



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

DBS Bank Ltd. was the sole issue manager, bookrunner and underwriter (the "**Sole Issue Manager, Bookrunner and Underwriter**") for the initial public offering of shares in, and listing of, the Company on the Mainboard of the SGX-ST in November 2017. The Sole Issue Manager, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 Third Quarter and Nine Months Ended 30 September 2019

	Third Quarter			Nine Months		
	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %
Revenue	15,607	9,172	70%	38,080	22,829	67%
Cost of sales	(7,787)	(3,995)	95%	(18,502)	(9,342)	98%
Gross profit	7,820	5,177	51%	19,578	13,487	45%
Other income						
- Interest income	10	106	(91%)	115	320	(64%)
- Others	988	931	6%	2,477	2,313	7%
Expenses						
- Administrative	(7,333)	(4,329)	69%	(18,023)	(11,704)	54%
- Marketing	(273)	(194)	41%	(697)	(504)	38%
- Impairment loss on financial assets	(5)	-	N.M.	(33)	(30)	10%
Operating profit	1,207	1,691	(29%)	3,417	3,882	(12%)
Other loss – net	(52)	(67)	(22%)	(91)	(130)	(30%)
Non-operating expenses						
- Finance	(833)	(167)	N.M.	(1,751)	(347)	N.M.
- Acquisitions	-	(155)	(100%)	(302)	(250)	21%
Share of loss of an associated company and a joint venture	-	-*	-	-	-*	-
Profit before income tax	322	1,302	(75%)	1,273	3,155	(60%)
Income tax credit / (expense)	17	(135)	N.M.	(189)	(430)	(56%)
Net profit	339	1,167	(71%)	1,084	2,725	(60%)

N.M.: Not meaningful

Consolidated Statement of Comprehensive Income for the Third Quarter and Nine Months Ended 30 September 2019 (continued)

	Third Quarter			Nine Months		
	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %
Other comprehensive income / (loss):						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation – gain / (loss)	386	(801)	N.M.	(238)	(1,481)	(84%)
Total comprehensive income	725	366	98%	846	1,244	(32%)
Profit attributable to:						
Equity holders of the Company	300	1,115	(73%)	1,042	2,716	(62%)
Non-controlling interests	39	52	(25%)	42	9	N.M.
	339	1,167	(71%)	1,084	2,725	(60%)
Total comprehensive income attributable to:						
Equity holders of the Company	686	314	N.M.	804	1,235	(35%)
Non-controlling interests	39	52	(25%)	42	9	N.M.
	725	366	98%	846	1,244	(32%)

N.M.: Not meaningful

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

	Third Quarter			Nine Months		
	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %	30.09.2019 S\$'000	30.09.2018 S\$'000	+/- %
Amortisation of intangible assets	191	142	35%	578	408	42%
Depreciation of property, plant and equipment	2,469	127	N.M.	6,102	445	N.M.
Allowance for impairment loss on financial assets	5	-	N.M.	33	30	10%

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 30.09.2019 S\$'000	As at 31.12.2018 S\$'000	As at 30.09.2019 S\$'000	As at 31.12.2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	9,610	35,437	1,127	23,915
Trade and other receivables	14,249	12,009	51,975	50,870
Inventories	177	138	-	-
	<u>24,036</u>	<u>47,584</u>	<u>53,102</u>	<u>74,785</u>
Non-current assets				
Property, plant and equipment	32,969	1,940	185	217
Intangible assets	86,871	43,953	1,817	1,744
Deferred income tax assets	212	251	37	37
Investments in subsidiary corporations	-	-	41,351	2,473
Investment in an associated corporation	-	-	-	-
Investment in a joint venture	-	-	-	-
	<u>120,052</u>	<u>46,144</u>	<u>43,390</u>	<u>4,471</u>
Total assets	<u>144,088</u>	<u>93,728</u>	<u>96,492</u>	<u>79,256</u>
LIABILITIES				
Current liabilities				
Trade and other payables	9,512	8,965	8,559	6,516
Borrowings	10,646	5,838	9,719	5,838
Contract liabilities	2,625	2,155	-	-
Lease liabilities	7,059	-	-	-
Current income tax liabilities	103	216	-	-
	<u>29,945</u>	<u>17,174</u>	<u>18,278</u>	<u>12,354</u>
Non-current liabilities				
Borrowings	33,350	15,088	28,901	15,088
Deferred income tax liabilities	8	16	-	-
Lease liabilities	21,770	-	-	-
Provision for reinstatement costs	914	764	-	-
	<u>56,042</u>	<u>15,868</u>	<u>28,901</u>	<u>15,088</u>
Total liabilities	<u>85,987</u>	<u>33,042</u>	<u>47,179</u>	<u>27,442</u>
NET ASSETS	<u>58,101</u>	<u>60,686</u>	<u>49,313</u>	<u>51,814</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,301	49,301	49,301	49,301
Currency translation reserve	(2,778)	(2,540)	-	-
Retained profits	11,779	13,974	12	2,513
	<u>58,302</u>	<u>60,735</u>	<u>49,313</u>	<u>51,814</u>
Non-controlling interests	(201)	(49)	-	-
TOTAL EQUITY	<u>58,101</u>	<u>60,686</u>	<u>49,313</u>	<u>51,814</u>

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

	Group			
	As at 30.09.2019		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	10,699	-	6,690	-
Amount repayable after one year	33,701	-	16,300	-
Total	44,400	-	22,990	-

Details of collaterals

The Group's borrowings consist of term loans and secured by means of Specific Security Deed 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

	Third Quarter		Nine Months	
	30.09.2019 S\$'000	30.09.2018 S\$'000	30.09.2019 S\$'000	30.09.2018 S\$'000
Cash flows from operating activities				
Net profit	339	1,167	1,084	2,725
Adjustments for:				
- Acquisition related expenses	-	155	302	250
- Amortisation of intangible assets	191	142	578	408
- Depreciation of property, plant and equipment	2,469	127	6,102	445
- Interest expense	833	167	1,751	347
- Interest income	(10)	(106)	(115)	(320)
- Income tax (credit) / expense	(17)	135	189	430
- Property, plant and equipment written off	2	-	2	5
- Unrealised currency translation losses	1,702	109	1,919	141
	5,509	1,896	11,812	4,431
Change in working capital, net of effects from acquisitions of businesses and subsidiary corporations:				
- Trade and other receivables	581	(681)	(830)	(3,074)
- Inventories	(15)	(2)	(39)	(64)
- Trade and other payables	(3,238)	1,952	(3,456)	1,970
- Contract liabilities	(22)	221	470	590
Cash generated from operations	2,815	3,386	7,957	3,853
Income tax paid	(18)	(349)	(56)	(712)
Net cash provided by operating activities	2,797	3,037	7,901	3,141
Cash flows from investing activities				
Acquisitions of preschool businesses	-	(13,461)	-	(19,099)
Acquisitions of subsidiary corporations, net of cash acquired	(2,602)	-	(43,017)	(1,122)
Acquisitions related expenses paid	-	(325)	(302)	(325)
Additions to property, plant and equipment	(943)	(139)	(1,396)	(361)
Additions to intangible assets	(438)	(178)	(2,407)	(549)
Incorporation of an associated corporation	-	-*	-	-*
Incorporation of a joint venture	-	-*	-	-*
Interest received	10	79	115	236
Provision of an acquisition deposit to a third party	-	-	-	(2,093)
Net cash used in investing activities	(3,973)	(14,024)	(47,007)	(23,313)

* Less than \$1,000

Consolidated Statement of Cash Flows (continued)

	Third Quarter		Nine Months	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	S\$'000	S\$'000	S\$'000	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	(307)	(147)	(912)	(297)
Proceeds from borrowings	2,584	10,755	29,203	15,186
Repayments of finance lease liabilities	-	(10)	(14)	(31)
Repayments of borrowings	(1,786)	(995)	(5,881)	(2,132)
Repayments of principal element of lease payments	(2,237)	-	(5,573)	-
Net cash (used) / provided by financing activities	(1,746)	9,603	13,416	12,606
Net decrease in cash and cash equivalents	(2,922)	(1,384)	(25,690)	(7,566)
Cash and cash equivalents				
Beginning of financial period	12,593	33,165	35,437	39,377
Effects of currency translation on cash and cash equivalents	(61)	(37)	(137)	(67)
End of financial period	9,610	31,744	9,610	31,744

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 Third Quarter Ended 30 September 2019

	Attributable to equity holders of the Company			Total S\$'000	Non-controlling interests S\$'000	Total S\$'000
	Share capital	Currency translation reserve	Retained profits			
	S\$'000	S\$'000	S\$'000			
2019						
Balance as at 1 July 2019	49,301	(3,164)	11,479	57,616	(240)	57,376
Total comprehensive income for the financial period	-	386	300	686	39	725
Balance as at 30 September 2019	49,301	(2,778)	11,779	58,302	(201)	58,101
2018						
Balance as at 1 July 2018	49,301	(855)	9,191	57,637	(195)	57,442
Total comprehensive (loss) / income for the financial period	-	(801)	1,115	314	52	366
Balance as at 30 September 2018	49,301	(1,656)	10,306	57,951	(143)	57,808

(B) **Group – Consolidated Statement of Changes in Equity for the Nine Months Ended 30 September 2019**

	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		
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 period	-	(238)	1,042	804	42	846
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 30 September 2019	49,301	(2,778)	11,779	58,302	(201)	58,101
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 period	-	(1,481)	2,716	1,235	9	1,244
Dividend paid to non-controlling interests	-	-	-	-	(120)	(120)
Balance as at 30 September 2018	49,301	(1,656)	10,306	57,951	(143)	57,808

(C) **Company – Statement of Changes in Equity for the Third Quarter Ended 30 September 2019**

	Attributable to equity holders of the Company		
	Retained profits / (Accumulated		
	Share capital	losses)	Total
	S\$'000	S\$'000	S\$'000
2019			
Balance as at 1 July 2019	49,301	1,465	50,766
Total comprehensive income for the financial period	-	(1,453)	(1,453)
Balance as at 30 September 2019	49,301	12	49,313
2018			
Balance as at 1 July 2018	49,301	1,001	50,302
Total comprehensive income for the financial period	-	(695)	(695)
Balance as at 30 September 2018	49,301	306	49,607

(D) **Company – Statement of Changes in Equity for the Nine Months Ended 30 September 2019**

	Attributable to equity holders of the Company		
	Retained profits / (Accumulated		
	Share capital	losses)	Total
	S\$'000	S\$'000	S\$'000
2019			
Balance as at 1 January 2019	49,301	2,513	51,814
Total comprehensive income for the financial period	-	736	736
Dividend paid	-	(3,237)	(3,237)
Balance as at 30 September 2019	49,301	12	49,313
2018			
Balance as at 1 January 2018	49,301	1,174	50,475
Total comprehensive loss for the financial period	-	(868)	(868)
Balance as at 30 September 2018	49,301	306	49,607

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 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)
<i>Issued and paid ordinary shares</i>	
Balance as at 1 July 2019 and as at 30 September 2019	241,600
Balance as at 1 July 2018 and as at 30 September 2018	241,600

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 30 September 2019 and 30 September 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 30.09.2019	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 30 September 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 30 September 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 year 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 difference 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

Earnings Per Ordinary Share	Third Quarter		Nine Months	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Based on the weighted average number of ordinary shares on issue (in Singapore cents)	0.12	0.46	0.43	1.12
On a fully diluted basis (detailing any adjustments made to the earnings) (in Singapore cents)	0.12	0.46	0.43	1.12

- 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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Net asset value per share based on total number of issued shares at the end of year (in cents)	24.13	25.14	20.41	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

(i) Third Quarter Ended 30 September 2019 ("Q3 2019") and 30 September 2018 ("Q3 2018")

- (1) For the third quarter ended 30 September 2019, the Group recorded an operating profit of S\$1.2 million (Q3 2018: S\$1.7 million). Taking non-operating expenses into consideration, the Group recorded a profit before tax of S\$0.3 million in Q3 2019 (Q3 2018: S\$1.3 million) and a profit after tax of S\$0.3 million in Q3 2019 (Q3 2018: S\$1.2 million).
- (2) Revenue increased by approximately S\$6.4 million or 70%, from S\$9.2 million in Q3 2018 to S\$15.6 million in Q3 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\$3.8 million or 95%, from S\$4.0 million in Q3 2018 to S\$7.8 million in Q3 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) Operating administrative expenses increased by approximately S\$3.0 million or 69%, from S\$4.3 million in Q3 2018 to S\$7.3 million in Q3 2019. The increase was mainly attributable to an increase in:
 - (a) administrative costs of approximately S\$1.8 million incurred by the newly acquired centres in 2018 and 2019, such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs; and
 - (b) staff costs of approximately S\$1.0 million which mainly resulted from an increase in the number of staff to support the Group's business expansion overseas.
- (5) Non-operating finance expenses increased by approximately S\$0.6 million, from S\$0.2 million in Q3 2018 to S\$0.8 million in Q3 2019. The increase was attributable to an increase in:
 - (a) non-operating 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; and
 - (b) non-operating finance expenses of S\$0.4 million which mainly resulted from the recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in Paragraph 4.
- (6) Non-operating acquisition related expenses decreased by approximately S\$0.2 million, from S\$0.2 million in Q3 2018 to nil in Q3 2019. The decrease was due to no major acquisitions taking place in Q3 2019.
- (7) Currency translation gain arising from consolidation increased by approximately S\$1.2 million, from a loss of S\$0.8 million in Q3 2018 to a gain of S\$0.4 million in Q3 2019. These exchange differences arose from the translation of financial statements of the Group's Australian operations whose functional currencies are different from that of the Group's presentation currency.

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

(ii) *Nine Months Ended 30 September 2019 (“9M 2019”) and 30 September 2018 (“9M 2018”)*

- (1) For the nine months ended 30 September 2019, the Group recorded an operating profit of S\$3.4 million (9M 2018: S\$3.9 million). Taking non-operating expenses into consideration, the Group recorded a profit before tax of S\$1.3 million in 9M 2019 (9M 2018: S\$3.2 million) and a profit after tax of S\$1.1 million in 9M 2019 (9M 2018: S\$2.7 million).
- (2) Revenue increased by approximately S\$15.3 million or 67%, from S\$22.8 million in 9M 2018 to S\$38.1 million in 9M 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\$9.2 million or 98%, from S\$9.3 million in 9M 2018 to S\$18.5 million in 9M 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) Operating administrative expenses increased by approximately S\$6.3 million or 54%, from S\$11.7 million in 9M 2018 to S\$18.0 million in 9M 2019. The increase was mainly attributable to an increase in:
 - (a) administrative costs of approximately S\$3.8 million incurred by the newly acquired centres in 2018 and 2019, such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs; and
 - (b) staff costs of approximately S\$2.3 million which mainly resulted from an increase in the number of staff to support the Group’s business expansion overseas.
- (5) Operating marketing expenses increased by approximately S\$0.2 million or 38%, from S\$0.5 million in 9M 2018 to S\$0.7 million in 9M 2019. The increase was in line with the increase in scale of the Group’s operations and branding requirements of new overseas business.
- (6) Non-operating finance expenses increased by approximately S\$1.4 million, from S\$0.3 million in 9M 2018 to S\$1.7 million in 9M 2019. The increase was attributed to an increase in:
 - (a) non-operating finance expenses of S\$0.7 million which mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in 2018 and 2019; and
 - (b) non-operating finance expenses of S\$0.7 million which mainly resulted from the recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in Paragraph 4.
- (7) Currency translation loss arising from consolidation decreased by approximately S\$1.3 million, from S\$1.5 million in Q3 2018 to S\$0.2 million in Q3 2019. These exchange differences arose from the translation of financial statements of the Group’s Australian operations whose functional currencies are different from that of the Group’s presentation currency.

(B) COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

(1) Current assets

The Group's current assets decreased by approximately S\$23.6 million or 49%, from S\$47.6 million as at 31 December 2018 to S\$24.0 million as at 30 September 2019 which was mainly due to a decrease in cash and cash equivalents of approximately S\$25.8 million and an increase in trade and other receivables of approximately S\$2.2 million.

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

- (a) purchase consideration paid for the acquisitions of preschool centres in 9M 2019;
- (b) distribution of dividends to the Company's shareholders in 9M 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 the rental deposits paid to landlords in securing the leases to operate newly acquired preschool centres in 9M 2019.

(2) Non-current assets

The Group's non-current assets increased by approximately S\$73.9 million, from S\$46.1 million as at 31 December 2018 to S\$120.0 million as at 30 September 2019. The increase is mainly due to:

- (a) the recognition of goodwill of approximately S\$42.1 million and the acquired fixed assets of approximately S\$2.7 million which resulted from the acquisitions of preschool centres in 9M 2019; and
- (b) the recognition of right-of-use assets of approximately S\$28.9 million arising from the adoption of SFRS(I) 16 as disclosed in Paragraph 4.

(3) Current liabilities

The Group's current liabilities increased by approximately S\$12.7 million or 74%, from S\$17.2 million as at 31 December 2018 to S\$29.9 million as at 30 September 2019 mainly due to:

- (a) an increase of approximately S\$7.1 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; and
- (b) an increase of approximately S\$4.8 million in current borrowings in relation to the acquisitions of preschool centres in 9M 2019.

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

(4) Non-current liabilities

The Group's non-current liabilities increased by approximately S\$40.1 million, from S\$15.9 million as at 31 December 2018 to S\$56.0 million as at 30 September 2019 mainly due to:

- (a) an increase of approximately S\$21.8 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\$18.3 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) Third Quarter Ended 30 September 2019 ("Q3 2019")

The Group's cash and cash equivalents decreased by approximately S\$3.0 million or 24%, from S\$12.6 million as at 30 June 2019 to S\$9.6 million as at 30 September 2019.

Major cash inflows in Q3 2019 were:

- (a) procurement of loan of approximately S\$2.6 million in relation to the acquisition of a preschool centre; and
- (b) net cash provided by operating activities of approximately S\$2.8 million.

Major cash outflows in Q3 2019 were:

- (a) net purchase consideration of S\$2.6 million paid for the acquisition of a preschool centre in Q3 2019;
- (b) repayments of borrowings and payments of interest in relation to the acquisitions of preschool centres amounting to approximately S\$2.1 million; and
- (c) repayments of principal element of lease payments in relation to the leasing of preschool centres of approximately S\$2.2 million.

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

(ii) Nine Months Ended 30 September 2019 (“9M 2019”)

The Group’s cash and cash equivalents decreased by approximately S\$25.8 million or 73%, from S\$35.4 million as at 31 December 2018 to S\$9.6 million as at 30 September 2019.

Major cash inflows in 9M 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\$7.9 million.

Major cash outflows in 9M 2019 were:

- (a) purchase consideration of S\$43.0 million paid for the acquisitions of preschool centres in 9M 2019;
- (b) repayments of borrowings and payments of interest in relation to the acquisitions of preschool centres amounting to approximately S\$6.8 million;
- (c) repayments of principal element of lease payments in relation to the leasing of preschool centres of approximately S\$5.6 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.

Acquisition of 50% Shareholding Interest and Subscription of Preference Shares in MindChamps PreSchool @ Concorde Hotel (Orchard) Pte. Ltd. (“CCH”)

On 1 November 2019, the Group entered into a Share Purchase and Subscription Agreement and a Shareholders Agreement with Kabir Raiyan (the “Seller”) and CCH to:

- (i) acquire 5,000 ordinary shares in CCH from the Seller, comprising 50% of the total ordinary shares of CCH, at a consideration of S\$100; and*
- (ii) subscribe for 4,750 convertible and non-redeemable Class A preference shares in CCH, at a consideration of S\$100.*

The above transaction is not expected to have any material negative impact on the consolidated earnings per share and net tangible assets per share of the Group for the financial year ending 31 December 2019.

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

No dividend declared for previous corresponding period.

(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 30 September 2019 as the Company recently declared and paid a final cash dividend of 1.34 cents per ordinary share for the financial year ended 31 December 2018 and 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 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	(34.5)	-
For general corporate and working capital purposes	4.0	(4.0) ^(a)	-
Total	47.6	(47.6)	-

Note:

- a. *The general corporate and working capital of S\$4.0 million was used for the provision of security deposits to landlords to secure the leases and the payments of monthly operational commitments for newly acquired preschool centres in FY2018 and FY2019.*

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.**

Nine Months Ended 30 September 2019 ("9M 2019") and 30 September 2018 ("9M 2018")

	← Singapore →				← Australia →		Group
	Corporate S\$'000	Education S\$'000	Franchise S\$'000	Others S\$'000	Corporate S\$'000	Education S\$'000	Total S\$'000
9M 2019							
Sales							
Total segment sales	-	13,536	6,861	-	-	18,923	39,320
Inter-segment sales	-	-	(1,240)	-	-	-	(1,240)
Sales to external parties	-	13,536	5,621	-	-	18,923	38,080
EBITDA	(1,834)	6,552	1,799	(31)	(2,774)	5,877	9,589
9M 2018							
Sales							
Total segment sales	-	10,930	5,941	-	-	6,954	23,825
Inter-segment sales	-	-	(996)	-	-	-	(996)
Sales to external parties	-	10,930	4,945	-	-	6,954	22,829
EBITDA	(1,620)	3,051	2,028	(9)	(1,214)	1,799	4,035

By order of the Board

Mr. David Chiem Phu An
Executive Chairman
7 November 2019