MINDCHAMPS PRESCHOOL LIMITED

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

UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 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 First Quarter Ended 31 March 2018 ("1Q 2018") and 31 March 2017 ("1Q 2017")

	Note	Group		
		1Q 2018 S$'000	1Q 2017 S$'000	Change %
Revenue	8(A)(3)	6,008	4,431	36%
Cost of sales	8(A)(4)	(2,584)	(1,824)	42%
Gross profit		3,424	2,607	31%
Other income	8(A)(5)	825	369	NM
Expenses				
- Administrative	8(A)(6)	(3,447)	(2,117)	63%
- Marketing		(146)	(61)	NM
Operating profits		656	798	(18%)
Other (loss)/gain - net		(65)	18	NM
Non-operating expenses				
- Finance	8(A)(7)	(101)	(1)	NM
Profit before income tax		490	815	(40%)
Income tax expense	8(A)(8)	(171)	(68)	NM
Net profit		319	747	(57%)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation - (Loss)	8(A)(9)	(649)	(7)	NM
Total comprehensive (loss)/income		(330)	740	NM

Consolidated Statement of Comprehensive Income for the First Quarter Ended 31 March 2018 ("1Q 2018") and 31 March 2017 ("1Q 2017") (continued)

	Group		
	1Q 2018 S$'000	**1Q 2017 S$'000**	**Change %**
Profit attributable to:			
Equity holders of the Company	341	690	(51%)
Non-controlling interests	(22)	57	NM
	319	747	(57%)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(308)	683	NM
Non-controlling interests	(22)	57	NM
	(330)	740	NM

NM: Not meaningful

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

	Group		
	1Q 2018 S$'000	**1Q 2017 S$'000**	**Change %**
Amortisation of intangible assets	133	94	41%
Depreciation of property, plant and equipment	142	96	48%
Allowance for impairment of trade and other receivables	-	1	NM

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 31 March 2018 S$'000	As at 31 December 2017 S$'000	As at 31 March 2018 S$'000	As at 31 December 2017 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	35,772	39,377	30,729	32,803
Trade and other receivables	9,798	7,944	25,334	23,472
Inventories	98	90	-	-
	45,668	47,411	56,063	56,275
Non-current assets				
Property, plant and equipment	1,753	1,725	250	244
Intangible assets	22,381	21,679	648	639
Deferred income tax assets	318	388	67	67
Investments in subsidiary corporations	-	-	8,138	8,138
	24,452	23,792	9,103	9,088
Total assets	70,120	71,203	65,166	65,363
LIABILITIES				
Current liabilities				
Trade and other payables	4,462	5,046	8,931	7,937
Deferred income	1,916	1,635	-	-
Borrowings	2,305	2,315	2,305	2,315
Current income tax liabilities	811	722	-	-
	9,494	9,718	11,236	10,252
Non-current liabilities				
Borrowings	4,067	4,636	4,067	4,636
Deferred income tax liabilities	17	17	-	-
Provision for reinstatement costs	204	164	-	-
	4,288	4,817	4,067	4,636
Total liabilities	13,782	14,535	15,303	14,888
NET ASSETS	56,338	56,668	49,863	50,475
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(824)	(175)	-	-
Retained profits	7,915	7,574	562	1,174
	56,392	56,700	49,863	50,475
Non-controlling interests	(54)	(32)	-	-
TOTAL EQUITY	56,338	56,668	49,863	50,475

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

	Group			
	As at 31 March 2018		As at 31 December 2017	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	2,341	-	2,352	-
Amount repayable after one year	4,134	-	4,711	-
Total	**6,475**	**-**	**7,063**	**-**

Details of collaterals

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

The Group's term loan is secured by means of:

- Memorandum of Charge/Assignment over shares in a subsidiary corporation, MindChamps Australia Pty. Ltd.; 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

	Group	
	1Q 2018	**1Q 2017**
	S$'000	**S$'000**
Cash flows from operating activities		
Net profit	319	747
Adjustments for:		
- Amortisation of intangible assets	133	94
- Depreciation of property, plant and equipment	142	96
- Interest expense	101	1
- Interest income	(85)	-
- Income tax expense	171	68
- Unrealised currency translation losses/(gain)	25	(17)
	806	989
Change in working capital:		
- Trade and other receivables	(217)	(949)
- Inventories	(8)	(22)
- Trade and other payables	(783)	572
- Deferred income	265	506
Cash generated from operations	63	1,096
Income tax paid	(12)	-
Net cash provided by operating activities	51	1,096
Cash flows from investing activities		
Additions to property, plant and equipment	(161)	(159)
Additions to intangible assets	(192)	(498)
Acquisitions of subsidiary corporations, net of cash acquired	(1,122)	-
Provision of a deposit to a third party in the form of loan	(1,581)	-
Interest received	85	-
Net cash used in investing activities	(2,971)	(657)
Cash flows from financing activities		
Dividend paid to equity holders of the Company	-	(1,250)
Dividend paid to non-controlling interests	-	(110)
Interest paid	(79)	(1)
Repayments of finance lease liabilities	(10)	(10)
Repayments of borrowings	(568)	-
Net cash used in financing activities	(657)	(1,371)
Net decrease in cash and cash equivalents	(3,577)	(932)
Cash and cash equivalents		
Beginning of financial period	39,377	3,874
Effects of currency translation on cash and cash equivalents	(28)	10
End of financial period	35,772	2,952

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) Consolidated Statement of Changes in Equity

	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
2018						
Balance as at 1 January 2018	49,301	(175)	7,574	56,700	(32)	56,668
Total comprehensive (loss)/income for the financial period	-	(649)	341	(308)	(22)	(330)
Balance as at 31 March 2018	49,301	(824)	7,915	56,392	(54)	56,338
2017						
Balance as at 1 January 2017	500	37	3,187	3,724	441	4,165
Total comprehensive (loss)/income for the financial period	-	(7)	690	683	57	740
Dividend	-	-	-	-	(110)	(110)
Balance as at 31 March 2017	500	30	3,877	4,407	388	4,795

(B) Company - Statement of Changes in Equity

	Attributable to equity holders of the Company		
	Share capital	**Retained profits**	**Total**
	S$'000	**S$'000**	**S$'000**
2018			
Balance as at 1 January 2018	49,301	1,174	50,475
Total comprehensive loss for the financial period	-	(612)	(612)
Balance as at 31 March 2018	49,301	562	49,863
2017			
Balance as at 1 January 2017	500	487	987
Total comprehensive income for the financial period	-	184	184
Balance as at 31 March 2017	500	671	1,171

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

	As at 31 March 2018	**As at 31 March 2017**
Ordinary shares of the Company		
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 31 March 2018 and 31 March 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.

	As at 31 March 2018	As at 31 March 2017
Ordinary shares of the Company		
Number of shares issued and paid-up ('000)	241,600	500

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 March 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 31 March 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

Earnings Per Ordinary Share	1Q 2018	1Q 2017
Based on the weighted average number of ordinary shares on issue (in Singapore cents)	0.14	0.38*
On a fully diluted basis (detailing any adjustments made to the earnings) (in Singapore cents)	0.14	0.38*

**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 2016.*

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 Share	Group		Company	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Net asset value per share based on total number of issued shares at the end of year (in cents)	23.32	23.46	20.64	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

(1) As disclosed in our Prospectus dated 17 November 2017 (the "Prospectus"), we have experienced seasonal changes in student enrolments with the student numbers being the lowest at the start of each calendar year. Such seasonal fluctuations in student enrolments generally give rise to a corresponding seasonal fluctuation in our revenue over the course of a year.

(2) For the first quarter ended 31 March 2018, the Group recorded an operating profit of S$0.7 million (1Q 2017: S$0.8 million). Taking into consideration the unrealised foreign exchange loss and finance cost, the Group recorded a profit before tax of approximately S$0.5 million in 1Q 2018.

(3) Revenue increased by approximately S$1.6 million or 36%, from S$4.4 million in 1Q 2017 to S$6.0 million in 1Q 2018. The increase was mainly attributable to an increase of approximately S$1.5 million in school fees, resulted from the increased number of enrolled students following the acquisitions of four preschool centres in Broadway, Eastwood, Cherrybrook and Hornsby in Australia in November 2017.

(4) Cost of sales increased by approximately S$0.8 million or 42% from S$1.8 million in 1Q 2017 to S$2.6 million in 1Q 2018. The increase in our cost of sales was mainly due to higher academic staff costs incurred, resulted from the increased number of academic staffs following the acquisitions of four company-owned company-operated ("COCO") centres indicated in (3).

(5) Other income increased by approximately S$0.4 million, from S$0.4 million in 1Q 2017 to S$0.8 million in 1Q 2018, mainly due to an increase in the interest income resulted from a fixed deposit placement and the service income generated from the provision of services to franchisee-owned franchisee-operated ("FOFO") centres, as a result of the increased number of FOFO centres in 1Q 2018

(6) Operating administrative expenses increased by approximately S$1.3 million or 63%, from S$2.1 million in 1Q 2017 to S$3.4 million in 1Q 2018. The increase was mainly attributable to:

(a) an increase in other administrative costs of approximately S$0.4 million incurred by the centres indicated in (3), such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs; and

(b) an increase in staff costs of approximately S$0.8 million following an increase in the number of staff in 2017, to support the Group's business expansion overseas and SGX compliance related matters.

(7) Non-operating finance expenses increased by approximately S$0.1 million, from S$1,000 in 1Q 2017 to S$0.1 million in 1Q 2018. The increase in non-operating finance expenses in 1Q 2018 was 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 Broadway, Eastwood, Cherrybrook and Hornsby in Australia.

(8) Income tax expenses increased by approximately S$0.1 million, from S$0.1 million in 1Q 2017 to S$0.2 million in 1Q 2018, mainly due to higher taxable profits in the absence of tax incentives as compared to the prior period.

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

(9) Currency translation loss arising from consolidation increased by approximately S$0.6 million, from S$7,000 in 1Q 2017 to S$0.6 million in 1Q 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 1Q 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$1.7 million or 4% from S$47.4 million as at 31 December 2017 to S$45.7 million as at 31 March 2018 mainly due to a decrease in cash and cash equivalents of approximately S$3.6 million and an increase in trade and other receivables of approximately S$1.9 million.

The decrease in cash and cash equivalents was mainly due to the 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 Sydney, Australia, the purchase consideration paid for the acquisition of MindChamps PreSchool @ Woodlands Pte. Ltd. and the repayments of borrowings in 1Q 2018.

The increase in the Group's trade and other receivables of approximately S$1.9 million was mainly due to the 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 Sydney, Australia to a third party in 1Q 2018.

(2) Non-current assets

The Group's non-current assets increased by approximately S$0.7 million or 3% from S$23.8 million as at 31 December 2017 to S$24.5 million as at 31 March 2018 mainly due to an increase in the goodwill of approximately S$1.3 million which resulted from our acquisition of MindChamps PreSchool @ Woodlands Pte. Ltd. on 1 March 2018 and a currency translation loss of approximately S$0.6 million in the goodwill which resulted from our acquisitions of four preschool centres in Australia on 10 November 2017

(3) Current liabilities

The Group's current liabilities decreased by approximately S$0.2 million or 2% from S$9.7 million as at 31 December 2017 to S$9.5 million as at 31 March 2018 mainly due to a decrease in trade and other payables of approximately S$0.6 million and an increase in deferred income of approximately S$0.3 million.

The decrease in the Group's trade and other payables of approximately S$0.6 million was mainly due to the settlements of payables in 1Q 2018.

The deferred income comprises franchise income, school fees and service income. The increase of approximately S$0.3 million was mainly due to an increase in the advance collection of school fees resulted from the increased number of COCO centres.

(4) Non-current liabilities

The Group's non-current liabilities decreased by approximately S$0.5 million or 11% from S$4.8 million as at 31 December 2017 to S$4.3 million as at 31 March 2018 mainly due to the repayments of borrowings in 1Q 2018.

(C) COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents decreased by approximately S$3.6 million or 9% from S$39.4 million as at 31 December 2017 to S$35.8 million as at 31 March 2018.

Major cash outflows during 1Q 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 Sydney, Australia of approximately S$1.6 million;
(b) acquisition of MindChamps PreSchool @ Woodlands Pte. Ltd. (net of cash acquired) of approximately S$1.1 million; and
(c) repayments of borrowings amounting to approximately S$0.6 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 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) MindChamps PreSchool Global Fund

On 9 April 2018, the Company entered into a joint venture agreement with Palace Investments Pte. Ltd. ("Palace Investments"), an indirect wholly-owned subsidiary of Pavilion Capital Holdings Pte. Ltd., to establish the MindChamps PreSchool Global Fund.

The MindChamps PreSchool Global Fund will invest directly or indirectly in local education fund products that have the objective of establishing and acquiring preschools and operating them under the "MindChamps" brand, such as the MindChamps PreSchool China Fund referred to as the "China PreSchool Fund" in the Company's SGX announcement dated 18 February 2018.

As a result of the establishment of the MindChamps PreSchool Global Fund, the Company expects to receive the following income streams:

a) profits from the operations of a holding company (in which the Company will have a 70% shareholding), which will receive dividends from the general partners of the MindChamps PreSchool Global Fund and the MindChamps PreSchool China Fund, and any other funds or other similar arrangements which may be established subsequently;
b) profits from the operations of the investment manager of the MindChamps PreSchool Global Fund; and
c) an agreed portion of the returns on the amount committed by Palace Investments to the MindChamps PreSchool Global Fund which exceed an agreed threshold.

(b) Acquisitions of four preschool centres in Sydney, Australia

As announced on 25 April 2018, the Company has also signed Business Sale and Purchase Agreements to acquire 4 preschool centres in Sydney, Australia. 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.

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 31 March 2018.

The Group intends to utilise and/or reinvest the profits generated in 1Q 2018 from the Group's operations and does not intend to pay any dividends to shareholders with respect to the Group's profits generated in 1Q 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:

Use of proceeds	Amount allocated (S$ mil)	Amount utilised (S$ mil)	Amount unutilised (S$ mil)
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	2.9	31.6
For general corporate and working capital purposes	4.0	-	4.0
Total	**47.6**	**12.0**	**35.6**

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.

	Singapore			Australia		Group
	Education S$'000	Franchise & Corporate S$'000	Others S$'000	Education S$'000	Franchise & Corporate S$'000	Total S$'000
1Q 2018						
Sales						
Total segment sales	3,192	1,644	-	1,464	76	6,376
Inter-segment sales	-	(292)	-	-	(76)	(368)
Sales to external parties	3,192	1,352	-	1,464	-	6,008
Adjusted EBITDA	**726**	**(92)**	**(2)**	**235**	**(86)**	**781**
1Q 2017						
Sales						
Total segment sales	3,097	1,649	-	-	-	4,746
Inter-segment sales	-	(315)	-	-	-	(315)
Sales to external parties	3,097	1,334	-	-	-	4,431
Adjusted EBITDA	**815**	**259**	**(3)**	**-**	**(65)**	**1,006**

By order of the Board

Mr. David Chiem Phu An
Executive Chairman
7 May 2018