in royalty income, from the addition of franchisee-owned franchisee-operated ("FOFO") centres.
- (3) Cost of sales increased by approximately S\$0.7 million or 36% from S\$2.0 million in Q2 2017 to S\$2.7 million in Q2 2018. The increase in cost of sales was mainly due to higher academic staff costs incurred, resulted from the increased number of academic staffs following the acquisitions of seven centres indicated in (1)(2)(a).
- (4) Other income increased by approximately S\$0.5 million, from S\$0.3 million in Q2 2017 to S\$0.8 million in Q2 2018, mainly due to an increase in the interest income resulted from fixed deposit placement(s) and the service income generated from the provision of franchise related services to FOFO centres.
- (5) Operating administrative expenses increased by approximately S\$1.8 million or 84%, from S\$2.1 million in Q2 2017 to S\$3.9 million in Q2 2018. The increase was mainly attributable to an increase in:
  - (a) administrative costs of approximately S\$0.5 million incurred by the newly acquired centres indicated in (1)(2)(a), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;
  - (b) professional fees of approximately S\$0.3 million, including board of directors' fees, SGX listing fees, audit fees, etc. post public listing; and
  - (c) staff costs of approximately S\$0.9 million following an increase in the number of staff to support the Group's business expansion overseas and SGX compliance related matters.
- (6) Operating marketing expenses increased by approximately S\$0.1 million or 82%, from S\$0.1 million in Q2 2017 to S\$0.2 million in Q2 2018. The increase in marketing expenses in Q2 2018 was in line with the increase in scale of operations and the branding requirements of our new overseas business.

- (7) Non-operating finance expenses increased by approximately S\$0.1 million, from S\$1,000 in Q2 2017 to S\$0.1 million in Q2 2018. The increase in non-operating finance expenses in Q2 2018 was mainly resulted from servicing the Acquisition Loan (as defined in the Prospectus) which the Company obtained in November 2017 for the acquisitions of four preschool centres in Australia.
- (8) Non-operating mergers and acquisitions expenses by approximately S\$0.1 million, from nil in Q2 2017 to S\$0.1 million in Q2 2018. The increase was resulted from the acquisitions of two preschool centres in Australia, which were completed on 15 June 2018.
- (9) Income tax expenses increased by S\$77,000, from S\$47,000 in Q2 2017 to S\$124,000 in Q2 2018, mainly due to higher taxable profits in the absence of tax incentives as compared to the prior period.

(II) Half Year Ended 30 June 2018 ("1H 2018") and 30 June 2017 ("1H 2017")

- (1) For the half year ended 30 June 2018, the Group recorded an increase of approximately of 37% in operating profit of S\$2.2 million (1H 2017: S\$1.6 million). Taking non-operating expenses into consideration, the Group recorded an increase of approximately 15% in profit before tax to S\$1.9 million in 1H 2018 (1H 2017: S\$1.6 million).
- (2) Revenue increased by approximately S\$4.5 million or 48%, from S\$9.2 million in 1H 2017 to S\$13.7 million in 1H 2018. The increase was mainly attributable to:
  - (a) an increase of approximately S\$3.8 million in school fees, resulted from the increased number of enrolled students following the acquisitions of six preschool centres in Australia and one preschool centre in Singapore;
  - (b) an increase of approximately S\$0.4 million in franchise income, mainly resulted from a sale of master franchise license in China in June 2018; and
  - (c) an increase of approximately S\$0.3 million in royalty income, from the addition of FOFO centres.
- (3) Cost of sales increased by approximately S\$1.5 million or 39% from S\$3.8 million in 1H 2017 to S\$5.3 million in 1H 2018. The increase in cost of sales was mainly due to higher academic staff costs incurred, resulted from the increased number of academic staffs following the acquisitions of seven centres indicated in (II)(2)(a).
- (4) Other income increased by approximately S\$0.9 million, from S\$0.7 million in 1H 2017 to S\$1.6 million in 1H 2018, mainly due to an increase in the interest income resulted from fixed deposit placement(s) and the service income generated from the provision of franchise related services to FOFO centres.
- (5) Operating administrative expenses increased by approximately S\$3.1 million or 74%, from S\$4.3 million in 1H 2017 to S\$7.4 million in 1H 2018. The increase was mainly attributable to an increase in:
  - (a) administrative costs of approximately S\$0.9 million incurred by the newly acquired centres indicated in (II)(2)(a), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;
  - (b) professional fees of approximately S\$0.4 million, including board of directors' fees, SGX listing fees, audit fee, etc. post public listing; and
  - (c) staff costs of approximately S\$1.7 million following an increase in the number of staff to support the Group's business expansion overseas and SGX compliance related matters.

- (6) Operating marketing expenses increased by approximately S\$0.2 million, from S\$0.1 million in 1H 2017 to S\$0.3 million in 1H 2018. The increase in marketing expenses in 1H 2018 was in line with the increase in scale of operations and the branding requirements of our new overseas business.
- (7) Non-operating finance expenses increased by approximately S\$0.2 million, from S\$2,000 in 1H 2017 to S\$0.2 million in 1H 2018. The increase in non-operating finance expenses in 1H 2018 was mainly resulted from servicing the Acquisition Loan (as defined in the Prospectus) which the Company obtained in November 2017 for the acquisitions of four preschool centres in Australia.
- (8) Non-operating mergers and acquisitions expenses by approximately S\$0.1 million, from nil in 1H 2017 to S\$0.1 million in 1H 2018. The increase resulted from the acquisitions of two preschool centres in Australia, which were completed on 15 June 2018.
- (9) Income tax expenses increased by approximately S\$0.2 million, from S\$0.1 million in 1H 2017 to S\$0.3 million in 1H 2018, mainly due to higher taxable profits in the absence of tax incentives as compared to the prior period.
- (10) Currency translation loss arising from consolidation increased by approximately S\$0.7 million, from S\$5,000 in 1H 2017 to S\$0.7 million in 1H 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 1H 2018 arose largely from the weakening of the Australian dollar against the Singapore dollar.

## **(B) COMMENTARY ON THE CONSOLIDATED BALANCE SHEET**

### **(1) Current assets**

The Group's current assets decreased by approximately S\$1.6 million or 3% from S\$47.4 million as at 31 December 2017 to S\$45.8 million as at 30 June 2018 mainly due to a decrease in cash and cash equivalents of approximately S\$6.2 million and an increase in trade and other receivables of approximately S\$4.6 million.

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

- (a) provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisitions of preschool centres in Australia;
- (b) purchase consideration paid for the acquisitions of one preschool centre in Singapore and two preschool centres in Australia; and
- (c) net movements in repayments and procurement of borrowings in relation to the financing of acquisitions of preschool centres in Australia.

The increase in the Group's trade and other receivables of approximately S\$4.6 million was mainly due to:

- (a) provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisition of preschool centres in Australia; and
- (b) rental deposits paid to the landlords in securing the leases to operate two newly acquired preschool centres in Australia during 1H 2018.

### **(2) Non-current assets**

The Group's non-current assets increased by approximately S\$6.3 million or 26% from S\$23.8 million as at 31 December 2017 to S\$30.1 million as at 30 June 2018 mainly due to an increase in goodwill of approximately S\$6.7 million which resulted from the acquisitions of one preschool centre in Singapore on 1 March 2018 and two preschool centres in Australia on 15 June 2018 and a currency translation loss of approximately S\$0.7 million in goodwill which resulted from our acquisitions of four preschool centres in Australia on 10 November 2017.

### **(3) Current liabilities**

The Group's current liabilities increased by approximately S\$1.4 million or 15% from S\$9.7 million as at 31 December 2017 to S\$11.1 million as at 30 June 2018 mainly due to an increase in current borrowings of approximately S\$0.9 million and an increase in deferred income of approximately S\$0.4 million.

The increase in the Group's current borrowings of approximately S\$0.9 million was mainly due to the addition of borrowings in relation to the financing of acquisitions of preschool centres in Australia in Q2 2018.

The deferred income comprises franchise income, school fees and service income. The increase of approximately S\$0.4 million was mainly due to an increase in the advance collection of school fees resulted from the increased number of company-owned company-operated centres in Singapore.

### **(4) Non-current liabilities**

The Group's non-current liabilities increased by approximately S\$2.6 million or 53% from S\$4.8 million as at 31 December 2017 to S\$7.4 million as at 30 June 2018 mainly due to the addition of borrowings in relation to the financing of acquisitions of preschool centres in Australia in Q2 2018.

## **(C) COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS**

### *(I) Second Quarter Ended 30 June 2018 ("Q2 2018")*

The Group's cash and cash equivalents decreased by approximately S\$2.6 million or 7% from S\$35.8 million as at 31 March 2018 to S\$33.2 million as at 30 June 2018.

Major cash outflows during Q2 2018 were:

- (a) provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisitions of preschool centres in Australia of approximately S\$0.5 million;
- (b) consideration paid for the acquisitions of two preschool centres in Australia of approximately S\$5.6 million; and
- (c) repayments of borrowings amounting to approximately S\$0.6 million.

Major cash inflow during Q2 2018 was the proceeds of approximately S\$4.4 million from the borrowings obtained in Q2 2018 to finance the acquisitions of two preschool centres in Australia.

### *(II) Half Year Ended 30 June 2018 ("1H 2018")*

The Group's cash and cash equivalents decreased by approximately S\$6.2 million or 16% from S\$39.4 million as at 31 December 2017 to S\$33.2 million as at 30 June 2018.

Major cash outflows during 1H 2018 were:

- (a) provision of a deposit to a third party in the form of loan, to be offset against the purchase price to be paid for the acquisitions of preschool centres in Australia of approximately S\$2.1 million;
- (b) consideration paid for the acquisition of a subsidiary corporation in Singapore (net of cash acquired) of approximately S\$1.1 million;
- (c) consideration paid for the acquisitions of two preschool centres in Australia of approximately S\$5.6 million; and
- (d) repayments of borrowings amounting to approximately S\$1.1 million.

Major cash inflow during 1H 2018 was the proceeds of approximately S\$4.4 million from the borrowings obtained in Q2 2018 to finance the acquisitions of two preschool centres in Australia.

## **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 Group 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) Acquisitions of four preschool centres in Australia*

As announced on 25 April 2018, the Company has signed Business Sale and Purchase Agreements to acquire 4 preschool centres in Australia. The acquisitions of two centres were completed on 15 June 2018 and the remaining two centres were completed on 6 July 2018 and 27 July 2018. These acquisitions are expected to have a positive impact on the earnings per share of the Group for the financial year ending 31 December 2018.



*(b) Incorporation of a new subsidiary*

As announced on 17 May 2018, the Company has incorporated a wholly-owned subsidiary, MindChamps – PavCap PreSchool Global Holdings Pte. Limited (“MPPGH”) in Singapore with a paid-up capital of US\$1.

MPPGH is intended to be the “Holding Company” referred to in the Company’s earlier announcement dated 9 April 2018. As stated in the said announcement, 30% of the Holding Company will subsequently be owned by Palace Investments Pte. Ltd. (a wholly-owned subsidiary of Pavilion Capital Holdings Pte. Ltd.) through convertible preference shares to be issued, while the Company will continue to own 70% of the Holding Company through ordinary shares. The Holding Company will in turn own 100% of the General Partner of the MindChamps PreSchool Global Fund and 50% of the General Partner of the MindChamps PreSchool China Fund.

The said transaction was funded through internal resources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

*(c) Incorporation of a new joint venture company*

As announced on 4 June 2018, MPPGH together with First Capital Mega International Limited (“FCMI”), have incorporated a joint venture company called 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 MPPGH holds 50% and FCMI holds 50%.

MFCPCCM is intended to be the General Partner of the China PreSchool Fund referred to in the Company’s earlier announcement dated 18 February 2018.

The said transaction was funded through internal resources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

*(d) Incorporation of a new subsidiary*

As announced on 18 June 2018, the Company has incorporated a wholly-owned subsidiary, MindChamps Early Learning Australia Pty. Limited in Australia with a paid-up capital of AS\$1.

The said transaction was funded through internal resources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

*(e) Incorporation of an associated corporation*

As announced on 1 July 2018, the Company, together with First Capital Education Investment (Shenzhen) Co. Ltd (“FCEIS”), has incorporated a company called MindChamps (BeiJing) Education Ltd (“MCBJE”) in the People’s Republic of China (“PRC”). The Company holds 49% and FCEIS holds 51% of the registered capital of MCBJE. The paid-up capital of MCBJE is currently nominal.

MCBJE is intended to be the “OpCo” of the China PreSchool Fund referred to in the Company’s earlier announcement dated 18 February 2018.

The said transaction was funded through internal resources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

*(f) Keppel MindChamps Education Real Estate Fund*

As announced on 26 July 2018, the Company has signed a non-binding Memorandum of Understanding (MOU) with Keppel Capital Ventures Pte. Ltd (Keppel Capital), to cooperate and establish a new private fund to be named “Keppel MindChamps Education Real Estate Fund” which will have an initial target fund size of S\$200 million.

The parties intend to manage the proposed fund through a joint venture where Keppel Capital and the Company will each hold a 50% stake. With Keppel Capital and the Company as sponsors, the proposed fund will seek to invest in preschool and early learning real estate assets in the Asia Pacific region. These real estate assets will be leased to the Company or its related fund entities, franchisees or licensees under long term leases.

*(g) Incorporation of a new subsidiary*

As announced on 29 July 2018, the Company has incorporated a wholly-owned subsidiary, MindChamps Capital Pte. Limited in Singapore with a paid-up capital of US\$1.

MindChamps Capital Pte. Limited is intended to be the “Investment Manager” referred to in the Company’s earlier announcement dated 9 April 2018 in relation to the MindChamps PreSchool Global Fund. It is intended that the Investment Manager will apply for the required fund management licences to carry out the fund management activities referred to in the said announcement.

The said transaction was funded through internal resources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2018.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

*Any dividend recommended for the current financial period reported on?*

No.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

*Any dividend declared for the corresponding period of the immediately preceding financial year?*

No.

### **(c) Date Payable**

Not applicable.

### **(d) Book Closure Date**

Not applicable.

## **12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared for the quarter ended 30 June 2018.

The Group intends to utilise and/or reinvest the profits generated from the Group's operations in Q2 2018 and does not intend to pay any dividends to shareholders with respect to the Group's profits generated in Q2 2018.

## **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. Negative confirmation pursuant to Rule 705(5).**

To the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect.

**15. 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).

**16. Use of proceeds from the Company's IPO**

The Company had raised proceeds amounting to S\$47.6 million from the IPO.

As at the date of this announcement, the use of the proceeds from the IPO is as follows:

<b>Use of proceeds</b>	<b>Amount allocated (S\$ mil)</b>	<b>Amount utilised (S\$ mil)</b>	<b>Amount unutilised (S\$ mil)</b>
Partial repayment of drawn down and outstanding amounts under Acquisition Loan (as defined in the Prospectus)	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	7.4	27.1
For general corporate and working capital purposes	4.0	1.1 <sup>(1)</sup>	2.9
<b>Total</b>	<b>47.6</b>	<b>17.6</b>	<b>30.0</b>

<sup>(1)</sup> The use of S\$1.1 million was in relation to the provision of security deposits to the landlords to secure the leases for four newly acquired preschool centres in Australia in June and July 2018.

The Company will make further announcements when the balance of the IPO proceeds is materially disbursed.

**17. 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.**

*Half Year Ended 30 June 2018 ("1H 2018") and 30 June 2017 ("1H 2017")*

	← Singapore →			← Australia →		Group
	Education S\$'000	Franchise & Corporate S\$'000	Others S\$'000	Education S\$'000	Franchise & Corporate S\$'000	Total S\$'000
<b>1H 2018</b>						
<b>Sales</b>						
Total segment sales	6,990	4,070	-	3,232	-	14,292
Inter-segment sales	-	(635)	-	-	-	(635)
Sales to external parties	6,990	3,435	-	3,232	-	13,657
<b>Adjusted EBITDA</b>	<b>1,722</b>	<b>345</b>	<b>(3)</b>	<b>1,009</b>	<b>(670)</b>	<b>2,403</b>
<b>1H 2017</b>						
<b>Sales</b>						
Total segment sales	6,447	3,380	-	-	-	9,827
Inter-segment sales	-	(624)	-	-	-	(624)
Sales to external parties	6,447	2,756	-	-	-	9,203
<b>Adjusted EBITDA</b>	<b>1,855</b>	<b>263</b>	<b>(9)</b>	<b>-</b>	<b>(144)</b>	<b>1,965</b>

**By order of the Board**

**Mr. David Chiem Phu An**  
**Executive Chairman**  
**6 August 2018**