

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING
LIMITED ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS
AND FULL YEAR ENDED 31 DECEMBER 2023**

The Board of Directors (the “**Board**”) of MindChamps PreSchool Limited (the “**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited in relation to the Company’s Unaudited Condensed Interim Financial Statements For the Six Months and Full Year Ended 31 December 2023 (the “**FY2023 Unaudited Financial Statements**”), and sets out the Company’s response as follows:

Question 1:

We refer to the FY2023 Unaudited Financial Statements at page 5 of that the non-current trade and other receivables have increased by approximately \$2.9 million (FY2022) to \$4.1 million (FY2023). Please disclose:

- (i) the nature, breakdown and ageing profile of the Group’s non-current trade and other receivables;
- (ii) the Board’s assessment recoverability of the non-current trade and other receivables;
- (iii) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify; and
- (iv) whether these debtors are related to any directors, key executives, substantial shareholders, or their respective associates.

Company’s Response:

- (i) The entire \$4.1 million relates to proceeds receivable from the sale of master franchise businesses, which were not due as at 31 December 2023.
- (ii) The Board and the management have deliberated and are of the view that these receivables are likely to be recoverable when they are due.
- (iii) \$2.4 million of these receivables are due from joint ventures.
- (iv) None.

Question 2:

We refer to the FY2023 Unaudited Financial Statements at page 5 of that the Group recorded current assets of \$26.3m and current liabilities of \$40.0m, of which \$22.5m pertained to trade and other payables. Kindly clarify:

- (i) the nature and breakdown of the trade and other payables;
- (ii) disclosure of the ageing of such trade and other payables;
- (iii) the Board's assessment on whether the Group has sufficient current assets to meet its short-term obligations, including the bases for assessment; and
- (iv) how the Company intends to fulfil its liabilities due within the next 12 months.

Company's Response:

- (i)&(ii) Of the payables of \$22.5 million as of 31 December 2023,
 - a. Approximately \$3.1 million representing 14% of the aggregate were not due for payment as of 31 December 2023;
 - b. Approximately \$3.3 million related to manpower costs (salaries accrued for December 2023) which have been paid to-date;
 - c. Approximately \$2.7 million were due for payment with credit terms as of 31 December 2023, \$0.9 million of which have been settled to-date, with the remaining amount to be paid in due course.
 - d. Approximately \$1.8 million related to manpower costs (long service awards accrued and payable to employees who have worked for the Group for 10 years under Australian laws and regulations) were not due for payment as of 31 December 2023;
 - e. Approximately \$3.1 million related to manpower costs (accrued and payable at the sole discretion of the Group with no contractual obligations to pay) were not due for payment as of 31 December 2023;
 - f. Approximately \$3.7 million related to related party payables and receivables within the Group (the treasury management function is centrally managed within the Group, any payment (after offsetting payables and receivables positions) is determined at the sole discretion of the Group) were not due for payment as of 31 December 2023; and
 - g. Approximately \$4.6 million related to 1-month student fee deposit received (refundable at the point of each student's graduation or exit) were not due for payment as of 31 December 2023.
- (iii)&(iv) The Group has been approached by numerous parties from different parts of the world to pursue similar business interest which will generate revenue for the Group.

The Group has successfully expanded into new markets via its global sale of master franchise.

A number of sale of master franchise businesses in various territories are expected to be completed in the near future.

The Board and the management have considered the Group's business plans and operating budgets and deliberated the abovementioned payables positions, and the increasing market interest in the Group's global sale of master franchise business strategy and are of the view that the Group is able to generate positive operating cash flows within the next 12 months.

On these bases, the Board and the management are of the view that the Group is able to fulfil its liabilities due within the next 12 months.

Question 3:

We refer to the FY2023 Unaudited Financial Statements at page 2 states that impairment of financial assets increased from approximately \$0.04 million in 2H 2022 to \$3.1 million in 2H2023. The increase was attributable to higher provision of doubtful debts associated with the Group's financial assets. With reference to this, kindly disclose:

- (i) how the amount of impairment was determined;
- (ii) whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation; and
- (iii) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment.

Company's Response:

- (i) The amount of impairment was determined after performing recoverability assessment of receivables' on collective and individual assessment bases as prescribed by SFRS(I) 9 Financial Instruments.

Applying the individual assessment approach, management assessed payment patterns and bad debt profiles for each of the subject debtors. As these receivables were past due and have been assessed with no reasonable expectation of recovery, the Group impaired \$3.1 million (to the maximum credit risk exposure) of these receivables.

- (ii) No valuation was required as the subject asset was receivables that were recorded at amortised cost in accordance with SFRS(I) 9 Financial Instruments.
- (iii) The Board has confirmed that it is satisfied with the management's methodologies used in determining the amount of impairment.

MindChamps PreSchool Limited
17 April 2024