

**MindChamps PreSchool Limited
and its Subsidiary Corporations**
(Incorporated in Singapore)
(Company Registration No: 200814577H)

**Condensed Interim Financial Statements
For The Six Months And Full Year Ended 31 December 2021**

MindChamps PreSchool Limited and its Subsidiary Corporations
(Incorporated in Singapore)

Condensed Interim Financial Statements
For the six months and full year ended 31 December 2021

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MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months and full year ended 31 December 2021

	Note	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	+/- %	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	+/- %
Revenue	4	31,566	30,204	5%	62,709	51,800	21%
Cost of sales		(16,144)	(16,080)	4%	(32,415)	(30,148)	8%
Gross profit		15,422	14,124	9%	30,294	21,652	40%
Other income							
- Interest income		161	138	17%	202	205	(1%)
- Others		4,090	5,129	(20%)	6,055	13,423	(55%)
		4,251	5,267	(19%)	6,257	13,628	(54%)
Other gains and losses							
- Gain from corporate transactions	14	-	-	N.M	258	-	100%
- Impairment loss on financial assets		(616)	(18)	N.M	(928)	(31)	N.M
- Other (losses) / gain – net		(95)	137	N.M	(115)	325	N.M
Expenses							
- Administrative		(15,233)	(14,697)	4%	(29,902)	(27,657)	8%
- Finance		(1,025)	(1,212)	(15%)	(2,155)	(2,638)	(18%)
- Marketing		(925)	(566)	63%	(1,523)	(1,151)	32%
Share of losses from associates and joint ventures		(13)	(179)	(93%)	(34)	(293)	(88%)
Profit before income tax		1,766	2,856	(38%)	2,152	3,835	(44%)
Income tax credit / (expense)	7	512	33	N.M	452	(181)	N.M
Net profit		2,278	2,889	(21%)	2,604	3,654	(29%)

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months and full year ended 31 December 2021

Note	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	+/- %	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000	+/- %
Other comprehensive (loss) / income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation – (loss) / gain	(2,184)	4,661	N.M	(2,661)	5,889	N.M
Total comprehensive (loss) / income	94	7,550	N.M	(57)	9,543	N.M
Profit attributable to:						
Equity holders of the Company	2,206	2,469	(11%)	2,409	3,171	(24%)
Non-controlling interests	72	420	(83%)	195	483	(60%)
	2,278	2,889	(21%)	2,604	3,654	(29%)
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	22	7,130	N.M	(252)	9,060	N.M
Non-controlling interests	72	420	(83%)	195	483	(60%)
	94	7,550	(99%)	(57)	9,543	N.M
Earnings per share for net profit attributable to equity holders of the Company						
- Basic earnings per share (cents per share)	0.91	1.02		0.99	1.31	
- Diluted earnings per share (cents per share)	0.91	1.02		0.99	1.31	

The accompanying notes form an integral part of these financial statements

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6 Months Ended 31 December 2021 ("2H 2021") and 31 December 2020 ("2H 2020")

- (1) For the second half ended 31 December 2021, despite the COVID-19 pandemic, the Group continued to experience steady growth in student enrolment numbers which drove growth in school fees revenue and recorded a profit before tax of \$1.8 million in 2H 2021 (2H 2020: \$2.9 million) and a profit after tax of \$2.3 million in 2H 2021 (2H 2020: \$2.9 million).

During the COVID-19 pandemic, supported by government subsidies, the Group was required to offset certain percentage of school fees that resulted in revenue loss. The net gain experienced by the Group that resulted from these COVID-19 related measures in 2H 2021 was \$0.9 million (\$2.2 million government subsidies less \$1.3 million mandated revenue loss), and in 2H 2020 was \$3.6 million (\$3.9 million government subsidies less \$0.3 million mandated revenue loss). Excluding these positive impacts of \$0.9 million (2H 2021) and \$3.6 million (2H 2020), the results would have been a profit before tax of \$0.9 million (2H 2021) and loss before tax of \$0.7 million (2H 2020), an improvement of \$1.6 million in operational earnings year on year.

- (2) Revenue increased by approximately \$1.4 million or 5%, from \$30.2 million in 2H 2020 to \$31.6 million in 2H 2021. The increase was mainly attributable to:
- (a) an increase of \$0.3 million in school fees and royalty revenue contributed by the organic increase in preschool fees year on year;
 - (b) an increase of \$0.6 million in commission income following the acquisition of a centralised childcare enrolment business in Australia in 2021; and
 - (c) an increase of \$0.2 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 2H 2021. The Group's Australian operations are not exposed to currency risks as it receives and pays in Australian dollars.
- (3) Other income decreased by approximately \$1.0 million, from \$5.3 million in 2H 2020 to \$4.3 million in 2H 2021. The decrease was mainly attributable to reduced COVID-19 relief support packages extended to the Group's operations in 2H 2021.
- (4) Impairment of financial assets increased by \$0.5 million from less than \$0.1 million in 2H 2020 to \$0.6 million in 2H 2021. The increase was attributable to the application of expected credit loss associated with the Group's financial assets.
- (5) Finance expenses decreased by approximately \$0.2 million or 15%, from \$1.2 million in 2H 2020 to \$1.0 million in 2H 2021. The decrease was mainly attributable to the lower outstanding loan principals of the Group's existing borrowings and leases for preschool centres.
- (6) Marketing expenses increased by approximately \$0.3 million or 63%, from \$0.6 million in 2H 2020 to \$0.9 million 2H 2021. The increase was in line with the increase in scale of the Group's operations and branding requirements of local and overseas business expansion.
- (7) Currency translation arising from consolidation decreased by approximately \$6.8 million, from a gain of \$4.6 million in 2H 2020 to a loss of \$2.2 million in 2H 2021. These exchange differences arose from the translation of financial statements of the Group's Australian operations, whose functional currencies are different from the Group's presentation currency.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months and full year ended 31 December 2021

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

12 Months Ended 31 December 2021 ("2021") and 31 December 2020 ("2020")

- (1) For the full year ended 31 December 2021, despite the COVID-19 pandemic, the Group continued to experience steady growth in student enrolment numbers which drove growth in school fees revenue and recorded a profit before tax of \$2.2 million in 2021 (2020: \$3.8 million) and a profit after tax of \$2.6 million in 2021 (2020: \$3.7 million).

During the COVID-19 pandemic, supported by government subsidies, the Group was required to offset a certain percentage of school fees that resulted in revenue loss. The net gain experienced by the Group that resulted from these COVID-19 related measures in 2021 was \$1.3 million (\$2.6 million government subsidies less \$1.3 million mandated revenue loss), and in 2020 was \$4.9 million (\$10.9 million government subsidies less \$6.0 million mandated revenue loss). Excluding these positive impacts of \$1.3 million (2021) and \$4.9 million (2020), results would have been profit before tax of \$0.9 million (2021) and a loss before tax of \$1.1 million (2020), an improvement of \$2.0 million in operational earnings year on year.

- (2) Revenue increased by approximately \$10.9 million or 21%, from \$51.8 million in 2020 to \$62.7 million in 2021. The increase was mainly attributable to:
- (a) the mandated school fees reduction which led to \$6.0 million revenue forgone in 2020. If this were not mandated, the revenue in 2020 would have been \$57.8 million rather than \$51.8 million;
 - (b) an increase of \$0.4 million in school fees and royalty revenue contributed by the organic increase in preschool fees year on year;
 - (c) an increase of \$1.6 million in franchise income from the sales of master franchise licence in 2021;
 - (d) an increase of \$0.6 million in commission income following the acquisition of a centralised childcare enrolment business in Australia in 2021; and
 - (e) an increase of \$2.0 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (3) Cost of sales increased by approximately \$2.3 million or 8%, from \$30.1 million in 2020 to \$32.4 million in 2021. The increase was mainly attributable to:
- (a) an increase of approximately \$0.9 million of higher academic staff costs incurred, which resulted from higher occupancy rates in 2021 and increased number of staff following the acquisitions of performing art school business in Singapore and centralised childcare enrolment business in Australia in 2021; and
 - (b) an increase of \$1.3 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (4) Other income decreased by approximately \$7.3 million, from \$13.6 million in 2020 to \$6.3 million in 2021. The decrease was mainly attributable to reduced COVID-19 relief support packages extended to the Group's operations in 2021.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months and full year ended 31 December 2021

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

12 Months Ended 31 December 2021 ("2021") and 31 December 2020 ("2020") (Continued)

- (5) Impairment of financial assets increased by \$0.8 million from less than \$0.1 million in 2020 to \$0.9 million in 2021. The increase was mainly attributable to the application of expected credit loss associated with the Group's financial assets.
- (6) Administrative expenses increased by approximately \$2.2 million or 8%, from \$27.7 million in 2020 to \$29.9 million in 2021. The increase was mainly attributable to:
 - (a) an increase of approximately \$1.0 million of administrative costs incurred, which resulted from the increased number of staff following the acquisitions of performing art school business in Singapore and centralised childcare enrolment business in Australia in 2021; and
 - (b) an increase of \$0.9 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (7) Finance expenses decreased by approximately \$0.4 million or 18%, from \$2.6 million in 2020 to \$2.2 million in 2021. The decrease was mainly attributable to the lower outstanding loan principals of the Group's existing borrowings and leases for preschool centres.
- (8) Marketing expenses increased by approximately \$0.3 million or 32%, from \$1.2 million in 2020 to \$1.5 million 2021. The increase was in line with the increase in scale of the group's operations and branding requirements of local and overseas business expansion.
- (9) Currency translation arising from consolidation decreased by approximately \$8.6 million, from a gain of \$5.9 million in 2020 to a loss of \$2.7 million in 2021. These exchange differences arose from the translation of financial statements of the Group's Australian operations, whose functional currencies are different from the Group's presentation currency.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Balance Sheet – Group

As at 31 December 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		10,987	11,335
Trade and other receivables		17,407	16,461
Inventories		539	371
Lease receivables		696	625
		<u>29,629</u>	<u>28,792</u>
Non-current assets			
Property, plant and equipment		27,336	31,237
Trade receivables		1,400	-
Intangible assets	9	92,812	96,196
Lease receivables		1,498	1,837
Deferred income tax assets		1,779	1,755
Investments in associates	12	147	-
Investments in joint ventures		-	21
		<u>124,972</u>	<u>131,046</u>
Total assets		<u>154,601</u>	<u>159,838</u>
LIABILITIES			
Current liabilities			
Trade and other payables		14,385	15,004
Contract liabilities		2,637	2,120
Borrowings	10	11,359	5,793
Lease liabilities		7,779	8,991
Current income tax liabilities		385	389
		<u>36,545</u>	<u>32,297</u>
Non-current liabilities			
Borrowings	10	26,191	33,374
Contract liabilities		162	-
Lease liabilities		18,616	21,083
Deferred income tax liabilities		40	105
Provision for reinstatement costs		976	984
		<u>45,985</u>	<u>55,546</u>
Total liabilities		<u>82,530</u>	<u>87,843</u>
NET ASSETS		<u>72,071</u>	<u>71,995</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	49,301	49,301
Currency translation reserve		(873)	1,788
Retained profits		23,244	20,835
		<u>71,672</u>	<u>71,924</u>
Non-controlling interests		<u>399</u>	<u>71</u>
TOTAL EQUITY		<u>72,071</u>	<u>71,995</u>

The accompanying notes form an integral part of these financial statements.

COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

(1) Current assets

The Group's current assets increased by approximately \$0.8 million or 3%, from \$28.8 million as at 31 December 2020 to \$29.6 million as at 31 December 2021. The increase of the Group's current assets was mainly attributable to the increase in trade and other receivables arising from franchise receivables.

(2) Non-current assets

The Group's non-current assets decreased by approximately \$6.0 million, from \$131.0 million as at 31 December 2020 to \$125.0 million as at 31 December 2021. The decrease of the Group's non-current assets was mainly attributable to the following:

- (a) the decrease in property, plant and equipment of approximately \$3.9 million mainly attributable to depreciation of right-of-use assets relating to leases held by the Group;
- (b) the decrease in intangible assets of approximately \$3.4 million mainly attributable to the depreciation of the Australian dollar arising from the translation of financial statements of the Group's Australian operations; and offset by
- (c) the increase in trade receivables of approximately \$1.4 million arising from the agreed payment milestones pertaining to franchise receivables in 2021.

(3) Current liabilities

The Group's current liabilities increased by approximately \$4.2 million, from \$32.3 million as at 31 December 2020 to \$36.5 million as at 31 December 2021. The increase of the Group's current liabilities was mainly attributable to the net movements of borrowings that have become current.

(4) Non-current liabilities

The Group's non-current liabilities decreased by approximately \$9.5 million, from \$55.5 million as at 31 December 2020 to \$46.0 million as at 31 December 2021. The decrease of the Group's non-current liabilities was mainly attributable to the following:

- (a) the decrease in non-current lease liabilities of approximately \$2.5 million mainly attributable to the lease payments made by the Group;
- (b) the decrease in non-current borrowings of approximately \$7.2 million, which resulted from the net movements of repayments of existing borrowings; and offset by
- (c) the increase in contract liabilities of \$0.2 million pertaining to the discounting effect applied on the non-current trade receivables with the settlement date agreed at more than 12 months from the current reporting date.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Balance Sheet – Company

As at 31 December 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		3,955	4,326
Trade and other receivables		12,118	13,050
Inventories		3	3
Lease receivables		696	625
		<u>16,772</u>	<u>18,004</u>
Non-current assets			
Property, plant and equipment		2,487	3,572
Trade and other receivables		1,400	-
Intangible assets		2,217	2,416
Lease receivables		1,498	1,837
Deferred income tax assets		28	-
Investments in subsidiary corporations		81,677	81,677
Investment in associates		147	-
Investment in a joint venture		-	-
		<u>89,454</u>	<u>89,502</u>
Total assets		<u>106,226</u>	<u>107,506</u>
LIABILITIES			
Current liabilities			
Trade and other payables		17,692	32,636
Borrowings		8,166	4,126
Lease liabilities		1,170	1,251
		<u>27,028</u>	<u>38,013</u>
Non-current liabilities			
Borrowings		17,137	23,325
Contract liabilities		162	-
Lease liabilities		2,503	3,673
Deferred income tax liabilities		-	63
Provision for reinstatement costs		37	34
		<u>19,839</u>	<u>27,095</u>
Total liabilities		<u>46,867</u>	<u>65,108</u>
NET ASSETS		<u>59,359</u>	<u>42,398</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		49,301	49,301
Retained profit/(Accumulated losses)		10,058	(6,903)
TOTAL EQUITY		<u>59,359</u>	<u>42,398</u>

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company				Non-controlling interests \$'000	Total \$'000
	Note	Share capital \$'000	Currency translation reserve \$'000	Retained profits \$'000		
31 December 2021						
As at 1 January 2021		49,301	1,788	20,835	71	71,995
Total comprehensive loss for the financial year		-	(2,661)	2,409	195	(57)
Dividends paid to non-controlling interest		-	-	-	(208)	(208)
Acquisition of a subsidiary corporation		-	-	-	341	341
As at 31 December 2021		49,301	(873)	23,244	399	72,071
30 December 2020						
As at 1 January 2020		49,301	(4,101)	17,664	(222)	62,642
Total comprehensive income for the financial year		-	5,889	3,171	483	9,543
Dividend paid to non-controlling interests		-	-	-	(190)	(190)
As at 31 December 2020		49,301	1,788	20,835	71	71,995

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Statement of Changes in Equity - Company

For the year ended 31 December 2021

	Attributable to equity holders of the Company		
	Share capital	Accumulated losses	Total
	\$'000	\$'000	\$'000
31 December 2021			
As at 1 January 2021	49,301	(6,903)	42,398
Total comprehensive income for the financial year	-	16,961	16,961
As at 31 December 2021	49,301	10,058	59,359
31 December 2020			
As at 1 January 2020	49,301	(1,295)	48,006
Total comprehensive loss for the financial year	-	(5,608)	(5,608)
As at 31 December 2020	49,301	(6,903)	42,398

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Cash flows from operating activities			
Net profit		2,604	3,654
Adjustments for:			
- Amortisation of intangible assets		1,223	583
- Depreciation of property, plant and equipment		9,619	9,778
- Gain from corporate transactions		(258)	-
- Interest expense		2,155	2,638
- Interest income		(202)	(205)
- Income tax (credit)/expense		(452)	181
- Impairment of financial assets		928	31
- Property, plant and equipment written off		(50)	-
- Share of losses of an associate and joint ventures		34	293
- Unrealised currency translation losses / (gains)		740	(931)
		<u>16,341</u>	<u>16,022</u>
Change in working capital, net of effects from acquisitions of businesses, subsidiary corporations, and divestment of subsidiary corporations:			
- Contract liabilities		715	(161)
- Inventories		(171)	(217)
- Trade and other receivables		(3,176)	(631)
- Trade and other payables		(970)	361
Cash generated from operations		<u>12,739</u>	<u>15,374</u>
Income tax refund		521	2
Income tax paid		(213)	(931)
Net cash provided by operating activities		<u>13,047</u>	<u>14,445</u>
Cash flows from investing activities			
Acquisition of subsidiary corporations, net of cash acquired	13	191	-
Additions to intangible assets		(1,091)	(1,047)
Additions to property, plant and equipment		(888)	(1,979)
Proceeds received from divestment of subsidiary corporations	14	626	4,894
Investment in an associate	12	(160)	-
Interest received		202	205
Sublease income received		689	530
Net cash (used in) / provided by investing activities		<u>(431)</u>	<u>2,603</u>

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Cash flows from financing activities			
Transfer to reserve account ^(a)		(3,111)	-
Dividend paid to non-controlling interests		(208)	(190)
Interest paid for loans and leases		(1,880)	(2,563)
Proceeds from loans		2,160	8,440
Repayments of loans		(5,846)	(10,707)
Repayment of principal amount of lease liabilities		(8,972)	(6,895)
Net cash used in financing activities		(17,857)	(11,915)
Net (decrease)/increase in cash and cash equivalents		(5,241)	5,133
Cash and cash equivalents			
Beginning of financial year		11,335	5,762
Effects of currency translation on cash and cash equivalents		(218)	440
End of financial year		5,876	11,335
		31 December 2021 \$'000	31 December 2020 \$'000
Cash and cash equivalent in the balance sheet		10,987	11,335
Bank balances in the reserve account		(3,111)	-
Bank overdraft		(2,000)	-
Cash and cash equivalent in the consolidated statement of cash flows		5,876	11,335

The accompanying notes form an integral part of these financial statements.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the year ended 31 December 2021

COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

12 Months Ended 31 December 2021 ("2021")

The Group's cash and cash equivalents in the consolidated statement of cash flows decreased by \$5.5 million, from \$11.3 million as at 31 December 2020 to \$5.8 million as at 31 December 2021.

Major cash inflows in 2021 were:

- (a) net cash provided by operating activities of approximately \$13.0 million; and
- (b) procurement of Singapore government backed COVID-19 of approximately \$2.2 million for contingency purposes.

Major cash outflows in 2021 were:

- (a) repayments of principal and interest elements of lease payments in relation to the leasing of preschool centres of approximately \$8.9 million and \$1.0 million respectively;
- (b) repayments of principal and interest elements of borrowings amounting to approximately \$5.8 million and \$0.9 million respectively;
- (c) payments in relation to additions of intangible assets of approximately \$1.1 million in relation to the additions of the Group's courseware developments; and
- (d) bank balance amounting to \$3.1 million transferred to the reserve account in relation to existing borrowings.

1 General information

MindChamps PreSchool Limited (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Company are those relating to childcare services and investment holding.

The principal activities of the Group include:

- (a) Provision of childcare services
- (b) Franchising of childcare services for preschool children
- (c) Commercial school offering higher education services
- (d) Business and management consultancy services and investment holding
- (e) Asset management
- (f) Operation and management of preschool centres
- (g) Music, dancing, art, speech and drama instruction

2 Basis of preparation

The condensed interim financial statements for the financial year ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s balance sheet and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies and method of computation adopted are consistent with the most recently audited financial statements for the year ended 31 December 2020 which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

Going concern assumption

As at 31 December 2021, the Group and the Company were in net current liabilities position of \$6.9 million and \$10.3 million respectively. This represents the existence of conditions that may cast significant doubt about the Group’s and the Company’s ability to continue as going concerns. Nevertheless, the financial statements are prepared on a going concern basis taking into consideration the following:

2 Basis of preparation (Continued)

Going concern assumption (Continued)

(a) Excluding:

- (i) the Group's net current lease liabilities of \$7.1 million and the Company's net current lease liabilities of \$0.5 million (the rent commitment for the next 12 months post balance sheet date which will be funded by the business performance or earned for the same period); and
- (ii) the Company's net intra-group payables of \$14.3 million within the Group (the Group's treasury management function is centrally managed at the Company where the intra-group lendings or repayments within the Group are at the Company's sole discretion and assessment),

the Group and the Company would have recorded an adjusted net current asset of \$0.2 million and \$4.5 million respectively.

2.1 New and amended standards adopted by the Group

There were no new or amended standards that have become applicable for the Group in relation to the current reporting period.

2.2 Use of judgements and estimates

In the process of applying the Group's accounting policies, there is no instance of application of judgement resulting in significant updates since the last audited financial statements as at 31 December 2020 which will result in significant effects to amounts recognised in the condensed consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk or resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

Note 9 – impairment test of goodwill: key assumptions underlying recoverable amounts

Note 13 – acquisition of subsidiary corporation: the fair value of the consideration transferred (including contingent consideration) and the fair value of the assets acquired, and liabilities assumed, measured on provisional basis

3 Seasonal operations

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in student enrolments. The number of students at our preschool centres in Singapore and Australia is typically the lowest at the start of each calendar year, due to the graduation of Kindergarten 2 students at the end of the preceding year, before gradually being replaced over the course of the year by new enrolments. As our revenue is directly affected by the headcount of students at our preschool centres, such seasonal fluctuations in student enrolments generally give rise to a corresponding seasonal fluctuation in our revenue over the course of a year.

4 Segment and revenue information

The Key Management ("KM") is the Group's chief decision-maker. The KM comprises the Founder Chief Executive Officer & Executive Chairman, the Chief Financial Officer and the Chief Brand Officer & Global Group General Manager.

The KM considers the business from both a geographic and business segment perspective. Geographically, the KM manages and monitors the business in the two primary geographic areas namely, Singapore and Australia. From a business segment perspective, the KM separately considers the education and franchise activities in these geographic areas.

Operating segments that have similar economic characteristics and similar nature of products and services are aggregated into a single reportable segment. The following summary describes the operations in each of the Group's reportable segments:

(i) Education

Provision of childcare, education and learning related services for preschool children.

(ii) Franchise

Franchising of childcare services and enrichment classes.

(iii) Corporate

Provision of administrative support services and corporate office.

(iv) Others

Provision of commercial schools offering higher education programmes, business and management consulting services.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.1 Reportable segments

The segment information provided to the KM for the reportable segments are as follows:

	Singapore				Australia			Group Total \$'000
	Education \$'000	Franchise \$'000	Corporate \$'000	Others \$'000	Education \$'000	Franchise \$'000	Corporate \$'000	
6 months ended 31 December 2021								
Sales								
Total segment sales	9,757	4,515	-	-	18,304	257	-	32,833
Inter-segment sales	-	(863)	-	-	(404)	-	-	(1,267)
Sales to external parties	9,757	3,652	-	-	17,900	257	-	31,566
EBITDA	4,572	645	(2,730)	(13)	6,325	(815)	-	7,984
As at 31 December 2021								
Segment assets	23,678	2,221	20,204	1,424	102,073	5,001	-	154,601
Segment liabilities	(18,242)	(8,001)	(30,455)	(174)	(22,262)	(3,396)	-	(82,530)
6 months ended 31 December 2020								
Sales								
Total segment sales	9,891	4,335	-	-	16,646	236	-	31,108
Inter-segment sales	-	(904)	-	-	-	-	-	(904)
Sales to external parties	9,891	3,431	-	-	16,646	236	-	30,204
EBITDA	5,564	1,012	(1,693)	(2)	5,392	(2,569)	1,445	9,149
As at 31 December 2020								
Segment assets	21,501	1,923	19,992	1,301	113,016	2,105	-	159,838
Segment liabilities	(16,292)	(7,090)	(33,101)	(173)	(25,864)	(5,323)	-	(87,843)

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.1 Reportable segments (Continued)

	Singapore				Australia		Group Total \$'000
	Education	Franchise	Corporate	Others	Education	Franchise	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
12 months ended 31 December 2021							
Sales							
Total segment sales	18,664	10,455	-	-	35,425	365	64,909
Inter-segment sales	-	(1,646)	-	-	(554)	-	(2,200)
Sales to external parties	18,664	8,809	-	-	34,871	365	62,709
EBITDA	8,660	3,340	(4,351)	(13)	9,896	(2,585)	14,947
As at 31 December 2021							
Segment assets	23,678	2,221	20,204	1,424	102,073	5,001	154,601
Segment liabilities	(18,242)	(8,001)	(30,455)	(174)	(22,262)	(3,396)	(82,530)
12 months ended 31 December 2020							
Sales							
Total segment sales	17,834	8,002	-	-	27,361	236	53,433
Inter-segment sales	-	(1,633)	-	-	-	-	(1,633)
Sales to external parties	17,834	6,369	-	-	27,361	236	51,800
EBITDA	10,617	1,964	(2,600)	(27)	9,244	(2,569)	16,629
As at 31 December 2020							
Segment assets	21,501	1,923	19,992	1,301	113,016	2,105	159,838
Segment liabilities	(16,292)	(7,090)	(33,101)	(173)	(25,864)	(5,323)	(87,843)

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

* Less than 1%

	Sales		EBITDA	
	12 months ended 31 December 2021	12 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
By business segment				
Corporate				
- Singapore	-	-	(29%)	(16%)
Education				
- Singapore	30%	35%	58%	64%
- Australia	56%	53%	66%	55%
Franchise				
- Singapore	14%	12%	22%	12%
- Australia	*	*-	(17%)	(15%)
	100%	100%	100%	100%

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.1 Reportable segments (Continued)

By business segment, the Education segment remained as the largest contributor for the Group's turnover and earnings in 2021 and 2020.

By geographical segment:

- (a) the Australia segment was the largest contributor to the Group's turnover in 2021 and 2020.
- (b) the Singapore segment remained the largest contributor to the Group's earnings in 2021 and 2020.

	Sales		EBITDA	
	12 months ended 31 December 2021	12 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
<u>By geographical segment</u>				
Singapore	44%	47%	51%	60%
Australia	56%	53%	49%	40%
Total	100%	100%	100%	100%

(a) *Reconciliation*

Segment profit

A reconciliation of EBITDA to profit before income tax is as follows:

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
EBITDA for reportable segments	7,997	9,151	14,960	16,656
EBITDA for other segments	(13)	(2)	(13)	(27)
Depreciation	(4,685)	(4,915)	(9,619)	(9,778)
Amortisation	(669)	(304)	(1,223)	(583)
Finance expense	(1,025)	(1,212)	(2,155)	(2,638)
Interest income	161	138	202	205
Profit before income tax	1,766	2,856	2,152	3,835

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.1 Reportable segments (Continued)

(b) Revenue from major services

Revenues from external customers are mainly school fees, royalty fees and franchise income. Breakdown of the revenue from the respective segment is as follows:

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months Ended 31 December 2020 \$'000
<u>Revenue</u>				
Education	27,657	26,537	53,535	45,195
Franchise	3,909	3,667	9,174	6,605
	31,566	30,204	62,709	51,800

There were no transactions with a single external customer which amounted to 10% or more of the Group's revenue.

4.2 Disaggregation of Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams and geographical regions. Revenue is attributed to countries by source of revenue generation.

	At a point in time \$'000	Group Over time \$'000	Total \$'000
6 months ended 31 December 2021			
Singapore			
- School fees	-	9,605	9,605
- Royalty fees	-	3,174	3,174
- Franchise income	248	-	248
- Sale of merchandise	288	-	288
- Others	94	-	94
	630	12,779	13,409
Australia			
- School fees	-	17,385	17,385
- Royalty fees	-	114	114
- Franchise income	-	-	-
- Commission income	457	-	457
- Sale of merchandise	49	-	49
- Management income	92	-	92
- Others	60	-	60
	658	17,499	18,157
Total	1,288	30,278	31,566

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.2 Disaggregation of Revenue (Continued)

	At a point in time \$'000	Group Over time \$'000	Total \$'000
6 months ended 31 December 2020			
Singapore			
- School fees	-	9,753	9,753
- Royalty fees	-	2,893	2,893
- Franchise income	283	-	283
- Sale of merchandise	267	-	267
- Others	126	-	126
	<u>676</u>	<u>12,646</u>	<u>13,322</u>
Australia			
- School fees	-	16,670	16,670
- Royalty fees	-	71	71
- Franchise income	59	-	59
- Sale of merchandise	22	-	22
- Others	60	-	60
	<u>141</u>	<u>16,741</u>	<u>16,882</u>
Total	<u>817</u>	<u>29,387</u>	<u>30,204</u>
	At a point in time \$'000	Group Over time \$'000	Total \$'000
12 months ended 31 December 2021			
Singapore			
- School fees	-	18,370	18,370
- Royalty fees	-	5,974	5,974
- Franchise income	2,368	-	2,368
- Sale of merchandise	567	-	567
- Others	194	-	194
	<u>3,129</u>	<u>24,344</u>	<u>27,473</u>
Australia			
- School fees	-	34,141	34,141
- Royalty fees	-	222	222
- Commission income	620	-	620
- Sale of merchandise	49	-	49
- Management income	92	-	92
- Others	112	-	112
	<u>873</u>	<u>34,363</u>	<u>35,236</u>
Total	<u>4,002</u>	<u>58,707</u>	<u>62,709</u>

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

4 Segment and revenue information (Continued)

4.2 Disaggregation of Revenue (Continued)

	At a point in time \$'000	Group	
		Over time \$'000	Total \$'000
12 months ended 31 December 2020			
Singapore			
- School fees	-	17,630	17,630
- Royalty fees	-	5,269	5,269
- Franchise income	654	-	654
- Sale of merchandise	481	-	481
- Others	169	-	169
	<u>1,304</u>	<u>22,899</u>	<u>24,203</u>
Australia			
- School fees	-	27,261	27,261
- Royalty fees	-	99	99
- Franchise income	114	-	114
- Sale of merchandise	23	-	23
- Others	100	-	100
	<u>237</u>	<u>27,360</u>	<u>27,597</u>
Total	<u>1,541</u>	<u>50,259</u>	<u>51,800</u>

5 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

	Group		Company	
	31 December 2021 \$'000	31 December 2020 \$'000	31 December 2021 \$'000	31 December 2020 \$'000
Financial assets, at amortised cost	<u>30,757</u>	29,298	<u>19,499</u>	19,672
Financial liabilities, at amortised cost	<u>78,330</u>	<u>84,245</u>	<u>46,669</u>	<u>65,011</u>

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

6 Profit before income tax

6.1 Significant items

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Income				
Service income	807	966	1,492	1,402
Retention payable write off ⁽¹⁾	485	-	485	-
Government grants	<u>2,474</u>	<u>4,164</u>	<u>3,633</u>	<u>11,462</u>

⁽¹⁾ This pertains to the retention sum payable under the sales and purchase agreement now waived by the sellers.

Expenses

Amortisation of intangible asset	669	304	1,223	583
Depreciation of property, plant and equipment	4,685	4,915	9,619	9,778
Employee compensation	21,266	20,980	42,001	39,236
Interest expenses:				
- Lease liabilities	484	626	1,048	1,306
- Term loans	<u>502</u>	<u>517</u>	<u>1,003</u>	<u>1,198</u>

6.2 Related party transactions

	Group and Company			
	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021	12 months ended 31 December 2020
Sale to an associate				
- Franchise income	<u>-</u>	<u>-</u>	<u>2,145</u>	<u>-</u>

The Group had no material related party transactions apart from the above and those already disclosed in the audited 31 December 2020 financial statements. Details for the above transaction can be found under Point 4 of the Other Information section below on page 32.

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

7 Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group			
	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000	12 months ended 31 December 2021 \$'000	12 months ended 31 December 2020 \$'000
Current income tax expense	334	(205)	270	(419)
Deferred income tax expense relating to origination and reversal of temporary differences	178	238	182	238
	512	33	452	(181)

8 Net asset value

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net asset value per ordinary share (\$ cents)	0.30	0.30	0.25	0.17

9 Intangible assets

	Group		Company	
	31 December 2021 \$'000	31 December 2020 \$'000	31 December 2021 \$'000	31 December 2020 \$'000
<u>Composition</u>				
Goodwill arising on consolidation (Note (a))	89,297	92,552	-	-
Franchise licences	-	-	-	-
Courseware development costs	2,906	2,847	1,610	1,623
Computer software licences	556	722	553	719
Copyrights	53	75	54	74
	92,812	96,196	2,217	2,416

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

9 Intangible assets (Continued)

(a) *Goodwill arising on consolidation*

	Group	
	31 December 2021 \$'000	31 December 2020 \$'000
<u>Cost</u>		
Beginning of financial year	92,638	86,793
Acquisitions of performing arts, preschool businesses, and subsidiary corporations (Note 13)	171	81
Currency translation differences	(3,426)	5,764
End of financial year	89,383	92,638
<u>Accumulated impairment</u>		
Beginning and end of financial year	86	86
Net book value	89,297	92,552

Impairment tests for goodwill

Goodwill that has an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 31 December 2021 based on the cash generating units' business performance.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

10 Borrowings

	Group and Company			
	As at 31 December 2021		As at 31 December 2020	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	12,167	-	6,690	-
Amount repayable after one year	27,096	-	34,831	-
Total	39,263	-	41,521	-

Details of collaterals

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

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

11 Share capital

	Group and Company			
	31 December 2021		31 December 2020	
	No. of ordinary shares issued ('000)	Amount \$'000	No. of ordinary shares issued ('000)	Amount \$'000
Beginning and end of financial year	241,600	49,301	241,600	49,301

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 31 December 2021 and 31 December 2020.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

12 Investment in an associate

On 29 June 2021, the Company invested 20% equity interest in a newly incorporated company, MindChamps PreSchool MYP Pte. Limited ("MYP"). The principal activity of MYP is provision of educational services.

	Group and Company 31 December 2021 \$'000
<i>Equity accounting</i>	
Beginning of financial year	160
Less: Share of losses for the financial year	(13)
End of financial year	<u>147</u>

Name of entity	Place of business / country of incorporation	% of ownership Interest 31 December 2021
MindChamps PreSchool MYP Pte. Limited	Singapore	20

There are no contingent liabilities relating to the Group and Company's interest in the above associate.

13 Acquisition of a subsidiary corporation

Acquisition of a centralised childcare enrolment business during the financial year ended 31 December 2021

On 19 April 2021, the Group completed the 51% equity interest acquisition in a centralised childcare enrolment business ("EB") in Australia. The principal activity of the acquired business is to provide childcare providers access to a centralised enrolment team for occupancy maximisation of existing centres and preparations for the Group's franchise expansion in Australia.

	EB \$'000
(a) Purchase consideration	
Cash paid	263
Deferred consideration	263
Consideration transferred for the business	526
(b) Effect on cash flows of the Group	
Cash paid	(263)
Less: cash and cash equivalents in subsidiary acquired	454
Cash inflow on acquisition	191
	At Provisional Fair Value \$'000
(c) Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	454
Trade and other receivables	519
Total assets	973
Trade and other payables	(277)
Total liabilities	(277)
Total identifiable net asset	696
Less: Non-controlling interest at fair value	(341)
Add: Goodwill (Note 9)	171
Consideration transferred for the business	526
(d) Acquisition-related costs	
No acquisition related costs were incurred as due diligence has been done internally.	
(e) Acquired trade receivables	
The fair value of trade receivables is \$170,000. The gross contractual amount for trade receivables due is \$170,000 and at the acquisition date, the entire contractual amount was expected to be collectible.	
(f) Acquired other receivables	
Other receivables include the fair value of deferred consideration receivable amounting to \$263,000 attributable to the issuance of new shares. The gross contractual amount of \$263,000 has been collected as of June 2021.	
(g) Non-controlling interests	
The Group recognises the 49% non-controlling interest in EB at the date of acquisition at its proportionate share of EB's identifiable net assets of \$696,000.	

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the year ended 31 December 2021

13 Acquisition of a subsidiary corporation

Acquisition of a centralised childcare enrolment business during the financial year ended 31 December 2021(Continued)

(h) Goodwill

The goodwill recognised for EB of \$171,000 arising from the acquisition is attributable to the synergies of the business combination by leveraging on EB's access to trained centralised enrolments teams to maximise occupancy rates in MindChamps Preschool businesses.

(i) Revenue and profit contribution

The acquired business contributed revenue of \$614,000 and net loss of \$594,000 to the Group from 20 April 2021 to 31 December 2021.

Had EB been acquired from 1 January 2021, there would be no significant impact to the consolidated revenue and consolidated net profit for the financial year ended 31 December 2021.

14 Divestment of a subsidiary corporation

On 4th January 2021, the Group divested 100% of its equity interest in its wholly owned subsidiary corporation, MindChamps PreSchool @ UPT Pte. Limited ("UPT").

The effects of the divestments on the cash flows of the Group were as follows:

	UPT \$'000
Carrying amounts of assets and liabilities as at the date of divestment:	
Cash and cash equivalents	5
Property, plant and equipment	542
Trade and other receivables	159
Intangible assets	523
Inventories	3
Total assets	<u>1,232</u>
Trade and other payables	(133)
Contract liabilities	(36)
Deferred tax liabilities	(1)
Lease liabilities	(529)
Total liabilities	<u>(699)</u>
Net assets divested of	<u>533</u>
Cash inflows arising from divestment:	
Net assets divested of (as above)	533
Gain on divestment	258
Proceeds on divestment	791
Less: Cash and cash equivalents in a subsidiary corporation divested of	(5)
Net cash inflow on divestment	<u>786</u>
Net cash inflow on divestment (as above)	786
Less: Deposit received from divestment recognised as at 31 December 2020	(160)
Net cash inflow for divestment	<u>626</u>

15 Contingent liabilities

Additional material contingent liabilities apart from those already disclosed in the audited 31 December 2020 financial statements are included below:

The Group has provided lease guarantees amounting to \$881,000 as at 31 December 2021 (31 December 2020: \$205,000).

16 Subsequent events

There are no known subsequent events which led to adjustments to this set of financial statements.

Other Information Required by Listing Rule Appendix 7.2

OTHER INFORMATION

1 Review

The condensed consolidated statement of financial position of MindChamps PreSchool Limited and its subsidiary corporations as at 31 December 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group

Please refer to the financial statements of the Group for the financial year ended 31 December 2021 on pages 1 to 13.

3 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.

4 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) Incorporation of a joint venture corporation, MindChamps PreSchool MYP Pte. Limited

On 29 June 2021, the Company and Leaders in Learning Pte. Ltd. entered into a joint venture agreement to incorporate MindChamps Preschool MYP Pte. Limited with an issued and paid-up share capital of \$800,000 – with 20% and 80% shareholding respectively.

Concurrently, the Company has granted MindChamps Preschool MYP Pte. Limited a master franchise in relation to MindChamps International PreSchool and MindChamps Reading Programme licences amounting to \$2,145,000.

(b) Acquisition of centralised childcare enrolment business In Australia (“EB”)

On 19 April 2021, the Group completed the acquisition of a 51% shareholding in EB at a total consideration of \$526,000. This acquisition is expected to have a positive impact on the consolidated earnings per share and/or net tangible assets per share of the Group for the financial year ending 31 December 2021.

4 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 (Continued)

(c) COVID-19 impact on 2021

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations are in Singapore and Australia, both of which have been affected by the spread of COVID-19 in 2021.

Singapore

Although Singapore has been lauded as highly effective in its management of COVID-19, the country may still be subjected to sporadic outbreaks from time to time. As of January 2022, Singapore has successfully inoculated c.58%¹ of its population with the third coronavirus shots, leading Asia in terms of booster coverage. In addition, more than 100,000² children aged five to 11 (Nursery 2 to Kindergarten 2), equivalent to c.35%³ of the children population of this age group have already received their first doses of the COVID-19 vaccine. Singapore has achieved good progress in vaccinating its population including children and as a result confer on them protection against infection and severe illness, and better enable the resumption of educational experience for the school children in 2022.

Amidst the pandemic year and its transition period to an endemic, our core operations in Singapore have remained resilient year on year.

Australia

Australia's largest city, Sydney, which is where most of our centres are operated, experienced extended lockdown situations, following persistently high case numbers since a flare-up of the virulent Delta variant which began in June 2021. Pursuant to this, the New South Wales ("NSW") local government has announced to waive gap-fees⁴ on days that parents choose to keep their children at home. This measure implemented by the state government ensures children remains enrolled in care and continued flow of childcare subsidy to the childcare centres providing certainty on the source of revenue during this pandemic period. In addition, eligible child care services received business continuity payments during the extended COVID-19 lockdowns in the range of 25-40%^{5,6} of their pre-lockdown revenue (depending on service type). In October 2021, parts of NSW came out of the lockdown as Australia has successfully inoculated c.93.3%⁷ of its population with the third coronavirus shots. In addition, c.39%⁷ of the children population age group 5 to 11 years old have also received their first doses of the COVID-19 vaccine.

Despite the COVID-19 restrictions and lockdowns in 2021, our childcare centres remain open with steady occupancy rate of approximately 84%. However, we shall continue to monitor this development as it evolves and its impact on our financials from time to time.

1. Source: <https://www.moh.gov.sg/covid-19/vaccination>
2. Source: <https://www.straitstimes.com/singapore/health/over-100000-kids-aged-5-to-11-received-first-vaccine-dose>
3. Source: https://data.gov.sg/dataset/covid-19-vaccination?resource_id=9ec89dc0-cb6b-4604-aaff-382d5e850206
4. Source: <https://www.pm.gov.au/media/childcare-gap-fee-waiver-nsw-families-covid-affected-areas>
The gap fee is the difference between the Child Care Subsidy (CCS) the Government pays to a service and the remaining fee paid by the family
5. Source: <https://www.dese.gov.au/covid-19/childcare>
6. Source: <https://www.dese.gov.au/early-childhood/announcements/business-continuity-payment-offers>
7. Source: <https://www.health.gov.au/resources/publications/covid-19-vaccine-rollout-update-30-january-2022>

5 If a decision regarding dividend has been made:-

(c) Current Financial Period Reported on

No dividends recommended in the current reported financial period.

(d) Corresponding Period of the Immediate Preceding Financial Year

No dividends recommended in the immediate preceding reported financial year.

(e) The date the dividend is payable

Not applicable.

(f) Books Closure Date

Not applicable.

6 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 current reported financial period as the Company intends to retain the profits generated in the current financial period for operational needs.

7 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.

8 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).

9 Review of performance of the Group – turnover and earnings

Please refer to the financial statements of the Group for the 6 months and 12 months period ended 31 December 2021 pages 1 to 12.

10 Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there is no persons occupying a managerial position in the Company or in any of its principal subsidiary corporations who is a relative of a director, chief executive officer or substantial shareholder of the Company.

11 Negative confirmation pursuant to Rule 705(5).

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our 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.

On behalf of the Board of Directors

**Mr. David Chiem Phu An
Executive Chairman**

BY ORDER OF THE BOARD

**Yeo Hui Leng
Company Secretary
23 February 2022**