MindChamps® preschool

Taking Singapore's No.1 Premium Preschool to the World

ANNUAL REPORT 2019

OUR VISION

To nurture the power of human potential for a better tomorrow

OUR MISSION

To build a world of MindChampions who possess the 3 Minds (Champion, Learning & Creative Minds) and are empowered with the mindset of 100% RESPECT, Zero Fear

SOCIAL CHARTER

Education Enables
MindChamps is committed to the creation of educational opportunities where they would not otherwise exist

MILESTONES

“

MindChamps has demonstrated innovation and evolution to become a Singapore success story.

”

NG YAT CHUNG
CEO, Singapore Press Holdings

2019

- Dr Joseph Michelli, #1 New York Times and Wall Street Journal Best Selling Author, released the book The MindChamps Way: How To Turn An Idea Into A Global Movement.
- Launched eight MindChamps Early Learning & PreSchool centres in Australia.
- Opened MindChamps' first purpose-built flagship centre at Frenchs Forest in Sydney, Australia. This brings the total centres (including franchises) in Australia to 21.
- Launched the first MindChamps PreSchool centre in Malaysia.

Launched the first MindChamps International PreSchool centre in Myanmar.

2018

- Launched the first MindChamps International PreSchool centre in Vietnam.
- Launched seven MindChamps Early Learning & PreSchool centres in Australia.

2017

- Listed on the mainboard of the Singapore Exchange. It is the first preschool to be listed.
- Launched the first MindChamps Nursery in the UAE.
- Launched four MindChamps Early Learning & PreSchool centres in Australia

2016

- Launched the first MindChamps Chinese PreSchool in Singapore.
- Launched the first MindChamps Reading & Writing centre in Sydney, Australia.

2015

- Expanded into global markets. Launched the first MindChamps International PreSchool centre in the Philippines.

2011

- Launched the MindChamps Reading & Writing programme which was also incorporated into our preschool curriculum.

2009

- Launched six MindChamps PreSchool centres in Singapore.

2008

- Sold 22 franchise licences prior to the operation of our first (company owned) centre in Toa Payoh HDB Hub.
- Launched the first MindChamps PreSchool centre in Singapore. It was fully booked with a waiting list of three months.

2002

- Established global headquarters in Singapore.

1998

- Launched as an educational research centre in Sydney, Australia. It was the start of our research and development.

CORPORATE PROFILE

Taking the MindChamps education movement from Singapore to the world.

The only preschool brand listed on the Singapore Exchange with stature to command the world stage.

MindChamps PreSchool grew from a vision to provide the world's best early childhood curriculum and care.

First launched as an educational research centre in Sydney, Australia in 1998, MindChamps established its global headquarters in Singapore in 2002. MindChamps subsequently listed on the Mainboard of the Singapore Exchange in November 2017.

MindChamps is helmed by a highly experienced management team and an esteemed World Advisory Board, chaired by world-renowned neuroscientist Professor Emeritus Allan Snyder (Fellow of the Royal Society). MindChamps is the only educational institute to collaborate with Professor Snyder on the empirical research of the 3 Minds model of education – the Champion, the Learning and the Creative Minds, which is uniquely built into the MindChamps curriculum.

Its cutting-edge 'Learning How-to-learn' and 'Champion Mindset' programmes introduced a unique approach to learning, and MindChamps rapidly grew to become a leader in the field of enrichment programmes for primary school to tertiary students.

MindChamps PreSchool holds the Number One position in market share of premium range preschools in Singapore*. Its growing global presence includes premium preschools and enrichment centres in Australia, Abu Dhabi, the Philippines, Myanmar, Vietnam and Malaysia.

Based on independent market research as of 15 September 2017

AWARDS & ACCOLADES

Leadership.
Fastest Growing.
Human Resources.
Branding.

We have won various industry-wide and regional awards in all of these areas. Over the years, we have consistently demonstrated that we have a proven track record and ability to grow our business both in Singapore and overseas.

Leadership

Entrepreneur of the Year Award

AUSTRALIAN CHAMBER OF COMMERCE, SINGAPORE

Founder Chief Executive Officer & Executive Chairman, Mr David Chiem was presented with the Entrepreneur of the Year Award by the Australian Chamber of Commerce, Singapore.

The award recognises individuals who have successfully established their own business in Singapore.

By staying ahead of the curve, Mr Chiem has established MindChamps and taken the organisation from point zero in 2008 to the number one position in market share in the highly competitive Singapore premium preschool space.

In 2017, Mr Chiem led MindChamps to be the first preschool to successfully list on the mainboard of the Singapore Exchange.

Today, MindChamps is growing our local and international presence to be a globally recognised preschool brand.

Fastest Growing

Straits Times Fastest-Growing Companies 2020

MindChamps was ranked among the top 50 of Singapore's fastest growing companies in 2019 by The Straits Times and Germany-based global research firm, Statista. This is the second consecutive year that we have made the list and we have climbed up six notches from 47 to 41. The ranking is based on our Company's revenue growth from 2015 to 2018.

Branding

Superbrands Mark of Distinction Award 2019

(Early Learning and Preschool category)

SUPERBRANDS

For the sixth consecutive year, we have attained Superbrands status. This is an affirmation of our brand's position as well as the trust and confidence that Singaporean parents have in MindChamps. Superbrands is an independent arbiter on branding which identifies the most valued brands internationally.

Asia's Top Influential Brands Award 2019

INFLUENTIAL BRANDS

MindChamps was voted as Asia's Top Influential Brands 2019 by Influential Brands. This is the sixth consecutive year we have been recognised for this award. The recognition was based on consumer insights and surveys covering five countries and more than 5000 respondents.

These awards are testament to the strength and reputation of our brand as reflected by our growing local and global presence.

Human Resources

Top Employer Brand 2019

INFLUENTIAL BRANDS

We were recognised as the Top Employer Brand for the second year running by Influential Brands. For our efforts and initiatives to engage employees, we scored above the national benchmarks.

Influential Brands is a think-tank that raises awareness of desirable brands and identifies and recognises brand excellence.

EXECUTIVE CHAIRMAN'S MESSAGE

"

In the best of times,
the Champion Mindset
is a valuable commodity;
and in the worst of times,
the Champion Mindset
is an absolute necessity.

"

PROFESSOR ALLAN SNYDER
MindChamps Chair of Research

&

DAVID CHIEM
Founder CEO & Executive Chairman,
MindChamps PreSchool Limited

Dear Valued Shareholders,

As we achieved new milestones, we closed 2019 on a strong note.

Powered by the MindChamps team's laser focus and dedication, we have been able to deliver on the brand promise and take the MindChamps education movement from Singapore to the world.

Dr Joseph Michelli, #1 New York Times and Wall Street Journal Best Selling Author, hails MindChamps as a global movement. In his book, The MindChamps Way: How To Turn An Idea Into A Global Movement, he captures the transformative effect we are having on education.

"The companies (Mercedes-Benz, Starbucks & The Ritz-Carlton Hotel Company) featured in my prior books demonstrate impressive brand power, but none of them have been in a position to fundamentally shape society on par with MindChamps," Dr Michelli writes.

You may have obtained your copy of the book and we appreciate your support in wanting to understand and learn about our vision, philosophy and journey as we continue to take the MindChamps education movement global.

GROWING MINDCHAMPS AND TAKING SINGAPORE'S PREMIUM PRESCHOOL TO THE WORLD

We have opened the doors of our first MindChamps centres in Malaysia and Myanmar. We also had the pleasure of opening more centres in the Philippines and Australia.

It was in Sydney, Australia where we first began as an educational research centre. Today, over 20 years later, we have brought the movement strongly back to Australia.

MindChamps is right on track, laying a strong foundation for the MindChamps education movement across Australia. In April 2019, we acquired eight early learning centres that are strategically located in and around Sydney, in the suburbs of Mascot, Parramatta, Albion Park, West Hoxton, Kemps Creek and Shellharbour.

We are also proud to share that the Frenchs Forest Centre is MindChamps' first purpose-built centre in Australia. This A$7 million flagship centre is MindChamps' 21st centre in Australia. We were humbled when Hon. Brad Hazzard MP, New South Wales Minister for Health, Medical Research, who officially opened the centre said, "MindChamps is mind-blowing. … There is nothing more important than an education and nothing more valuable than an educator who can inspire. The whole structure and ethos of MindChamps is built around that."

As we take the MindChamps brand global, in Singapore, we hold the number one market-share position among the premium range of Singapore preschools, and we are on track for further growth as we expand into our global markets.

In the financial year (FY) 2019, our revenue was S$53.9 million (up by 46% from S$37.0 million in FY2018) and our gross profit was S$27.4 million (an increase of 23% from S$22.3 million in FY2018). The profit before tax of S$7.3 million was an increase of 7%, and the profit after tax of S$6.9 million was also an increase of 7%.

The year ahead is an exciting one for us. As we stay ahead of the curve, the MindChamps' education vision for 2020 sees us gearing up for the launch of MindChamps V2.0. With multiple initiatives in the pipeline, MindChamps V2.0 will see the establishment of the MindChamps Teachers' Academy and the MindChamps A.I.R. (Applied Integrative Research) Centre.

IN APPRECIATION

I would like to take this opportunity to extend a warm welcome to Emeritus Professor Steven Schwartz, AM, FASSA to our World Advisory Board. He is an international award-winning researcher with extensive experience in education. Professor Schwartz was the Former Chairman of the Australian Curriculum Assessment and Reporting Authority and served as the Vice-Chancellor of Macquarie University, Brunel University and Murdoch University.

I am grateful to the Board of Directors for their invaluable insight and counsel over the year. Together with the Board, Executive Officers and the global MindChamps team, we are confident that MindChamps will embrace the spirit of 100% Respect, Zero Fear as we continue to chart the path ahead for the exciting journey that awaits us.

I would also like to thank our parents for believing in the MindChamps' vision and trusting us with their young Champs.

To our shareholders, thank you too. We appreciate your strong, continued support.

To each of our MindChamps teachers and corporate team members, I would like to personally thank you for your commitment and dedication in taking the MindChamps education movement global. Without you, the growth that MindChamps has experienced would not be possible.

Here's to an amazing 2020 ahead as we continue to make a difference in the lives of our young Champs and their families.

Mr David Chiem
Executive Chairman

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

“

MindChamps is MindBlowing.

. . . There is nothing more important than an education and nothing more valuable than an educator who can inspire. The whole structure and ethos of MindChamps is built around that.

”

HON. BRAD HAZZARD MP

New South Wales Minister for Health, Medical Research

Mr David Chiem

FOUNDER CHIEF EXECUTIVE OFFICER & EXECUTIVE CHAIRMAN

Mr David Chiem has been our Director and Chief Executive Officer since 25 July 2008.

Mr Chiem's approach of always 'staying ahead of the curve' has taken the organisation from point zero in 2008 to the number one brand position in market share in the highly competitive Singapore premium preschool space. This was followed by a successful listing on the Mainboard of the Singapore Exchange in 2017, leading to the creation of a globally recognised preschool brand. MindChamps PreSchool has since expanded into Australia, Abu Dhabi, the Philippines, Vietnam, Myanmar and Malaysia.

His vision for MindChamps was to create an organisation to fill the educational gaps and improve education practices across the world.

Mr Chiem's illustrious business achievements have gained him industry recognition and won him numerous international awards, including:

2019: ENTREPRENEUR OF THE YEAR
Australian Chamber of Commerce, Singapore
2018: ASIA'S GREATEST LEADERS
AsiaOne Magazine & PricewaterhouseCoopers
2016: TOP CEO BRAND LEADER OF THE YEAR
Influential Brands®
2014: TOP 10 CEOS OF THE YEAR
Peak Magazine
2013: FRANCHISOR OF THE YEAR
Franchising & Licensing Association (Singapore)
2010: OUTSTANDING ENTREPRENEUR OF THE YEAR
Enterprise Asia
2008: ENTREPRENEUR OF THE YEAR
Rotary Club of Singapore / ASME

The celebrated author of 6 critically acclaimed books, Mr Chiem came to business after a highly successful career in the world of theatre and film since he was 14 years old. It was a career that proved to be the perfect preparation for leading an innovative organisation with depth of research and strategic planning and execution.

Mr Chiem sits on the boards of our non-listed subsidiaries and the MindChamps Holdings Pte. Limited group of companies, and is the Chairman of Actors Centre Australia, one of the top acting schools in Australia, with Hugh Jackman as its patron.

Mr Chiem holds a Bachelor of Arts in Communication from the University of Technology, Sydney and graduated as a Specialist in Producing from the prestigious Australian Film, Television and Radio School.

Mr Philip Antony Jeyaretnam S.C.

LEAD INDEPENDENT DIRECTOR
CHAIRMAN OF REMUNERATION COMMITTEE
MEMBER OF AUDIT COMMITTEE
MEMBER OF NOMINATING COMMITTEE

Mr Philip Antony Jeyaretnam was appointed as our Lead Independent Director on 8 November 2017.

Mr Jeyaretnam is a Senior Counsel in private practice. He is currently the Global Vice Chair and ASEAN Chief Executive Officer of Dentons Rodyk & Davidson LLP and a member of the Public Service Commission of Singapore, the Presidential Council for Minority Rights and the Board of Advisors of the Singapore Law Review. He was formerly the President of the Law Society of Singapore and the Vice President of the Senate, Singapore Academy of Law from 2004 to 2007. Mr Jeyaretnam has experience advising on matters relating to education. He was a member of the Advisory Board to the Law Faculty of the National University of Singapore from 2009 to 2011, the Board of Legal Education from 2004 to 2007 and the Steering Committee for the Establishment of the New University, Ministry of Education Singapore in 2007, as well as a council member of the National Arts Council from 2000 to 2008. Mr Jeyaretnam is currently the Chairman of Maxwell Chambers Pte. Ltd. and a Director of Surbana Jurong Private Limited.

Mr Jeyaretnam has been recognised as one of the best lawyers in Singapore by Asialaw, Chambers Asia Pacific, The Legal 500 Asia Pacific, Best Lawyers, Who's Who Legal and Chambers Global. He was awarded the Public Service Medal 2013, the Southeast Asia Write Award 2003, the Montblanc-NUS Centre for the Arts Literary Award 1997 and the Young Artist Award 1993.

Mr Jeyaretnam holds a Bachelor of Arts (Honours) in Law and a Master of Arts in Law from the University of Cambridge. He was admitted to the English Bar in 1987 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1988. He is also a Fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators, as well as a member of the Singapore International Arbitration Centre, The Law Society of Singapore, the Singapore Academy of Law, the Society of Construction Law and the International Bar Association.

Ms Catherine Du

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Catherine Du is our Co-Founder and Non-Independent Non-Executive Director. She has been a Director of our Company since 1 June 2010.

Ms Du is instrumental in the founding of our Company and its expansion, having recognised the global gap in early childhood education. She has more than 19 years of education and business experience in the education industry. Up to November 2017, she was responsible for the international franchise and business development of our Group. She was the interim Chief Executive Officer of MindChamps Australia during its setup phase. She was previously the Director, Operations & Client Relations at MindChamps Holdings Pte. Limited from 2007 to 2008 and 2012 to 2016.

Ms Du currently serves as the Executive Director of MindChamps Medical Pte. Limited, Director and Consultant of MindChamps Holdings Pte. Limited ("MCH"), Director of the MCH group of companies, and Director of our various non-listed subsidiaries. She is also a Director of Geoconcepts International (Singapore) Pte. Ltd.

Ms Janice Wu Sung Sung

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Janice Wu Sung Sung is our Non-Independent Non-Executive Director. She has been a Director of our Company since 20 August 2014.

Ms Wu joined Singapore Press Holdings Limited ("SPH") in 1998 and has held various positions across functions, with active involvement in legal advisory work, mergers and acquisitions ("M&A") transactions, joint ventures, property acquisitions, corporate planning and analytics.

She is currently the Executive Vice-President, Corporate Development of SPH and is responsible for leading its multidiscipline business development team in sourcing and executing M&A initiatives. She also heads SPH's Corporate Planning and Risk functions and sits on the Investment Committee of SPH Ventures.

Ms Wu was a legal counsel in the Ministry of Defence and in private practice. She is currently a Non-Executive Director of iFAST Corporation Ltd., a Director of The Seletar Mall Pte. Ltd., The Woodleigh Mall Pte. Ltd., The Woodleigh Residences Pte. Ltd., SPH Radio Pte. Ltd. and M1 Limited. She is also a Director of several SPH subsidiaries and associated companies.

Ms Wu holds a Bachelor of Laws (Honours) from the National University of Singapore and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1993.

Mr Phua Chin Chor

INDEPENDENT DIRECTOR
CHAIRMAN OF AUDIT COMMITTEE
MEMBER OF NOMINATING COMMITTEE
MEMBER OF REMUNERATION COMMITTEE

Mr Phua Chin Chor was appointed as our Independent Director on 8 November 2017.

Mr Phua has more than 30 years of experience in the technology, media and telecommunications sector, serving as the Chief Financial Officer of Singapore Computer Systems Ltd ("SCS") from 2005 up till its acquisition by NCS Pte Ltd, a wholly owned subsidiary of Singtel, in 2008. He was then appointed as the Chief Financial Officer of NCS Pte Ltd until 2013. Prior to joining SCS, he was the Senior Vice President of MediaCorp Pte Ltd from 2001 to 2005 and the Director of Finance (Asia) of EDS International (Singapore) Pte Ltd from 1993 to 2001.

Mr Phua holds a Bachelor of Accountancy from the then University of Singapore (now known as the National University of Singapore). He is currently a member of the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants. He was previously a member of the Chartered Institute of Management Accountants of the United Kingdom.

Mr Lee Suan Hiang

INDEPENDENT DIRECTOR
CHAIRMAN OF NOMINATING COMMITTEE
MEMBER OF AUDIT COMMITTEE
MEMBER OF REMUNERATION COMMITTEE

Mr Lee Suan Hiang was appointed as our Independent Director on 8 November 2017.

Mr Lee had a varied career in public service spanning 36 years. He was the Chief Executive Officer of the National Arts Council, SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research as well as Deputy Managing Director of the Economic Development Board and Chairman of PSB Corporation. He was also the Chief Executive Officer of the Real Estate Developers' Association of Singapore.

Mr Lee serves as a director in several listed companies. He is the Non-Executive Chairman of Anacle Systems Limited, Lead Independent Director of Viking Offshore and Marine Limited, and Independent Director of Perennial Real Estate Holdings Limited. He is also the Chairman of Global Cultural Alliance Limited, a Director of Orchid Leisure Enterprise Pte. Ltd., Pasir Ris Resort Pte Ltd, LASALLE College of the Arts Limited, Global Business Advisers Pte. Ltd., The Singapore Lyric Opera Limited, Singapore Institute of Directors, Catholic Foundation Limited and Singapore Dance Theatre Limited.

A Colombo Plan Scholar, Mr Lee holds a Bachelor of Arts (Honours) in Industrial Design (Engineering) from Manchester Polytechnic. He also attended the Leaders in Administration Programme at the Singapore Civil Service College, the Advanced Management Programme at Harvard University and the International Executive Programme at INSEAD. Mr Lee is also a Fellow of the Singapore Institute of Directors, the Chartered Management Institute and the Chartered Institute of Marketing, United Kingdom.

Mr Lee has won several awards including the National Day Public Administration Gold Medal 1998, the World Association for Small and Medium Enterprises Special Honour Award 2001, the Japan External Trade Organisation Award 2002, the Chevalier d' l'Ordre des Arts et des Lettres from the Republic of France 2010, the NTUC Friend of Labour Award 2012, National Day Public Service Medal 2019 and the NTUC Meritorious Service Award 2020.

Mr David Chiem

FOUNDER CHIEF EXECUTIVE OFFICER & EXECUTIVE CHAIRMAN

Mr David Chiem has been our Founder CEO & Executive Chairman since the Company's creation in 2008. Please see "Board of Directors" on page 13 for profile.

Mr Teo Wee Jone

CHIEF FINANCIAL OFFICER

Mr Teo Wee Jone is our Chief Financial Officer. He joined MindChamps in 2008 and assumed this role in 2010. He is responsible for the MindChamps Group's finance-related functions including financial management, treasury, taxation and investor relations.

Mr Teo has over 19 years of experience in finance, corporate planning and mergers and acquisitions in the education and information and communication technology industries. Before joining MindChamps, he was most recently Finance Director, China Operations at Singapore Computer Systems Limited from 2006 to 2007.

Mr Teo holds a Master of Business Administration from the University of Melbourne, Australia and a Bachelor of Economics majoring in Accounting from Macquarie University, Australia. He is a Fellow Chartered Accountant of Singapore and a Fellow of CPA Australia.

Ms Peh Poh Geok

CHIEF BRAND OFFICER AND GLOBAL GROUP GENERAL MANAGER

Ms Peh Poh Geok is our Chief Brand Officer and Global Group General Manager. As one of the pioneers of MindChamps, Ms Peh is instrumental as the brand champion spearheading the MindChamps brand positioning, culture and business growth over the last 16 years.

She is responsible for driving the visibility, values and strength of the brand across all touchpoints in Singapore and around the world. Under her dynamic leadership, MindChamps received the following branding and marketing accolades:

- In 2019, MindChamps attained the Influential Brands Top Brands Award for six consecutive years. It is the only preschool brand to be inducted into the Influential Brands Hall of Fame for winning the Top Brand award for five consecutive years, 2014 – 2018
- The only preschool brand to be awarded the Superbrands Mark of Distinction for six consecutive years, 2014 – 2019
- 2018 and 2019 Influential Brands Top Employer
- 2018 Asia's Greatest Brands Award presented by United Research Services and AsiaOne Magazine
- The Established Brand – Singapore Prestige Brand Award 2011, organised by the Association of Small and Medium Enterprises and Chinese Newspaper Lianhe Zaobao

Ms Peh is a highly experienced and diversified strategic leader in branding, sales, marketing, business growth and operations in Singapore and the region. She embodies MindChamps' commitment to the creation of educational opportunities where they would not otherwise exist. This stems from her strong belief in the vision of making the world a much better place to live in by nurturing generations of MindChampions who possess the 3 Minds and face the world with 100% Respect and Zero Fear.

Ms Peh holds a Bachelor of Arts with a double major in Economics and Sociology and a minor in Statistics from the National University of Singapore.

FINANCIAL HIGHLIGHTS

"

The companies (Mercedes-Benz, Starbucks & The Ritz-Carlton Hotel Company) featured in my prior books demonstrate impressive brand power, but none of them have been in a position to fundamentally shape society on par with MindChamps.

"

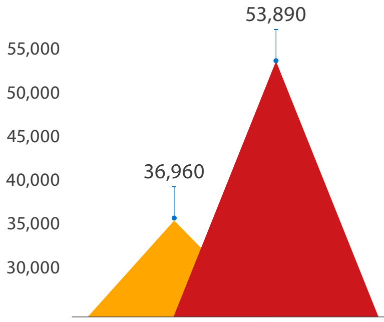
DR JOSEPH MICHELLI

#1 New York Times and Wall Street Journal
Best Selling Author

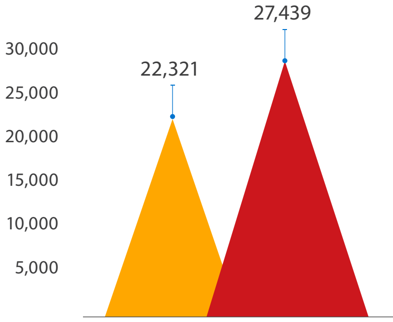
Author of The MindChamps Way:
How To Turn An Idea Into A Global Movement

Year-on-Year Growth

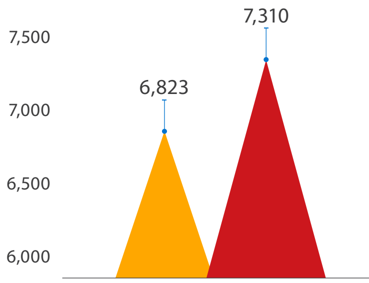
2018 2019



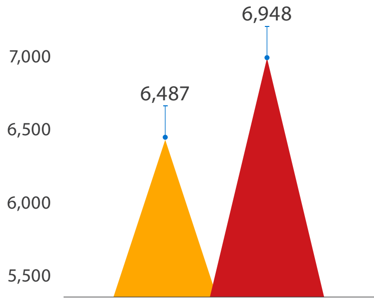
+45.8%
Revenue
S$'000



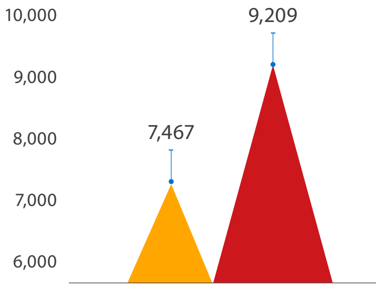
+22.9%
Gross Profit
S$'000



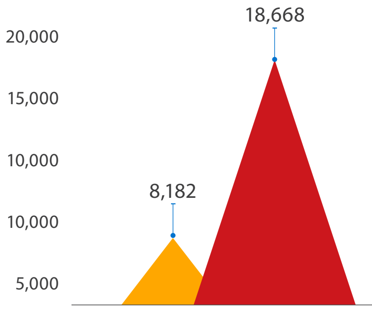
+7.1%
Profit Before Income Tax
S$'000



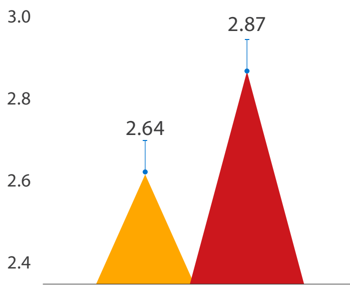
+7.1%
Net Profit
S$'000



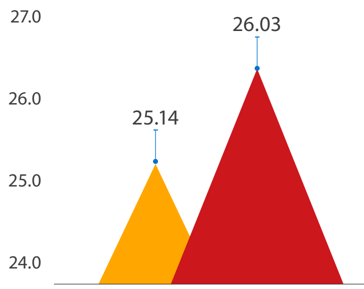
+23.3%
Net Cash Provided by Operating Activities
S$'000



+128.2%
EBITDA
S$'000



+8.7%
Earnings per Ordinary Share
S$cents

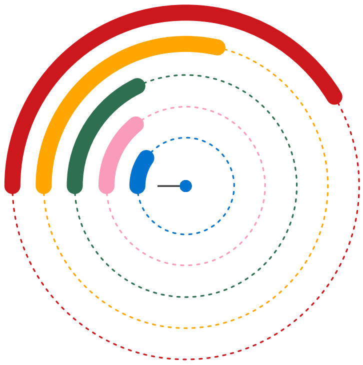


+3.5%
Net Asset Value per Ordinary Share
S$cents

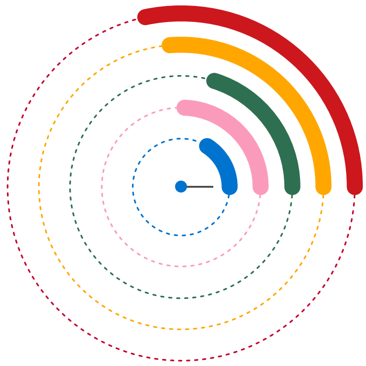
Five-Year

Revenue
S$'000

- 53,890 — 2019
- 36,960 — 2018
- 22,791 — 2017 (Year of IPO)
- 18,418 — 2016
- 12,439 — 2015



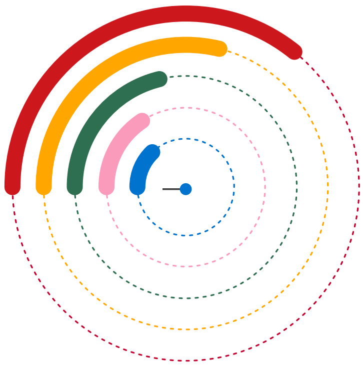
Profit before income tax
S$'000



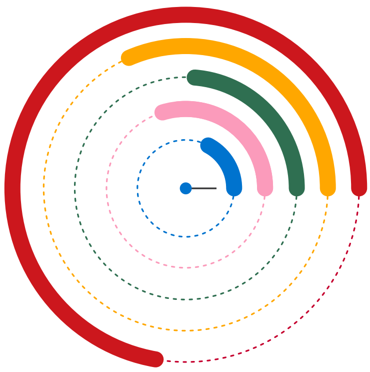
- 7,310 — 2019
- 6,823 — 2018
- 5,202 — 2017 (Year of IPO)
- 6,280 — 2016
- 4,131 — 2015

Net Cash Provided by Operating Activities
S$'000

- 9,209 — 2019
- 7,467 — 2018
- 5,494 — 2017 (Year of IPO)
- 3,975 — 2016
- 3,328 — 2015



EBITDA
S$'000



- 18,668 — 2019
- 8,182 — 2018
- 6,151 — 2017 (Year of IPO)
- 6,806 — 2016
- 4,495 — 2015

Five-Year

	2015 S$'000	2016 S$'000	2017 S$'000	2018 S$'000	2019 S$'000
I) OPERATING RESULTS					
Revenue	12,439	18,418	22,791	36,960	53,890
Gross profit	8,242	12,444	15,135	22,321	27,439
Profit before income tax	4,131	6,280	5,202	6,823	7,310
Net profit	3,746	5,833	4,890	6,487	6,948
Net cash provided by operating activities	3,328	3,975	5,494	7,467	9.209
II) REVENUE CONTRIBUTION BY SEGMENT					
Education	6,501	10,840	14,313	26,926	46,497
Franchise & Corporate	5,658	7,559	8,478	10,034	7,393
Others	280	19	-	-	-
	12,439	**18,418**	**22,791**	**36,960**	**53,890**
III) EBITDA BY SEGMENT					
Education	1,949	3,749	4,271	6,585	23,782
Franchise	3,210	3,626	3,465	6,492	1,837
Corporate	(684)	(545)	(1,578)	(4,882)	(6,896)
Others	20	(24)	(7)	(13)	(55)
	4,495	**6,806**	**6,151**	**8,182**	**18,668**

Staying Ahead of the Curve

MindChamps: A Global Movement

FY2019 OPERATIONAL REVIEW

2019 was an exciting and fulfilling year for MindChamps PreSchool.

Our first MindChamps centres in Malaysia and Myanmar opened their doors in 2019. Together with the new centres in Singapore, Australia and the Philippines, we now have 83 centres globally. This is an increase from 74 centres in 2018.

In 2019 , MindChamps stepped up our plans in Australia. In April, we acquired eight early learning centres in and around Sydney, in the suburbs of Mascot, Parramatta, Albion Park, West Hoxton, Kemps Creek and Shellharbour. By the end of the year, we opened our 21st centre in Frenchs Forest, Sydney. This centre is MindChamps' first purpose-built flagship centre in Australia.

Hon. Brad Hazzard MP, New South Wales Minister for Health, Medical Research who officially opened the centre said,

"MindChamps is mind-blowing.

. . . There is nothing more important than an education and nothing more valuable than an educator who can inspire. The whole structure and ethos of MindChamps is built around that."

One of the notable developments in 2019 is the launch of the book, The MindChamps Way: How To Turn An Idea Into A Global Movement. Written by Dr Joseph Michelli, #1 New York Times and Wall Street Journal Best Selling Author, he hails MindChamps as a global movement. The book captures the transformative effect MindChamps has had on education in a short span of 20 years. Since its launch in August 2019, The MindChamps Way: How To Turn An Idea Into A Global Movement is now a best-seller.

Together, the MindChamps team achieved some remarkable milestones:

- We were named among the Top 50 of The Straits Times Fastest-Growing Companies 2020, for the second consecutive year. The ranking is based on the company's revenue growth from 2015 to 2018.
- We won the Superbrands Mark of Distinction Award and the Influential Brands Top Brand 6 years in a row.
- We were recognised as the Top Employer Brand for the second year running by Influential Brands. For our efforts and initiatives to engage employees, we scored above the national benchmarks.

We ended 2019 focused on continuing to make a difference to the lives of our young Champs and their families.

FY2019 FINANCIAL REVIEW

For the full year ended 31 December 2019, the Group recorded a profit before tax of S$7.3 million in 2019, an increase of approximately 7% from S$6.8 million in 2018 and a profit after tax of S$6.9 million in 2019, an increase of approximately 7% from S$6.5 million in 2018.

The key factors contributing to the FY2019 financial results are as follows:

(1) Revenue increased by approximately S$16.9 million or 46%, from S$37.0 million in 2018 to S$53.9 million in 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.

(2) Cost of sales increased by approximately S$11.8 million or 81%, from S$14.6 million in 2018 to S$26.5 million in 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.

(3) Interest income decreased by approximately S$0.3 million or 69%, from S$0.4 million in 2018 to S$0.1 million in 2019, mainly due to a decrease in the interest income from fixed deposit placements.

(4) Gain from corporate transactions increased by approximately S$6.2 million, from nil in 2018 to S$6.2 million in 2019. The increase was mainly due to the divestment of subsidiary corporations in Q4 2019 on a turnkey basis to franchisees to continue to operate such preschool centres under the MindChamps PreSchool brand name to achieve the Company's desired mix of company-owned and franchised centres via divestment of mature centres.

(5) Administrative expenses increased by approximately S$8.4 million or 50%, from S$16.9 million in 2018 to S$25.3 million in 2019. The increase was mainly attributable to an increase in:

(a) administrative costs of approximately S$5.1 million incurred by the preschool centres acquired in 2018 and 2019, such as rental, utilities, depreciation, amortisation, repairs and maintenance and other day-to-day running costs;

(b) corporate staff costs of approximately S$2.5 million which mainly resulted from an increase in the number of staff to support the Group's business expansion overseas; and

(c) support staff costs of preschool centres of approximately S$0.8 million which resulted from the increased number of support staff following the acquisitions of preschool centres in 2018 and 2019.

(6) Finance expenses increased by approximately S$1.9 million, from S$0.6 million in 2018 to S$2.5 million in 2019. The increase was attributed to an increase in:

(a) finance expenses of S$1.0 million which mainly resulted from the recognition of lease liabilities following the adoption of SFRS(I) 16; and

(b) finance expenses of S$0.9 million which mainly resulted from servicing the acquisition loans which the Company obtained for the acquisitions of preschool centres in 2018 and 2019.

(7) Marketing expenses increased by approximately S$0.4 million or 52%, from S$0.8 million in 2018 to S$1.2 million in 2019. The increase was in line with the increase in scale of the Group's operations and branding requirements of new overseas business.

(8) Currency translation loss arising from consolidation decreased by approximately S$0.8 million, from S$2.3 million in 2018 to S$1.5 million in 2019. 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 (the "**Company**" and together with its subsidiaries the "**Group**") is committed to ensuring and maintaining high standards of corporate governance in complying with the Code of Corporate Governance 2018 (the "**Code**") and relevant sections of the Listing Manual ("**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Group's corporate governance practices and processes are guided by the principles and provisions of the Code and are continually reviewed for relevance and effectiveness by reference to the legal and regulatory environment in which the Group operates.

This report sets out the Group's corporate governance practices that were in place for the financial year ended 31 December 2019 ("**FY2019**") with reference to the Code. Where there are deviations from any of the provisions of the Code, an explanation has been provided within this report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1

The Company is headed by an effective Board of Directors (the "**Board**") which is collectively responsible and works with management ("**Management**") for the long-term success of the Company.

Provision 1.1
Board's Role

The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including risk management systems and internal controls to safeguard shareholders' interests and the Group's assets. The Board regularly reviews the Group's strategic business plans, the assessment of key risks by Management and operational and financial performance of the Group to enable the Group to meet its objectives. The Board also puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures that there is proper accountability within the Company.

Besides its statutory responsibilities, the primary role of the Board includes the following:

(a) to provide entrepreneurial leadership, and set strategic objectives, which include appropriate focus on value creation, innovation and sustainability;

(b) to ensure that the necessary resources are in place for the Company to meet its strategic objectives;

(c) to establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and the Company's performance;

(d) to constructively challenge Management and review its performance;

(e) to instil an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture; and

(f) to ensure transparency and accountability to key stakeholder groups.

All Directors act in good faith as fiduciaries in the best interests of the Group and discharge their duties and responsibilities objectively by exercising due care, skills and diligence and independent judgment. When faced with conflicts of interest, whether potential or actual, the Directors recuse themselves from discussions and decisions involving the issues of conflict in accordance with the Company's Conflicts of Interest Policy which also sets out situations in which there may be a conflict of interest and the process for disclosure of conflicts of interest.

Provision 1.2
Directors' Duties and Responsibilities

All Directors understand the Group's business and their respective duties and roles in the Company. Upon appointment to the Board, the Company conducts an orientation programme to familiarise new Directors with the business activities of the Group, its strategic direction and corporate governance practices, in particular the Group's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibition on dealings in the Company's securities and restrictions on disclosure of trade-sensitive and materially price-sensitive information.

All Directors have been briefed on the roles and responsibilities of a director of a public listed company in Singapore, and regularly receive updates on the laws and regulations. To ensure that the Directors have opportunities to develop their skills and knowledge, the Nominating Committee reviews and recommends to the Board relevant training and professional development programmes conducted by the Singapore Institute of Directors, the SGX-ST and other business and financial institutions and consultants, in areas such as board leadership/responsibilities, accounting and finance, risk management, industry-specific knowledge and laws and regulations. The Company, from time to time, arranges training and briefings for the Directors, and circulates to the Directors useful materials on new laws, regulations, changing commercial risks and financial reporting standards. The Directors are also encouraged to attend relevant training which they are interested in, at the Company's expense. In FY2019, all Directors received updates on regulatory and reporting requirements such as corporate governance, enterprise risk management, financial reporting and sustainability reporting.

Provision 1.3
Internal Guidelines on Matters Requiring Board Approval

Matters requiring the Board's decision and approval include but are not limited to the following:

(a) major funding proposals and capital expenditures, and strategic acquisitions and divestments;

(b) annual budgets;

(c) annual and interim financial statements;

(d) ad-hoc, half-yearly, and yearly company announcements;

(e) appointment of suitable candidates to the Board and Board Committees;

(f) appointment of key management personnel and Company Secretary;

(g) matters involving a conflict of interest for a substantial shareholder or a Director;

(h) corporate or financial restructuring;

(i) share and bond issuances;

(j) interim dividends and other returns to shareholders;

(k) hedging policy and transactions; and

(l) annual sustainability report.

The Board gives clear directions in writing to Management on the abovementioned matters.

Provision 1.4
Delegation of Authority to Board Committees

The Board has delegated specific responsibilities to its Committees, namely the Audit, Nominating, and Remuneration Committees. Each of these Committees operates under delegated authority from the Board, with the Board retaining overall oversight, and has its own written terms of reference setting out its composition, authorities and duties, as endorsed by the Board. Any change to the terms of reference for any Board Committee requires the Board's approval.

The Board Committees play an important role, and are engaged, in facilitating good corporate governance in the Company and within the Group. Information on each of the three Committees, including a summary of each Committee's activities, is set out further in this report.

Each Board Committee is authorised by the Board to investigate any matter within its terms of reference and has full access to, and cooperation of Management, with full discretion to invite any Director or executive officer to attend its meetings. Each Board Committee also has adequate resources to enable it to discharge its functions properly, at the Company's expense.

While the Board Committees have the authority to examine particular issues, the Board Committees report back to the Board with their decisions and/or recommendations and the ultimate responsibility on all important matters lies with the Board.

Provision 1.5
Board and Board Committee Meetings

The Board meets at least once every quarter to consider the financial results. The schedule of Board and Board Committee meetings, as well as the Annual General Meeting ("**AGM**"), for the calendar year is set and given to all Directors well in advance.

The Directors attend and actively participate in Board and Board Committee meetings. The number of Board and Board Committee meetings held in FY2019 and the attendance of Directors during these meetings are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of Meetings held	4	4	1	1
Number of Meetings attended by the Directors				
David Chiem Phu An	4	–	–	–
Catherine Du	4	–	–	–
Janice Wu Sung Sung	4	–	–	–
Philip Antony Jeyaretnam	2	2	0	1
Phua Chin Chor	4	4	1	1
Lee Suan Hiang	4	4	1	1

Where exigencies prevent a Director from attending a Board or Board Committee meeting in person, the Constitution of the Company allows the Director to participate in the meeting by telephone conference or video-conference. All Directors receive the relevant Board and Board Committee meeting papers even if they are unable to attend the meeting. If a Director is unable to attend a Board or Board Committee meeting, the Director still reviews the meeting papers and provides his/her views and comments to be brought up and conveyed to other members at the meeting. Matters arising from each meeting are followed up and reported to the Board or the respective Board Committee. Minutes of all Board and Board Committee meetings are circulated to members for review and confirmation. These minutes enable the Directors to be kept abreast of matters discussed at such meetings. Besides meetings, the Board and Board Committees exercise control on matters that require their deliberation and approval through the circulation of resolutions.

The Directors declare their board representations and principal commitments to the Company. The Nominating Committee and the Board review, on an annual basis, each Director's number of board representations and principal commitments, and contribution to the Company. Although the Directors have directorships in other companies which are not within the Group, the Nominating Committee and the Board are satisfied that sufficient time and attention is given by the Directors to the affairs of the Group and are of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. Each of the Directors is aware that he or she should commit sufficient time, attention, resources and expertise to the affairs of the Company.

Provision 1.6
Access to Information

The Directors are furnished with information concerning the Group periodically to enable them to be fully cognisant of the decisions and actions of the Company's Management.

The Directors receive a set of Board and/or Board Committee papers prior to or during the meetings. The papers are generally issued to members prior to the meeting with sufficient time to enable them to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting.

The papers include, where relevant, the following documents and details:

(a) minutes of the previous Board meeting;

(b) minutes of meetings of all Board Committees held since the previous Board meeting;

(c) background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the budgets or projections and actual results are disclosed and explained to the Board; and

(d) major operational and financial issues.

In carrying out its duties, the Board has unrestricted access to the Group's records and information. The Directors are entitled to request from Management and are provided with additional information as needed to make informed decisions and discharge their duties and responsibilities.

Provision 1.7
Access to Management, Company Secretary and External Advisers

The Directors have separate and independent access to Management, the Company Secretary and external advisers (where necessary).

The appointment and replacement of the Company Secretary is a decision of the Board as a whole.

The Directors, either individually or as a group, may also seek independent professional advice, if necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as Directors.

Board Composition and Guidance

Principle 2

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provisions 2.1, 2.2 and 2.3
Strong and Independent Element on the Board

The present Board comprises six members who are business leaders and professionals with financial and other technical backgrounds. The composition of Board and the Board Committees is as follows:

Name of Director	Date of First Appointment	Date of Last Re-Appointment	Board	Audit Committee	Nominating Committee	Remuneration Committee
David Chiem Phu An	25 July 2008	16 April 2018	Founder Chief Executive Officer and Executive Chairman	–	–	–
Philip Antony Jeyaretnam	8 November 2017	16 April 2018	Lead Independent Director	Member	Member	Chairman
Catherine Du	1 June 2010	30 April 2019	Non-Independent Non-Executive Director	–	–	–
Janice Wu Sung Sung	20 August 2014	30 April 2019	Non-Independent Non-Executive Director	–	–	–
Phua Chin Chor	8 November 2017	16 April 2018	Independent Director	Chairman	Member	Member
Lee Suan Hiang	8 November 2017	16 April 2018	Independent Director	Member	Chairman	Member

Please refer to the "Board of Directors" section of this annual report.

Under Provision 2.2 of the Code, the Independent Directors should make up a majority of the Board where the Chairman is not independent. Mr David Chiem Phu An is not an Independent Director and is the Chairman and the CEO of the Company. Notwithstanding that the Independent Directors (3 out of 6 board members) currently do not make up a majority of the Board, the Non-Executive Directors (5 out of 6 board members) make up a large majority of all but one of the members of the Board, thereby more than complying with Provision 2.3 of the Code.

The Board has a Lead Independent Director to provide leadership in situations where the Chairman is conflicted. All the Board Committees are solely made up of and chaired by Independent Directors of the Company. Matters requiring the Board's approval are discussed and deliberated with the participation of each Director, and decisions are made collectively without any individual or small group of individuals influencing or dominating the decision-making process.

For the above reasons, and notwithstanding that the Chairman is not independent and the Independent Directors do not make up a majority of the Board, the Nominating Committee is of the view and the Board concurs that the Board has an appropriate level of independence to enable it to make decisions in the best interests of the Company, and the current composition of the Board is sufficient for it to exercise objective and balanced judgment. There are also adequate safeguards against a concentration of power in one single person.

Provision 2.4
Board Structure, Size, Balance and Diversity

The Company recognises and embraces the importance and benefits of having a diverse Board and believes that diversity is an important attribute of a well-functioning and effective Board which enhances the decision-making process. Having a diverse Board avoids groupthink and fosters constructive debate.

The Nominating Committee reviews the structure, size, balance and diversity of the Board, in accordance with the Company's Board Diversity Policy, on an annual basis. The key considerations in the Board Diversity Policy include skills, academic and professional qualifications and industry and business experience, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the Board members. Based on the key considerations, the Nominating Committee recommends appropriate changes to the Board, as and when required, to complement the Company's objectives and strategies, such as searching for qualified persons to serve on the Board, having due regard for the benefits of diversity on the Board and the key considerations. The Nominating Committee is responsible for monitoring the Board Diversity Policy and reporting to the Board on the process it has used in relation to board nominations and appointments, and the progress made in achieving the measurable objectives for promoting diversity as described in the Board Diversity Policy.

The Nominating Committee and the Board are satisfied that the present structure, size, balance and diversity of the Board are appropriate to facilitate effective decision making. As a group, the Directors bring with them a broad range of industry knowledge, skills, expertise and experience in areas such as legal, accounting, finance, business and management and strategic planning. A brief description of the background of each Director is presented in the "Board of Directors" section of this annual report. As the business of the Group expands, the Company will be seeking to diversify its Board further, including in the area of geographical and industry background.

Provision 2.5
Regular meetings of the Non-Executive Directors and/or Independent Directors

The Non-Executive Directors are familiar with the Group's business and activities. They provide valuable support, input and business contacts, and also strategic or significant business alliances or opportunities. Although the Non-Executive Directors are not involved in the day-to-day running of the Company's business, they play an invaluable role in furthering the business interests of the Group by:

(a) contributing their experience and expertise in the making of Board decisions or strategies;

(b) constructively challenging and assisting in developing proposals on strategy;

(c) reviewing Management's performance in meeting agreed goals and objectives;

(d) participating in decisions on the appointment, assessment and remuneration of the Executive Director and key management personnel generally; and

(e) monitoring the reporting of the Group's performance.

Independent Directors (who are all also Non-Executive Directors) meet without the presence of Management during the course of Board meetings or outside of Board meetings, and provide feedback to the Board and/or Chairman as appropriate.

Chairman and Chief Executive Officer

Principle 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.2
Separation of Role of Chairman and Chief Executive Officer

Mr David Chiem Phu An is both the Chairman and the Chief Executive Officer ("**CEO**") of the Company.

As the CEO, Mr Chiem bears executive responsibility for the overall management and strategic development of the Group. He provides insights on the day-to-day running of the Company's operations, and Management's views without undermining Management's accountability to the Board. He also collaborates closely with the Non-Executive Directors for the long-term success of the Company.

As the Chairman, Mr Chiem's responsibilities include but are not limited to:

(a) leading the Board to ensure its effectiveness in all aspects of its role;

(b) setting the Board agenda and conducting effective Board meetings, and ensuring that the culture in Board meetings promotes open interaction and contributions by all Board members;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication with shareholders and other stakeholders;

(f) ensuring appropriate relations within the Board, and between the Board and Management;

(g) facilitating the effective contribution of all Directors; and

(h) promoting high standards of corporate governance.

The Board has established in writing the division of responsibilities between the Chairman and the CEO.

Although the Chairman and the CEO is the same person, major decisions of the Group requiring Board approval are made in consultation with and subject to the approval of the Board. The CEO also reports to the Board, which is comprised of a majority of Non-Executive Directors, and all the Board Committees are also chaired by Independent Directors of the Company. In addition, Mr Chiem abstains from discussions and decisions where he is conflicted. These measures avoid concentration of power in Mr Chiem and ensure a degree of checks and balances.

The Board believes that notwithstanding that the Chairman and the CEO is the same person, there is an appropriate balance of power, accountability and capacity for independent decision making within the Board.

Provision 3.3
Lead Independent Director

The Board has appointed Mr Philip Antony Jeyaretnam to act as the Lead Independent Director. Where the Chairman is conflicted or in his absence, Mr Jeyaretnam will chair Board meetings, lead the Board, facilitate confidential discussion with the Non-Executive Directors on any concerns, resolve conflicts of interest, and facilitate communication between the Board and the shareholders or other stakeholders of the Company.

Shareholders with concerns may contact Mr Jeyaretnam directly through the channel as described in the Company's website, when contact through the normal channels of communication via the Chairman and the CEO or the Chief Financial Officer ("**CFO**") has failed to provide satisfactory resolution, or when such contact is inappropriate or inadequate. All the Independent Directors, include the Lead Independent Director, meet at least annually without the presence of the other Directors, for feedback to the Chairman thereafter.

Board Membership

Principle 4

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2
Roles and Responsibilities of the Nominating Committee

The Nominating Committee comprises the following three Independent Directors:

Mr Lee Suan Hiang (Chairman)
Mr Philip Antony Jeyaretnam
Mr Phua Chin Chor

Mr Philip Antony Jeyaretnam, the Lead Independent Director, is a member of the Nominating Committee.

In accordance with its terms of reference, the roles and responsibilities of the Nominating Committee include, among others:

(a) making recommendations to the Board on relevant matters relating to:

  (i) the review of succession plans for the Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and Management;

  (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;

  (iii) the review of training and professional development programmes for the Board and its Directors; and

  (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(b) identifying candidates, reviewing and approving nominations for the positions of Director or if applicable, alternate Director (whether appointment or re-appointment) and membership of the Board Committees (including Audit, Nominating and Remuneration Committees), as well as appraising the qualifications and experience of any proposed new appointments to the Board and to recommend to the Board whether the nomination should be supported;

(c) ensuring that the Board and Board Committees comprise Directors who, as a group, provide an appropriate balance and diversity of skills, experience, genders and knowledge of the business of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, taking into account, among other things, the future requirements of the Group and the provisions under the Code;

(d) reviewing on an annual basis, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors; and

(e) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed board representations and other principal commitments.

Provision 4.3
Process for Selection, Appointment and Re-appointment of Directors

In the search, nomination and selection process for new Directors, the Nominating Committee identifies the key attributes that an incoming Director should have, based on considerations such as board diversity, a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of Directors' personal contacts and recommendations of potential candidates or independent search firms and institutions, and goes through a shortlisting process. The Nominating Committee also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the Directors.

Pursuant to the Company's Constitution, newly appointed Directors must submit themselves for re-election at the next Annual General Meeting of the Company. The Constitution also requires one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) to retire by rotation at every Annual General Meeting. All Directors who are subject to retirement are eligible for re-election at the meeting. The Nominating Committee has recommended to the Board that Mr Jeyaretnam and Mr Lee, being the longest in office, be nominated for re-appointment pursuant to Regulations 94 and 95 of the Constitution at the forthcoming Annual General Meeting. The Board has concurred with the Nominating Committee's recommendation.

The Board regards the importance of succession plans to ensure progressive and orderly renewal of leadership and continuity of the Company's operations and plans and to protect the interests of the shareholders. The Board has put in place succession plans for the Directors, Chairman, CEO and key management personnel. As part of the succession plans, the successors to key positions are identified, and development plans are instituted for them.

Provision 4.4
Determining Directors' Independence

The Nominating Committee is also responsible for determining, annually, the independence of Directors. In doing so, the Nominating Committee takes into account the circumstances set forth in the Code and any other salient factors.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board on a timely basis. Each Independent Director is also required to complete and submit to the Company Secretary a Director's Confirmation of Independence Form annually to confirm his independence based on the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

Based on the evaluations and results of a review conducted by the Nominating Committee, the Board has considered Mr Philip Antony Jeyaretnam, Mr Phua Chin Chor and Mr Lee Suan Hiang as Independent Directors of the Company and each of them is regarded to be independent in conduct, character and judgment, and each of them has no relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of each of their independent business judgment in the best interests of the Company and the Group. None of the Independent Directors have served the Company for an aggregate period of more than nine years.

Following its annual review, the Nominating Committee has determined, and the Board has confirmed the independence status of the Directors as set out below:

Name	Independence Status
David Chiem Phu An	Non-Independent
Catherine Du	Non-Independent
Janice Wu Sung Sung	Non-Independent
Philip Antony Jeyaretnam	Independent
Phua Chin Chor	Independent
Lee Suan Hiang	Independent

Provision 4.5
Multiple Directorships

Information on the listed company directorships and other principal commitments of the Directors have been set out under the "Board of Directors" and "Directors' Statement" sections of this annual report.

The Nominating Committee ensures that new Directors are aware of their duties and obligations. The Nominating Committee also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The Nominating Committee has recommended to the Board that no maximum number of listed board directorships and principal commitments which any Director may hold be determined. The Nominating Committee is of the view that Directors with multiple listed board directorships can still continue to fulfill their directorial obligations effectively, and factors such as attendance, participation and contribution should be considered collectively. Considering that the current Directors' participation and involvement in various active discussions as well as commitment to the Company's affairs are satisfactory, the Board has also agreed not to determine the maximum number of listed board directorships and principal commitments which any Director may hold. The Board is also satisfied that each Director is able to and has been adequately carrying out and diligently discharging his or her duties as a Director of the Company.

Board Performance

Principle 5

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 and 5.2
Assessing Board Performance

The Nominating Committee recommended, and the Board approved the objective performance criteria process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board. The performance criteria aims to measure the Directors' contributions and how the Board has enhanced long-term shareholder value. The Board also approved and implemented a board evaluation process to be carried out by the Nominating Committee annually.

The performance criteria includes assessing the Board and Board Committee structure, strategy and performance, board risk management and internal controls, information to the Board and Board Committees, Board procedures, CEO and Management, standards of conduct and Board/Board Committee Chairmen.

In addition, individual Directors carry out a self-assessment, which is reviewed by the Nominating Committee. The self-assessment focuses on attendance, commitment and contributions in areas such as corporate strategy, finance/accounting, risk management, legal/regulatory, human resources and industry knowledge, as well as participation in the Board and/or Board Committee discussion and disclosure of related party transactions and conflicts of interest. The Board evaluation process is conducted in-house by the Company Secretary who is responsible for circulating the survey to each Director for his or her completion, consolidating the results and proposing areas of improvements for the Nominating Committee's recommendation to the Board for approval. The Chairman acts on the results of the Board evaluation, and in consultation with the Nominating Committee, proposes, where appropriate, new members to be appointed to the Board or seeks the resignation of Directors. Each member of the Nominating Committee abstains from voting on any resolutions in respect of any matter in which he has an interest. Based on the Board evaluation results, the Nominating Committee and the Board are satisfied as to the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board.

Although the Board evaluation process is conducted in-house, the Nominating Committee may recommend to the Board to use external facilitators, as and when it deems necessary.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1, 6.2 and 6.3
Roles and Responsibilities of the Remuneration Committee

The Remuneration Committee comprises the following three Independent Directors:

Mr Philip Antony Jeyaretnam (Chairman)
Mr Phua Chin Chor
Mr Lee Suan Hiang

In accordance with its terms of reference, the primary responsibilities of the Remuneration Committee include, among others:

(a) reviewing and making recommendations to the Board on:

  (i) a framework of remuneration for the Board and key management personnel; and

  (ii) the specific remuneration packages for each Director and key management personnel, having due regard to all aspects of remuneration, including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and termination terms, to ensure that they are fair and avoid rewarding poor performance;

(b) ensuring the remuneration policies and systems of the Group, as approved by the Board, support the Group's objectives and strategies, and are consistently administered and being adhered to within the Group;

(c) in the case of service contracts, reviewing the obligations arising in the event of termination of the Executive Director or key management personnel's service contracts, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous;

(d) proposing, for adoption by the Board, appropriate and meaningful performance criteria to assist in the evaluation of the performance of the Executive Director and key management personnel; and

(e) administering the MindChamps PreSchool Performance Share Plan and the MindChamps PreSchool Share Option Plan (the "**Share Plans**") in accordance with the rules of the respective Share Plans, as the case may be, and the Listing Manual, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement.

If a member of the Remuneration Committee has an interest in a matter being reviewed or considered by the Remuneration Committee, he will abstain from voting on that matter.

The Remuneration Committee also reviews the reasonableness of the termination clauses of the contracts of service of the Company's Executive Director and key management personnel. Each of the Executive Director and key management personnel has a service agreement or employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on a long-term basis and no onerous removal clauses are contained in the service agreement or employment contract.

Provision 6.4
Engagement of Remuneration Consultants

The Remuneration Committee may from time to time seek advice on the remuneration of all Directors from external remuneration consultants whose independence and objectivity are not affected by any existing relationships with the Company. No remuneration consultants were engaged by the Company in FY2019.

Level and Mix of Remuneration

Principle 7

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provision 7.1
Remuneration of Executive Director and Key Management Personnel

The remuneration of the Company's Executive Director and key management personnel has been formulated to attract, retain and motivate individuals the Group relies on to achieve its business strategy and create long-term value for its shareholders. The Remuneration Committee believes that fair performance-related pay should motivate good performance and that rewards should be closely linked to and commensurate with performance. A significant and appropriate proportion of the Executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is also aligned with the achievement of the objectives of their functions and the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

(I) Founder CEO and Executive Chairman

Mr David Chiem Phu An does not receive a Director's fee. His service agreement provides for compensation in the form of a fixed monthly salary and a variable and/or performance bonus which may be awarded for each financial year of the Company during the continuance of his employment, to be determined by the Board, based on his performance and the performance of the Company for that financial year.

As the Chairman and the CEO, Mr Chiem is consulted by the Remuneration Committee on matters relating to the other key management personnel who report to him on matters relating to the performance of the Company. Mr Chiem abstains from participation in discussions and decisions in relation to his own remuneration.

(II) Other Key Management Personnel

The service agreements with the other key management personnel provides for compensation in the form of a fixed monthly salary and a variable and/or performance bonus which may be awarded for each financial year of the Company during the continuance of his or her employment, to be determined by the Board, based on their performance and the performance of the Company for that financial year.

Provision 7.2
Remuneration of Non-Executive Directors

The Remuneration Committee is of the view that the remuneration of the Company's Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort and time spent and the role and responsibilities of the Non-Executive Directors, and the said remuneration does not compromise the independence of the Non-Executive and Independent Directors.

There is no policy to prohibit or require the Non-Executive Directors to hold shares in the Company. However, Non-Executive Directors are encouraged to acquire shares of the Company in order to align their interests with that of the shareholders. Non-Executive and Independent Directors are also advised to acquire shares of the Company with due care and within a limit that does not comprise their independence.

Provision 7.3
Long-term Incentive Scheme

The Company recognises that remuneration must be appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The Company has the Share Plans which the Remuneration Committee can recommend as long-term incentive schemes for the Executive Director and key management personnel, whereby the shares or grant of options vest over a period of time pursuant to vesting schedules where only a portion of the benefits can be exercised each year.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. If required, the Remuneration Committee will consider instituting such contractual provisions.

Disclosure on Remuneration

Principle 8

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1
Remuneration of Directors, Chief Executive Officer and Key Management Personnel

Remuneration of each Director, including the CEO, for FY2019 is set out below:

Name of Director	Position	Breakdown of Remuneration in Percentage (%)					Total Remuneration in Bands of S$100,000
		Director's Fee	Salary[(1)]	Bonus[(1)]	Other Benefits[(2)]	Total	
David Chiem Phu An	Founder Chief Executive Officer and Executive Chairman	–	81.20%	13.97%	4.83%	100.00%	S$900,001 – S$1,000,000
Philip Antony Jeyaretnam	Lead Independent Director	100.00%	–	–	–	100.00%	<S$100,000
Catherine Du	Non-Independent Non-Executive Director	100.00%	–	–	–	100.00%	<S$100,000
Janice Wu Sung Sung	Non-Independent Non-Executive Director	100.00%	–	–	–	100.00%	<S$100,000
Phua Chin Chor	Independent Director	100.00%	–	–	–	100.00%	<S$100,000
Lee Suan Hiang	Independent Director	100.00%	–	–	–	100.00%	<S$100,000
Total Remuneration (S$'000) of Directors						**1,145**	

Notes:

(1) Included provident fund contribution by employer.

(2) Included insurance, medical benefits, car benefits, mobile allowance, professional membership fees and long-term incentives, if any.

The remuneration of the Directors, including the CEO, is disclosed in bands of S$100,000 instead of rounded to the nearest thousand dollars, as the Board is of the view that such disclosure provides a balance between detailed disclosure and confidentiality. Given the confidentiality of and commercial sensitivity attached to remuneration matters, the Board believes that disclosing in the respective bands and disclosing in aggregate the total remuneration of the Directors provides a sufficient overview of the remuneration of the Directors.

Remuneration of each key management personnel (who are not Directors or the CEO) for FY2019 is set out below:

Name of Key Management Personnel	Position	Breakdown of Remuneration in Percentage (%)				Total Remuneration in Bands of S$250,000
		Salary(1)	Bonus(1)	Other Benefits(2)	Total	
Teo Wee Jone	Chief Financial Officer	80.86%	14.17%	4.97%	100.00%	<S$500,001 – S$750,000
Peh Poh Geok	Chief Brand Officer and Global Group General Manager	74.60%	13.08%	12.32%(3)	100.00%	<S$500,001 – S$750,000
Total Remuneration (S$'000) of Key Management Personnel					**1,078**	

Notes:

(1) Included provident fund contribution by employer.

(2) Included insurance, medical benefits, car benefits, mobile allowance, professional membership fees and long-term incentives, if any.

(3) Ms Peh was awarded a long service award in FY2019.

Provision 8.2
Remuneration of Employees who are substantial Shareholders or immediate family members of a Director or the CEO

Save for Mr David Chiem Phu An who is the CEO and a substantial shareholder of the Company, there are no employees of the Group who are substantial shareholders of the Company, or are immediate family members (defined in the Listing Manual as the spouse, child, adopted child, step-child, brother, sister and parent) of a Director, the CEO or a substantial shareholder of the Company.

Provision 8.3
Employee Share Option Scheme

The Company's Share Plans were approved by shareholders at an Extraordinary General Meeting held on 9 November 2017. The details and terms of the Share Plans were set out in Appendixes E and F of the Company's Prospectus dated 17 November 2017 (the "**Prospectus**"). There were no options granted or shares issued under the Share Plans during FY2019.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1
Risk Management

The Board is responsible for the overall risk management and internal control framework, including determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board ensures that Management maintains a sound system of risk management and internal controls. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management has put in place a financial risk management policy and regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the Audit Committee. Details of the Group's risk management policy are set out in Note 30 "Financial Risk Management" of the Notes to the Financial Statements.

The Board delegates its authority to the Audit Committee to oversee the risk management and internal controls of the Group. The Board (through the Audit Committee) monitors and reviews the effectiveness of the Group's system of internal controls and risk management which includes:

(a) discussions with Management on risks identified by Management;

(b) the audit processes;

(c) the review of internal and external audit plans; and

(d) the review of significant issues arising from internal and external audits.

However, the Board acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Group had engaged Messrs KPMG Services Pte. Ltd. to facilitate the setting up of an Enterprise Risk Management ("**ERM**") Framework (the "**ERM Framework**"), which governs the risk management processes of the Group. The ERM Framework enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, *inter alia*, financial, operational, compliance and information technology risks faced by the Group. The key risks of the Group are deliberated by Management and reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in. Complementing the ERM framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes.

To ensure that internal controls and enterprise risk management processes are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The external auditors provide reasonable assurance on the true and fair presentation of the Group's financial statements. Outsourced internal auditors provide assurance that controls over the key risks of the Group are adequate and effective.

Provision 9.2
Board's Comment on Adequacy and Effectiveness of Internal Controls

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board reviews an overview of the risks which the Group is exposed to, as well as an understanding of what counter-measures and internal controls are in place to manage them. In this aspect, the Audit Committee reviews the audit plans, and the findings of the auditors and ensures that the Group follows up on the auditors' recommendations raised, if any, during the audit process. The Audit Committee guides Management to check and ensure the adequacy of the internal controls.

The Board has obtained written assurance:

(a) from the CEO and the CFO, that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) from the CEO and other key management personnel, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the internal controls and risk management framework established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, various Board Committees and the Board, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2019.

Audit Committee

Principle 10

The Board has an Audit Committee which discharges its duties objectively.

Provisions 10.1, 10.2 and 10.3
Roles and Responsibilities of the Audit Committee

The Audit Committee comprises the following three Independent Directors:

Mr Phua Chin Chor (Chairman)
Mr Philip Antony Jeyaretnam
Mr Lee Suan Hiang

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. The majority of the Audit Committee members, including the Chairman of the Audit Committee, have recent and relevant accounting or related financial management expertise and experience. None of the Audit Committee members are former partners or directors of the Group's existing auditing firm or auditing corporation.

In accordance with its terms of reference, the roles and responsibilities of the Audit Committee include, among others:

- assisting the Board in fulfilling its responsibility for overseeing the integrity of the Company's system of accounting and financial report and in maintaining a high standard of transparency and reliability in its corporate disclosures;

- reviewing and recommending to the Board financial statements and any significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to the Company's financial performance;

- reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls, and risk management policies and systems;

- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

- reviewing accounting policies;

- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function, their audit plans and the assistance given by Management to the auditors;

- approving the hiring, removal, evaluation and compensation of the accounting/auditing firm or corporation to which the internal audit function is outsourced;

- making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- reviewing any interested person transactions as defined in the Listing Manual;

- reviewing and resolving all conflicts of interest matters referred to it;

- reviewing any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board, exercising Directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, the Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of the Audit Committee will not participate in any proceedings of the Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as the Audit Committee may deem reasonably necessary;

- reviewing and assessing from time to time whether additional processes are required to be put in place to manage any material conflicts of interest with the Company's controlling shareholders and propose, where appropriate, the relevant measures for the management of such conflicts;

- reviewing any potential conflicts of interest (including any potential conflicts of interest that may arise with respect to the granting of franchise licences to third parties);

- reviewing the report, to be submitted at the end of each quarter, on rejected applicants for franchise licences; and

- reviewing the Company's policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee ensures that these arrangements allow such concerns to be raised and independently investigated, and proportionate and independent investigation of such matters and appropriate follow up action be taken. A whistle-blowing policy has been established for employees of the Group and any other persons to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. The policy is disseminated to all employees of the Group and is posted on the Company's corporate website. The policy is intended to provide an open and confidential process for the Group's employees, suppliers, customers and other stakeholders to express genuine concerns on any serious wrongdoing, such as unlawful conduct, financial malpractice, fraud, or corruption. The policy aims to encourage individuals to be confident in raising genuine concerns without fear of reprisal, discrimination or adverse consequences. It also allows the investigation of any actual, suspected or anticipated wrongdoing within or by the Group. The policy provides examples of reportable incidents, principles and reporting and handling procedures. Any genuine concerns may be raised in writing to the Audit Committee through the channel as described in the Company's website. The Audit Committee reports to the Board on such matters at the Board meetings.

The Audit Committee also keeps abreast of changes in accounting standards and issues which impact the financial statements through briefings from auditors during the Audit Committee meetings.

The Company has appointed Messrs Nexia TS Public Accounting Corporation as its external auditors to meet its audit obligations, and has assessed that they have the adequate resources and experience to audit the Company and its Group. The Company is in compliance with Rules 712 and 715 of the Listing Manual.

The Audit Committee assesses the independence of the external auditors annually. The aggregate amount of fees paid for or payable to the external auditors of the Group and Nexia Sydney (a member firm of Nexia International) for FY2019 was:

	S$'000
Audit fees	201
Non-audit fees	83
Total	**284**

The external auditors affirm that the audit team and Messrs Nexia TS Public Accounting Corporation, together with Nexia Sydney (a member firm of Nexia International), are independent in respect of the audit of the Group in accordance with the Accountants (Public Accountants) Rules 2004 as the significant non-audit fee is derived from tax compliance and due diligence review services provided to the Group.

The Audit Committee has reviewed the non-audit services rendered by the external auditors in FY2019 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired and compromised.

Provision 10.4
Internal Audit Function

The Company has engaged Messrs KPMG Services Pte. Ltd. as its internal auditors. The primary reporting line of the internal audit function is to the Audit Committee.

The Audit Committee, in consultation with Management, approves the hiring, removal, evaluation and the fees of the internal auditors. Procedures are in place for the internal auditors to report independently on their findings and recommendations to the Audit Committee for review. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. Management updates the Audit Committee on the status of any remedial action plans recommended by the internal auditors.

The primary functions of the internal audit are to help:

(a) assess if adequate systems of internal controls are in place to protect the assets of the Group and to ensure control procedures are complied with;

(b) assess if operations of the business processes under review are conducted efficiently and effectively; and

(c) identify and recommend improvement to internal control procedures, where required.

During FY2019, the internal auditors adopted a risk-based audit approach that focused on material internal controls, including financial, operational, compliance and information technology controls. Internal audit reports were submitted to the Audit Committee for deliberation, with copies of these reports extended to Management.

The Audit Committee is satisfied that the internal audit team from Messrs KPMG Services Pte. Ltd. is staffed by suitably qualified and experienced professionals and is independent, effective and adequately resourced. The internal audit work carried out is guided by the KPMG Global Internal Audit standard and the International Standards for the Professional Practice of Internal Auditing set out in the International Professional Practices Framework issued by The Institute of Internal Auditors (the "**IIA**"). The internal auditors are a member of the IIA, Singapore, a professional internal auditing body affiliated to the IIA, Inc.

The Audit Committee reviews annually the adequacy and effectiveness of the internal auditors through:

(a) approving the internal audit plan prior to the commencement of the internal audit work; and

(b) reviewing the internal controls recommendations report subsequent to the completion of internal audit work.

Provision 10.5
Meeting with External and Internal Auditors without Presence of Management

The Audit Committee meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least once a year.

Such meetings enable the Audit Committee to:

(a) obtain feedback on the competency and adequacy of the finance function;

(b) enquire into the root causes for major audit adjustments and issues; and

(c) inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

The meetings also enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the Audit Committee.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1
Shareholder Rights

The Company believes that strong participation from shareholders in general meetings will greatly enhance the shareholders' visibility of the Group's operations and performance. It will also further align the shareholders' interests with the Group's future directions and strategies. The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value. The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings and informs them of the rules governing the general meetings. Shareholders will be able to proactively engage the Board and Management on the Group's business activities, financial performance and other business-related matters.

Provisions 11.2, 11.3, 11.4 and 11.5
Attendance at General Meetings

At the AGM, the following agenda may generally take place:

(a) the CEO and the CFO present the progress and performance of the Group and encourage shareholders to participate in the Question and Answer session;

(b) the external auditors are present to address shareholders' queries on the conduct of the audit and the preparation and content of their report;

(c) the Chairpersons of the Audit, Nominating and Remuneration Committees, or members of the respective Committees are present to address shareholders' queries relating to the work of the Board and Board Committees;

(d) appropriate senior management personnel/members are also present to respond, if necessary, to operational questions from shareholders; and

(e) each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. Where the resolutions are bundled or made inter-conditional on each other, the Company provides clear explanations in the notice of meeting so to ensure that shareholders are given the right to express their views and exercise their voting rights on each separate resolutions.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or Management questions regarding the Company and its operations. All Directors and the external auditors attended the AGM in FY2019.

The Company does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead. Each shareholder who is entitled to attend and vote may either vote in person or appoint not more than two proxies. Corporations which provide nominee or custodial services are allowed to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

All resolutions at general meetings are put to vote by poll and the results of each resolution are announced with details of percentages in favour and against. Management makes a presentation to shareholders to update them on the Company at general meetings. The results and presentation are announced after the general meetings via SGXNet and uploaded on the Company's website at https://investor.mindchamps.org/.

The minutes of general meetings, which record substantial and relevant comments or queries from shareholders relating to the agenda and response from the Board and Management, are prepared by the Company Secretary and are made available to shareholders upon their request and will be made available on the Company's website as soon as practicable.

Provision 11.6
Dividend Policy

The Company currently does not have a fixed dividend policy. The declaration and payment of future dividends may be recommended by the Board at their discretion, after considering a number of factors, including the Group's level of cash and reserves, results of operations, business prospects, capital requirements and surplus, general financial condition, contractual restrictions, the absence of any circumstances which might reduce the amount of reserves available to pay dividends, and other factors considered relevant by the Board, including the Group's expected financial performance.

The Board currently intends to reinvest any profits generated in FY2019 back into the Company's business (including financing acquisition activities), and does not propose to pay any dividends to shareholders with respect to profits generated in FY2019.

Engagement with Shareholders

Principle 12

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3
Communication with Shareholders

The Group has an investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. Together with the Communications and Legal departments, the team also manages the dissemination of corporate information to the media, public, institutional investors and shareholders on a fair and non-selective disclosure basis, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team.

The Group also monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the financial results are conducted for analysts and the media following the release of the results via SGXNet. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments.

All material information and analysts' and media briefing materials are made available on SGXNet and on the Company's website at https://investor.mindchamps.org/, for the information of shareholders.

The Company values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. Thus, the Company supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet and interact with the Board and Management. Information on general meetings is also disseminated through notices sent to all shareholders, to encourage attendance from the shareholders.

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

Engagement with Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1, 13.2 and 13.3
Communication with Stakeholders

The Company recognises not only its obligations to shareholders but also the interests of its material stakeholders. The Company maintains a current corporate website to communicate with its stakeholders and regularly engages its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve and sustain the business operations for long-term growth.

Four material stakeholder groups have been identified through an assessment of their significance to the Group's business operations. They are namely, customers, media, shareholders and analysts, and employees. The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. Please refer to the Company's annual sustainability report.

OTHER CORPORATE GOVERNANCE MATTERS

1. Interested Persons Transactions

The Company has established review and approval procedures to ensure that interested person transactions ("**IPT**") entered into by the Group are conducted on normal terms and are not prejudicial to the interest of the shareholders.

Disclosure of IPT for FY2019 is set out as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
		S$'000	**S$'000**
Fees received			
MindChamps Singapore Pte. Limited	Associate of director, CEO and controlling shareholder	476	–
MindChamps Holdings Pte. Limited	Controlling shareholder and associate of director and CEO	673[1]	–
Fees paid			
DBS Trustee Limited as trustee of SPH REIT	Associate of controlling shareholder	477	–
MindChamps Singapore Pte. Limited	Associate of director, CEO and controlling shareholder	296	–
MindChamps Family Online Pte. Limited	Associate of director, CEO and controlling shareholder	365	–

Note:

(1) Of which $497,000 is not covered under the Agreements that were set out in the Company's Prospectus (see below).

Other than as stated in the Note to the table above, the transactions relating to the amounts aggregated in the table above are covered under the following Agreements:

(a) the Corporate Services Agreement dated 9 November 2017 between the Company and MindChamps Holdings Pte. Limited ("**MCH**") and its subsidiaries;

(b) the Franchise Agreement dated 11 November 2016 between MindChamps PreSchool Singapore Pte. Limited (a subsidiary of the Company) and MindChamps Singapore Pte. Limited (a subsidiary of MCH); and

(c) the lease agreement dated 25 October 2016 between MindChamps PreSchool @ Paragon Pte. Limited (a subsidiary of the Company) and DBS Trustee Limited as trustee of SPH REIT (of which approximately 70% of the issued units are owned by Singapore Press Holdings Limited, a controlling shareholder of the Company).

As set out in the Company's Prospectus, investors, upon subscription of the Offering Shares (as defined in the Prospectus), are deemed to have specifically approved the transactions with interested persons covered under the said Agreements, and as such these transactions are not subject to Rules 905 and 906 of the Listing Manual to the extent that there are no subsequent changes to the terms of the Agreements in relation to each of these transactions.

The Company has in place an IPT policy to ensure that any IPT between an entity at risk and an interested person are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The policy sets out, among others, the definitions of IPT and interested persons, the procedures for entering into and monitoring the IPT, and the review, approval and disclosure obligations.

2. Material Contracts

Except as disclosed above and the contracts described in the "Interested Person Transactions and Potential Conflicts of Interest" section of the Prospectus, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, which are either still subsisting at the end of the FY2019 or, if not then subsisting, were entered into since the end of the previous financial year.

3. Dealings in Securities

Directors and employees of the Group are prohibited from dealing with the Company's securities on short-term considerations and during the period commencing one month before the announcement of the Company's half year and full year financial statements, in compliance with Rule 1207(19) of the Listing Manual.

Memoranda are issued to all Directors and employees of the Group to remind them of, *inter alia*, laws of insider trading and the importance of not dealing in the shares of the Company on short-term consideration or during prohibited periods. Directors and employees are expected to observe the insider trading laws at all times even when dealing in shares of the Company within permitted trading periods.

4. Further Information on Directors Seeking Re-election

Name of Director	Philip Antony Jeyaretnam	Lee Suan Hiang
Date of Appointment	8 November 2017	8 November 2017
Date of last re-appointment	16 April 2018	16 April 2018
Age	56	69
Country of principal residence	Republic of Singapore	Republic of Singapore
The Board's comments on this re-appointment	Mr Jeyaretnam's extensive knowledge and experience on legal and regulatory issues and education will provide balance and diversity of skills, experience and knowledge that contribute towards the core competencies of the Board. The Nominating Committee and the Board recommend the re-appointment of Mr Jeyaretnam as the Lead Independent Director of the Company.	Mr Lee's extensive knowledge and experience on business institutions, executive leadership and listed companies, will provide balance and diversity of skills, experience and knowledge that contribute towards the core competencies of the Board. The Nominating Committee and the Board recommend the re-appointment of Mr Lee as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title	• Lead Independent Director • Chairman of the Remuneration Committee • Member of the Audit Committee • Member of the Nominating Committee	• Independent Director • Chairman of the Nominating Committee • Member of the Audit Committee • Member of the Remuneration Committee
Professional qualifications	• Bachelor of Arts (Honours) in Law, University of Cambridge • Master of Arts in Law, University of Cambridge • Advocate and Solicitor of the Supreme Court of Singapore • Fellow, Singapore Institute of Arbitrators • Fellow, Chartered Institute of Arbitrators • Member, Singapore International Arbitration Centre • Member, The Law Society of Singapore • Member, Singapore Academy of Law • Member, Society of Construction Law • Member, International Bar Association	• Bachelor of Arts (Honours) in Industrial Design (Engineering), Manchester Polytechnic • Leaders in Administration Programme, Singapore Civil Service College • Advanced Management Programme, Harvard University • International Executive Programme, INSEAD • Fellow, Singapore Institute of Directors • Fellow, Chartered Management Institute, United Kingdom • Fellow, Chartered Institute of Marketing, United Kingdom

Working experience and occupation(s) during the past 10 years	• 2002 – 2016: Partner, Rodyk & Davidson LLP • 2016 – Current: Global Vice Chair & ASEAN CEO, Dentons Rodyk & Davidson LLP	• 2011 – 2016: Chief Executive Officer, Real Estate Developers' Association of Singapore
Shareholding interest in the Company and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments Including Directorships – Past (for the last 5 years)	• Director, DNLE Singapore Pte. Ltd. • Director, Rodyk Services Private Limited	• Independent Director, United Engineers Limited • Independent Director, CITIC Envirotech Ltd.
Other Principal Commitments Including Directorships – Present	• Chairman, Maxwell Chambers Pte. Ltd. • Director, Surbana Jurong Private Limited • Global Vice Chair & ASEAN CEO, Dentons Rodyk & Davidson LLP • Member, Presidential Council for Minority Rights • Member Public Service Commission • Member of the Board of Advisors, Singapore Law Review	• Lead Independent Director, Viking Offshore and Marine Limited • Non-Executive Chairman, Anacle Systems Limited • Independent Director, Perennial Real Estate Holdings Limited • Director, Orchid Leisure Enterprise Pte. Ltd. • Director, Pasir Ris Resort Pte Ltd • Director, LASALLE College of the Arts Limited • Director, Global Business Advisers Pte. Ltd. • Director, The Singapore Lyric Opera Limited • Director, Global Cultural Alliance Limited • Director, Singapore Institute of Directors • Director, Catholic Foundation Limited • Director, Singapore Dance Theatre Limited

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	**Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?**	No	Yes In May 2015, Mr Lee was issued a supervisory warning by the Monetary Authority of Singapore (MAS) in respect of his failure to notify a listed corporation (of which he was a director) of changes in his interest in the securities of the corporation within two business days of his acquisition of an interest, as required under section 133 of the Securities and Futures Act. In the letter issued by the MAS, the MAS indicated its position not to take further regulatory action in respect of this matter.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 69 to 156 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

David Chiem Phu An
Philip Antony Jeyaretnam
Catherine Du
Janice Wu Sung Sung
Phua Chin Chor
Lee Suan Hiang

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Plans" in this statement.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of Ordinary Shares			
	Direct Interest		Deemed Interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
MindChamps PreSchool Limited				
(No. of ordinary shares)				
David Chiem Phu An	**–**	–	**128,516,969**(1)	128,516,969
Catherine Du	**–**	–	**128,516,969**(2)	128,516,969

(1) Mr David Chiem Phu An holds 35.77% of the issued ordinary shares of Champion Minds Pte. Limited ("**Champion Minds**"), which in turn wholly-owns MindChamps Holdings Pte. Limited ("**MCH**"). Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Mr Chiem is deemed to be interested in the shares of the Company ("**Shares**") held by MCH. In addition, Mr Chiem is deemed to be interested in the Shares in which his spouse, Ms Catherine Du, has an interest, including the 1,710,528 Shares which she holds through Citibank Nominees Singapore Pte Ltd. As Mr Chiem already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as his deemed interest in Shares in which his spouse, Ms Du, has an interest. Mr Chiem also holds 1,910,528 Shares through DBS Nominees (Private) Limited.

(2) Ms Catherine Du holds 35.77% of the issued ordinary shares of Champion Minds, which in turn wholly-owns MCH. Accordingly, by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore, Ms Du is deemed to be interested in the Shares held by MCH. In addition, Ms Du is deemed to be interested in the Shares in which her spouse, Mr David Chiem Phu An, has an interest, including the 1,910,528 Shares which he holds through DBS Nominees (Private) Limited. As Ms Du already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as her deemed interest in Shares in which her spouse, Mr Chiem, has an interest. Ms Du also holds 1,710,528 Shares through Citibank Nominees Singapore Pte Ltd.

(b) Each of David Chiem Phu An and Catherine Du, by virtue of his/her interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations and in the shares held by the Group in the following subsidiary corporations that are not wholly-owned by the Group:

	At 31.12.2019	At 1.1.2019
MindChamps PreSchool @ Serangoon Pte. Limited		
– No. of ordinary shares	**240,000**	240,000
MindChamps PreSchool @ Zhongshan Park Pte. Ltd.		
– No. of ordinary shares	**450,000**	450,000
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited		
– No. of ordinary shares	**51**	51
MindChamps Shanghai Pte. Limited		
– No. of ordinary shares	**120**	120
MindChamps Music Pte. Limited		
– No. of ordinary shares	**160**	–

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

Share plans

On 9 November 2017, the shareholders approved two share-based incentive plans, namely the MindChamps PreSchool Share Option Plan (the "**SOP**") and the MindChamps PreSchool Performance Share Plan (the "**PSP**" and together with the SOP, the "**Share Plans**"). On 30 April 2019, the PSP and SOP were renewed during the Annual General Meeting for the financial year ended 31 December 2018.

The Share Plans are share incentive schemes under the administration of the Remuneration Committee. The purpose of the Share Plans is to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and directors of the Group who have contributed to the growth of the Group. The Share Plans will give participants an opportunity to have a personal equity interest in the Company and will help to achieve the following positive objectives:

(a) to motivate the participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;

(b) to retain key executives and executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;

(c) to instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Group;

(d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders; and

(e) to align the interests of employees with the interests of the shareholders.

During the financial year, there were:

(a) no options granted under the SOP to subscribe for unissued shares of the Company or its subsidiary corporations; and

(b) no grants issued under the Share Plans to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under the Share Plans.

Audit committee

The members of the Audit Committee during the financial year and at the date of this statement are as follows:

Phua Chin Chor (Chairman)
Philip Antony Jeyaretnam
Lee Suan Hiang

All members of the Audit Committee are independent directors.

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Companies Act, Chapter 50 of Singapore, and the Singapore Exchange Securities Trading Limited Listing Manual.

Its functions include:

- assisting the Board in fulfilling its responsibility for overseeing the integrity of the Company's system of accounting and financial reporting and in maintaining a high standard of transparency and reliability in its corporate disclosures;
- reviewing and recommending to the Board any significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to financial performance;
- reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the external auditors' audit plan and audit reports, and the external auditors' evaluation of the system of internal accounting controls, with the external auditors, as well as the assistance given by Management to the external auditors;
- reviewing and reporting to the Board, at least annually, on the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls, and risk management policies and systems;
- monitoring and reviewing the implementation of the external auditors' recommendations for internal control weaknesses (if any);
- reviewing any interested person transactions as defined in the Listing Manual;
- reviewing any potential conflicts of interest (including any potential conflicts of interest that may arise with respect to the granting of franchise licences to third parties);
- reviewing the scope and results of the internal audit procedures and Management's response and follow-up actions, and, at least annually, the adequacy and effectiveness of the internal controls review plan;
- approving the hiring, removal, evaluation and compensation of the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- reviewing any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board, exercising Directors' fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interest by a Director, the Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of the Audit Committee will not participate in any proceedings of the Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as the Audit Committee may deem reasonably necessary;

- reviewing and assessing from time to time whether additional processes are required to be put in place to manage any material conflicts of interest with the Company's controlling shareholders and propose, where appropriate, the relevant measures for the management of such conflicts;

- reviewing and resolving all conflicts of interest matters referred to it; and

- reviewing the report, to be submitted at the end of each quarter, on rejected applicants for franchise licences.

Apart from the duties listed above, the Audit Committee reviews the Company's policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee will ensure that these arrangements allow such concerns to be raised and independently investigated, and proportionate and independent investigation of such matters and appropriate follow up action be taken.

The Audit Committee has recommended to the Board that the independent auditors, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditors

The independent auditors, Nexia TS Public Accounting Corporation, have expressed their willingness to accept re-appointment.

On behalf of the directors

....

David Chiem Phu An
Executive Chairman

....

Catherine Du
Director

8 April 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MindChamps PreSchool Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 156.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Business combinations</u>

During the financial year, the Group acquired 4 preschool businesses in Singapore and 8 preschool businesses in Sydney, Australia. The goodwill arising from current year's acquisitions amounted to $46,260,000.

The recognition of goodwill requires management judgement and assumptions in identifying and assessing the fair value of identified assets acquired, liabilities and contingent liabilities assumed for the newly acquired subsidiary corporations and preschool businesses.

Key Audit Matters (Continued)

Business combinations (Continued)

How our audit addressed the matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Reviewed management's assessment on the initial recognition of these newly acquired subsidiary corporations and preschool businesses to ensure its compliance with SFRS(I) 3 *Business Combinations* requirements;
- Evaluated the professional competence and objectivity of management's expert;
- Involved our internal valuation specialist to evaluate the methodology applied, in particular the valuation of the assets acquired and certain identified assumptions critical to the methodology including, inter alia, discount rates used; and
- Reviewed the adequacy of disclosures in the notes to the financial statements.

Goodwill impairment assessment

As at 31 December 2019, the goodwill has increased from $41,945,000 as at the end of the previous financial year to $86,676,000, which is significant to the Group and represented 55.6% of the Group's total assets.

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. We focused on this area due to the level of subjectivity associated with the many assumptions used in estimating the value-in-use ("VIU") of the respective cash-generating units ("CGU") that is required to be made by management, including expectations of future events that are believed to be reasonable under the circumstances.

How our audit addressed the matter

In obtaining sufficient audit evidence, the following procedures have been performed:

- Evaluated the reasonableness of management's estimate of gross margin and growth rate by taking into consideration of each CGU's past performance, current market condition and the industry trend;
- Challenged management's estimates applied in the VIU model based on our knowledge of the operations, by comparing historical performance to assess management's forecast ability; and by comparing current forecasts against historical performance to assess the reasonableness of the forecasts;
- With the assistance of our internal valuation specialist, we assessed the reasonableness of the discount rate applied, by comparing against internal information and external economic and market data;
- Evaluated management's sensitivity analysis to assess the impact on the recoverable amount of each CGU by reasonable changes to the estimated growth rate, discount rate and any other significant input; and
- Reviewed the adequacy of disclosures in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
8 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	4	**53,890**	36,960
Cost of sales		**(26,451)**	(14,639)
Gross profit		**27,439**	22,321
Other income			
– Interest income		**131**	429
– Others		**3,274**	2,998
	5	**3,405**	3,427
Other gains and losses			
– Gain from corporate transactions	11, 17	**6,207**	–
– (Impairment loss)/reversal of impairment loss on financial assets	30(b)	**(125)**	69
– Other loss – net		**(98)**	(198)
Expenses			
– Administrative		**(25,346)**	(16,915)
– Finance	9	**(2,507)**	(576)
– Marketing		**(1,228)**	(809)
– Acquisitions	32	**(395)**	(496)
Share of loss of an associated corporation and joint ventures	16,17	**(42)**	–*
Profit before income tax		**7,310**	6,823
Income tax expense	10	**(362)**	(336)
Net profit		**6,948**	6,487
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – loss		**(1,561)**	(2,365)
Total comprehensive income		**5,387**	4,122
Profit attributable to:			
Equity holders of the Company		**6,927**	6,384
Non-controlling interests		**21**	103
		6,948	6,487
Total comprehensive income attributable to:			
Equity holders of the Company		**5,366**	4,019
Non-controlling interests		**21**	103
		5,387	4,122
Earnings per share for net profit attributable to equity holders of the Company			
– Basic earnings per share (cents per share)	26	**2.87**	2.64
– Diluted earnings per share (cents per share)	26	**2.87**	2.64

* *Less than $1,000*

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

BALANCE SHEET – GROUP

AS AT 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**5,762**	35,437
Trade and other receivables	12	**20,796**	12,009
Inventories	13	**154**	138
Lease receivables	29(b)	**529**	–
		27,241	47,584
Non-current assets			
Property, plant and equipment	14	**34,726**	1,940
Intangible assets	15	**89,887**	43,953
Lease receivables	29(b)	**2,389**	–
Deferred income tax assets	23	**1,318**	251
Investment in an associated corporation	16	**–**	–
Investments in joint ventures	17	**314**	–
		128,634	46,144
Total assets		**155,875**	93,728
LIABILITIES			
Current liabilities			
Trade and other payables	19	**13,291**	8,965
Contract liabilities	4(b)	**2,151**	2,155
Borrowings	20	**10,640**	5,838
Lease liabilities	20	**8,252**	–
Current income tax liabilities		**1,040**	216
		35,374	17,174
Non-current liabilities			
Borrowings	20	**30,695**	15,088
Lease liabilities	20	**26,196**	–
Deferred income tax liabilities	23	**28**	16
Provision for reinstatement costs	22	**940**	764
		57,859	15,868
Total liabilities		**93,233**	33,042
NET ASSETS		**62,642**	60,686
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	**49,301**	49,301
Currency translation reserve		**(4,101)**	(2,540)
Retained profits		**17,664**	13,974
		62,864	60,735
Non-controlling interests	18	**(222)**	(49)
TOTAL EQUITY		**62,642**	60,686

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

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,150**	23,915
Trade and other receivables	12	**13,342**	50,870
Inventories	13	**5**	–
Lease receivables	29(b)	**529**	–
		15,026	74,785
Non-current assets			
Property, plant and equipment	14	**3,866**	217
Intangible assets	15	**2,211**	1,744
Lease receivables	29(b)	**2,389**	–
Deferred income tax assets	23	**–**	37
Investments in subsidiary corporations	18	**81,677**	2,473
Investment in an associated corporation	16	**–**	–
		90,143	4,471
Total assets		**105,169**	79,256
LIABILITIES			
Current liabilities			
Trade and other payables	19	**15,121**	6,516
Borrowings	20	**9,714**	5,838
Lease liabilities	20	**1,059**	–
		25,894	12,354
Non-current liabilities			
Borrowings	20	**26,456**	15,088
Lease liabilities	20	**4,778**	–
Deferred income tax liabilities	23	**4**	–
Provision for reinstatement costs	22	**31**	–
		31,269	15,088
Total liabilities		**57,163**	27,442
NET ASSETS		**48,006**	51,814
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	**49,301**	49,301
(Accumulated losses)/Retained profits	25	**(1,295)**	2,513
TOTAL EQUITY		**48,006**	51,814

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company					
	Note	Share capital $'000	Currency translation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
2019							
As at 1 January 2019		**49,301**	**(2,540)**	**13,974**	**60,735**	**(49)**	**60,686**
Total comprehensive (loss)/income for the financial year		**–**	**(1,561)**	**6,927**	**5,366**	**21**	**5,387**
Dividend paid	27	**–**	**–**	**(3,237)**	**(3,237)**	**–**	**(3,237)**
Dividend paid to non-controlling interests	18	**–**	**–**	**–**	**–**	**(170)**	**(170)**
Acquisition of a subsidiary corporation	32	**–**	**–**	**–**	**–**	**(24)**	**(24)**
As at 31 December 2019		**49,301**	**(4,101)**	**17,664**	**62,864**	**(222)**	**62,642**
2018							
As at 31 December 2017		49,301	(175)	7,574	56,700	(32)	56,668
Adoption of SFRS(I) 9	30(b)	–	–	16	16	–	16
As at 1 January 2018		49,301	(175)	7,590	56,716	(32)	56,684
Total comprehensive (loss)/income for the financial year		–	(2,365)	6,384	4,019	103	4,122
Dividend paid to non-controlling interests	18	–	–	–	–	(120)	(120)
As at 31 December 2018		49,301	(2,540)	13,974	60,735	(49)	60,686

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Net profit		**6,948**	6,487
Adjustments for:			
– Acquisition related expenses	32	**395**	496
– Amortisation of intangible assets	7	**458**	550
– Depreciation of property, plant and equipment	7	**8,524**	662
– Gain from corporate transactions	11, 17	**(6,207)**	–
– Interest expense	9	**2,507**	576
– Interest income	5	**(131)**	(429)
– Income tax expense	10	**362**	336
– Intangible assets written off	15(d)	**14**	–
– Property, plant and equipment written off	14	**68**	5
– Share of loss of an associated corporation and joint ventures	16,17	**42**	–*
– Unrealised currency translation losses		**307**	114
		13,287	8,797
Change in working capital, net of effects from acquisitions of businesses and subsidiary corporations, and divestment of subsidiary corporations:			
– Contract liabilities		**(9)**	504
– Inventories		**(26)**	(48)
– Trade and other receivables		**(4,791)**	(4,009)
– Trade and other payables		**968**	2,929
Cash generated from operations		**9,429**	8,173
Income tax paid		**(274)**	(706)
Income tax refund		**54**	–
Net cash provided by operating activities		**9,209**	7,467
Cash flows from investing activities			
Acquisitions of preschool businesses	32	**(594)**	(22,033)
Acquisitions of subsidiary corporation, net of cash acquired	32	**(42,554)**	(1,122)
Acquisitions of interests of an associated corporation and joint ventures, net of cash acquired	16,17	**(26)**	–*
Acquisitions related expenses paid		**(395)**	(492)
Additions to intangible assets		**(2,121)**	(640)
Additions to property, plant and equipment		**(2,487)**	(435)
Divestment of subsidiary corporations	11	**1,129**	–
Interest received		**131**	429
Proceeds from disposal of property, plant and equipment		**3**	–
Net cash used in investing activities		**(46,914)**	(24,293)
Cash flows from financing activities			
Dividend paid to equity holders of the Company	27	**(3,237)**	–
Dividend paid to non-controlling interests	18	**(170)**	(120)
Interest paid		**(2,323)**	(505)
Proceeds from term loans		**29,203**	17,538
Repayments of term loans		**(8,557)**	(3,773)
Repayment of principal amount of lease liabilities		**(6,804)**	(42)
Net cash provided by financing activities		**8,112**	13,098
Net decrease in cash and cash equivalents		**(29,593)**	(3,728)
Cash and cash equivalents			
Beginning of financial year		**35,437**	39,377
Effects of currency translation on cash and cash equivalents		**(82)**	(212)
End of financial year	11	**5,762**	35,437

* *Less than $1,000*

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

Reconciliation of liabilities arising from financing activities

	Term loans $'000	Lease liabilities $'000	Total $'000
As at 1 January 2019	**20,912**	**14**	**20,926**
Changes from financing cash flows:			
– Proceeds from term loans	**29,203**	**–**	**29,203**
– Repayments of term loans	**(8,557)**	**–**	**(8,557)**
– Repayment of principal amount of lease liabilities	**–**	**(6,804)**	**(6,804)**
– Interest paid	**(1,318)**	**(1,005)**	**(2,323)**
Total changes from financing cash flows	**19,328**	**(7,809)**	**11,519**
Non-cash changes:			
– Adoption of SFRS(I) 16 (Note 2.1)	**–**	**18,254**	**18,254**
– Additions during the year in relating to:	**–**		
(a) Office and preschool premises	**–**	**7,959**	**7,959**
(b) Lease receivables (Note 29 (b))	**–**	**2,918**	**2,918**
– Acquisition of preschool businesses and subsidiary corporations (Note 32)	**–**	**14,230**	**14,230**
– Divestment of subsidiary corporations (Note 11)	**–**	**(1,851)**	**(1,851)**
– Currency translation differences	**–**	**(272)**	**(272)**
Total non-cash changes	**–**	**41,238**	**41,238**
Liabilities related other changes:			
– Loan transaction costs	**(407)**	**–**	**(407)**
– Interest expense	**1,502**	**1,005**	**2,507**
As at 31 December 2019	**41,335**	**34,448**	**75,783**
As at 1 January 2018	6,895	56	6,951
Changes from financing cash flows:			
– Proceeds from term loans	17,538	–	17,538
– Repayments of term loans	(3,773)	–	(3,773)
– Repayments of finance lease liabilities	–	(42)	(42)
– Interest paid	(504)	(1)	(505)
Total changes from financing cash flows	13,261	(43)	13,218
Liabilities related other changes:			
– Loan transaction costs	181	–	181
– Interest expense	575	1	576
As at 31 December 2018	20,912	14	20,926

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

MindChamps PreSchool Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. On 30 December 2019, the Company changed its registered office address from 480 Lorong 6 Toa Payoh, #17-01 HDB Hub, Singapore 310480 to 6 Raffles Boulevard, #04-100 Marina Square, Singapore 039594.

The principal activities of the Company are those relating to childcare services and investment holding. The principal activities of its subsidiary corporations are those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services, provision of commercial schools offering higher education programmes, and business and management consulting services.

The immediate holding corporation is MindChamps Holdings Pte. Limited and the ultimate holding corporation is Champion Minds Pte. Limited, both companies are incorporated in Singapore.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Adoption of SFRS(I) 16 Leases (Continued)

(a) When the Group is the lessee (Continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

(a) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

(b) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and

(c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition; and

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	$'000
Increase in property, plant and equipment	18,254
Increase in lease liabilities	18,254

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Adoption of SFRS(I) 16 Leases (Continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$'000
Operating lease commitment disclosed as at 31 December 2018	20,985
Less: Low-value leases, except for those under a sublease arrangement	(145)
Less: Discounting effect using weighted average incremental borrowing rate of 4.08%	(2,600)
Add: Finance lease liabilities recognised as at 31 December 2018	14
Lease liabilities recognised as at 1 January 2019	18,254

2.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. The amount of revenue presented is the amount net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

(a) School fee

School fee is recognised over time when the Group satisfies its PO by conducting classes to the student.

School fee received in advance is not recognised as revenue as the PO is not satisfied and therefore a contract liability is recognised over the period in which the conduct of classes representing the Group's obligation to the student to date.

(b) Administrative and event income

Administrative and event income is recognised at a point in time when the Group satisfies its PO by rendering the service to the customer.

(c) Sale of merchandise

Revenue from the sale of merchandise is recognised at a point in time when the Group satisfies its PO by transferring the control of a promised merchandise to the customer.

2. Significant accounting policies (Continued)

2.2 Revenue recognition (Continued)

(d) Royalty fee

Royalty fee is recognised over time in accordance with the substance of the franchise agreement for the continuing use of rights and curriculum granted to the franchisee. The royalty fee is calculated at a fixed percentage of the franchisee's revenue that occur and invoiced on a monthly basis.

(e) Franchise income

(i) Unit franchise licences

Franchise income generated from unit franchise licences is recognised at a point in time, being when the Group satisfies its PO by fulfilling its franchisor's obligations stated in the franchise agreement or in the event of the expiry of the unit franchise licence, which is when the franchisee fails to commence the franchise business within the stipulated period stated in the franchise agreement.

The Group, as a franchisor, may undertake activities such as advice on site selection, key person training, updates on course materials and progammes, annual review of the performance and budgeting. However, the Group concludes that these activities do not directly transfer goods or services to the franchisee because they are the Group's support to its franchisees when necessary. Therefore, the Group concludes that there is only one PO in these contracts.

Any unfulfilled PO which the Group receives consideration in advance is recognised as a contract liability.

(ii) Master franchise licences

Exclusive right to operate the MindChamps franchise model in a territory is granted to a master franchisee upon execution of the master franchise agreement, prohibiting the Group from entering such territory. As such, franchise income is recognised as revenue at a point in time upon the execution of the master franchise agreement as the exclusive right is granted to a master franchisee. This revenue recognition is independent of the number of unit franchise licences sold or the number of centres established in such exclusive territory, as it is the master franchisee's obligation to support the unit franchisees in such exclusive territory.

2. **Significant accounting policies** (Continued)

2.2 **Revenue recognition** (Continued)

(e) *Franchise income* (Continued)

(ii) Master franchise licences (Continued)

If a master franchise agreement contains an element of significant financing, the Group adjusts the transaction price with the promised consideration for the effects of the significant financing component using a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.

The Group has elected to apply the practical expedient of not adjusting the transaction price for the existence of significant financing component when the period between the grant of exclusive rights to a master franchisee and the payment date is one year or less.

(f) *Commission income*

Commission income is recognised at a point in time when the Group satisfies its PO by referring students to the franchisee.

(g) *Service income*

Service income is recognised at a point in time when the Group satisfies its PO by rendering the service to the customer.

Service income received in advance is not recognised as revenue as the PO is not satisfied and therefore a contract liability is recognised over the period in which the provision of service representing the Group's obligation to the customer to date.

(h) *Interest income*

Interest income is recognised using the effective interest method.

2.3 **Government grant**

Grant from the government is recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grant receivable is recognised as income over the periods necessary to match them with the related cost which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2. Significant accounting policies (Continued)

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from the involvement of the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances, and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise of the portion of subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2. **Significant accounting policies** (Continued)

2.4 **Group accounting** (Continued)

(a) *Subsidiary corporations* (Continued)

(ii) Acquisitions (Continued)

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to paragraph "Investments in subsidiary corporations and associated corporations" for the Company's accounting policy on investments in subsidiary corporations.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated corporations and joint ventures*

Associated corporations are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

2. Significant accounting policies (Continued)

2.4 Group accounting (Continued)

(c) Associated corporations and joint ventures (Continued)

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated corporations and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated corporations and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated corporations and joint ventures represents the excess of the cost of acquisition of the associated corporation or joint venture over the Group's share of the fair value of the identifiable net assets of the associated corporation or joint venture and is included in the carrying amount of the investments.

On acquisition of the investment, when the Group's share of the fair value of the identified net assets of the associates or joint venture exceeds the cost of acquisition paid by the Group, the excess is recognised in profit and loss as part of the share of profit from associates and joint ventures.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated corporations' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated corporations or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated corporation or joint venture equals to or exceeds its interest in the associated corporation or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated corporation or joint venture. If the associated corporation or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated corporation or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated corporations or joint ventures are eliminated to the extent of the Group's interest in the associated corporations or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated corporations or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant accounting policies (Continued)

2.4 Group accounting (Continued)

(c) Associated corporations and joint ventures (Continued)

(iii) Disposals

Investments in associated corporations or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated corporation or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated corporations" for the Company's accounting policy on investments in associated corporations.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Furniture and office equipment	3 – 10 years
Renovation	5 – 10 years
Computer equipment	3 years
Motor vehicles	10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. Significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other loss – net".

2.6 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

(b) *Acquired trademarks, licences and copyrights*

Trademarks, licences and copyrights acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Acquired costs for trademarks and licenses are amortised to profit or loss using the straight-line method over 6 years, which is the period of contractual rights. Acquired costs for copyrights are amortised to profit or loss using the straight-line method over 5 years.

(c) *Courseware development costs*

Research costs are recognised as an expense when incurred. Costs directly attributable to the development of courseware are capitalised as intangible assets only when the technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the courseware. The costs such as consulting fees and payroll-related costs of employees directly involved in the project can be measured reliably.

Following initial recognition of the courseware development costs as intangible assets, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development has been completed and the asset is available for use. The courseware development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of four years.

2. Significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(d) Acquired computer software licences

Acquired computer software are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with the maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight line method over their estimated useful lives of four years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the profit and loss when the changes arise.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations and associated corporation

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss

Investment in associated corporation is accounted for in the Company's financial statements using the equity method of accounting, in conformity with the Group Accounting Policy disclosed in Note 2.4 (c).

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

2. Significant accounting policies (Continued)

2.9 Impairment of non-financial assets (Continued)

(a) Goodwill (Continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiary corporations, associated corporations and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiary corporations, associated corporations and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2 Significant accounting policies (Continued)

2.10 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) *Impairment*

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

2 Significant accounting policies (Continued)

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

The Group leases motor vehicles under finance leases and premises, computer equipment and office equipment under operating leases.

- *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

2 Significant accounting policies (Continued)

2.15 Leases (Continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (Continued)

(i) When the Group is the lessee: (Continued)

- *Lessee – Finance leases* (Continued)

  Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

- *Lessee – Operating leases*

  Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

  Contingent rents are recognised as an expense in profit or loss when incurred.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within "Property, plant and equipment".

2 Significant accounting policies (Continued)

2.15 Leases (Continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (Continued)

(i) When the Group is the lessee: (Continued)

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

– Fixed payment (including in-substance fixed payments), less any lease incentives receivables; and

– Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease components on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

– There is a change in future lease payments arising from changes in an index or rate;

– There is a change in the Group's assessment of whether it will exercise an extension option; or

– There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Significant accounting policies (Continued)

2.15 Leases (Continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (Continued)

(i) When the Group is the lessee: (Continued)

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 29.

(ii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

(iii) When the Group is the intermediate lessor:

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within “Lease receivables”. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within “Other income”. The right-of-use asset relating to the head lease is not derecognised.

For contracts which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis. The Group has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

2 Significant accounting policies (Continued)

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated corporations and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovation credit) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 Significant accounting policies (Continued)

2.18 Provisions for liabilities and charges

(a) General

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(b) Asset dismantlement, removal or restoration

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the balance sheet date.

2 **Significant accounting policies** (Continued)

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which it operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company and have been rounded to the nearest thousand ("$'000").

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented within "other loss – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

2 Significant accounting policies (Continued)

2.20 Currency translation (Continued)

(c) Translation of Group entities' financial statements (Continued)

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

3 Critical accounting estimates, assumptions and judgements

Estimates assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Impairment of goodwill

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 15, the recoverable amounts of the cash-generating units ("CGUs") in which goodwill has been attributable to are determined by using value-in-use ("VIU") calculations.

Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on past performance and its expectations of market developments in Singapore and Australia. Specific estimates are disclosed in Note 15.

The carrying amount of goodwill as at 31 December 2019 is $86,676,000 (2018: $41,945,000). Management has assessed that the change in the estimated recoverable amount from any reasonably possible change on the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Impairment of trade receivables*

As at 31 December 2019, the Group's trade receivables amounted to $6,869,000 (Note 12), arising from the Group's different revenue segments – "Education", "Franchise" and "Corporate".

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. A loss allowance of $189,000 for trade receivables was recognised as at 31 December 2019.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

The Group's and the Company's credit risk exposure for trade receivables by different revenue segment are set out in Note 30(b)(i).

(b) *Useful lives of non financial assets*

The Group reviews the useful lives of its assets at the balance sheet date and any adjustments are made on a prospective basis. Useful lives of assets are estimated based on market practice and expected usage pattern. If estimates of the useful lives are revised, the amount of depreciation and amortisation charge in the future years will be changed.

3 Critical accounting estimates, assumptions and judgements (Continued)

3.2 Critical judgements in applying the entity's accounting policies (Continued)

(b) *Useful lives of assets* (Continued)

(i) *Property, plant and equipment*

The useful lives of furniture, fittings and renovation are assessed periodically based on the condition of the assets, market conditions and other regulatory requirements. If the estimates of useful lives for furniture, fittings and renovation are revised or there is a change in useful lives, the amount of depreciation charge recorded in future years will be changed.

During the financial year, the Group revised the useful lives of furniture, fittings and renovation from 5 years to 5 – 10 years based on market practice and expected usage pattern. The change in these estimates will decrease depreciation expense from 1 January 2019 onwards. The effect of the change had decreased depreciation expense by approximately $96,000 for financial year ended 31 December 2019.

(ii) *Intangible assets*

The useful lives of courseware development costs and computer software licenses are assessed periodically based on expected usage pattern. If the estimates of useful lives for courseware development costs and computer software licenses are revised or there is a change in useful lives, the amount of amortisation charge recorded in future years will be changed.

During the financial year, the Group revised the useful lives of courseware development costs and computer software licenses from 2 years to 4 years based on expected usage pattern. The change in these estimates will decrease amortisation expense from 1 January 2019 onwards. The effect of the change had decreased amortisation expense by approximately $302,000 for financial year ended 31 December 2019.

4 Revenue

(a) 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.

	Group		
	At a point in time $'000	Over time $'000	Total $'000
2019			
Singapore			
– School fees	**–**	**18,996**	**18,996**
– Royalty fees	**–**	**5,715**	**5,715**
– Franchise income	**1,175**	**–**	**1,175**
– Sale of merchandise	**500**	**–**	**500**
– Others	**447**	**–**	**447**
	2,122	**24,711**	**26,833**
Australia			
– School fees	**–**	**27,012**	**27,012**
– Sale of merchandise	**3**	**–**	**3**
– Others	**42**	**–**	**42**
	45	**27,012**	**27,057**
Total	**2,167**	**51,723**	**53,890**

	Group		
	At a point in time $'000	Over time $'000	Total $'000
2018			
Singapore			
– School fees	–	14,757	14,757
– Royalty fees	–	5,317	5,317
– Franchise income	4,210	–	4,210
– Sale of merchandise	558	–	558
– Others	368	–	368
	5,136	20,074	25,210
Australia			
– School fees	–	11,733	11,733
– Others	17	–	17
	17	11,733	11,750
Total	5,153	31,807	36,960

4 **Revenue** (Continued)

(b) Contract liabilities

	Group	
	2019	**2018**
	$'000	**$'000**
Contract liabilities		
– School fees	**2,032**	1,366
– Franchise income	**57**	735
– Others	**62**	54
Total contract liabilities	**2,151**	2,155

Contract liabilities are school fees collected in advance which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue recognised in current financial year that was included in the contract liabilities balance at the beginning of the financial year:		
– School fees	**1,366**	1,069
– Franchise income	**605**	–
– Others	**–**	11

(ii) Unsatisfied performance obligations

	Group	
	2019	**2018**
	$'000	**$'000**
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:		
– School fees	**2,032**	1,366
– Franchise income	**57**	735
– Others	**62**	54

4 **Revenue** (Continued)

(b) **Contract liabilities** (Continued)

(ii) Unsatisfied performance obligations (Continued)

Management expects that the transaction price allocated to unsatisfied performance obligations as at 31 December 2019 and 2018 may be recognised as revenue in the next reporting periods as follows:

	Group			
	2019	**2020**	**2021**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Partially and fully unsatisfied performance obligation as at:				
31 December 2019	**–**	**2,089**	**62**	**2,151**
31 December 2018	2,101	–	54	2,155

5 **Other income**

	Group	
	2019	**2018**
	$'000	**$'000**
Service income	**2,105**	2,438
Government grants	**1,024**	411
Interest income – bank interest	**104**	400
Interest income – late interest charges	**27**	29
Finance income on net investment in sublease	**–***	–
Others	**145**	149
	3,405	3,427

* Less than $1,000

6 **Other loss – net**

	Group	
	2019	**2018**
	$'000	**$'000**
Currency exchange loss – net	**98**	198

7 Expenses by nature

	Group	
	2019	**2018**
	$'000	**$'000**
Advertising and marketing	**1,228**	809
Amortisation of intangible assets (Note 15(f))	**458**	550
Associate trainer fees	**708**	538
Change in inventories	**(15)**	(48)
Cleaning expenses	**572**	204
Commission	**164**	121
Depreciation of property, plant and equipment (Note 14)	**8,524**	662
Employee compensation (Note 8)	**34,681**	20,864
Event and excursion expenses	**294**	146
Insurance	**343**	82
Professional fees	**974**	860
Purchase of merchandise	**441**	473
Rental expense	**79**	4,866
Repair and maintenance	**254**	111
Student welfare	**1,718**	845
Telecommunication	**89**	57
Training	**230**	138
Travel expenses	**659**	433
Utilities	**420**	248
Others	**1,204**	404
Total cost of sales, administrative expenses, and marketing expenses	**53,025**	32,363

8 Employee compensation

	Group	
	2019	**2018**
	$'000	**$'000**
Wages, salaries and other costs	**31,658**	19,037
Employer's contribution to Central Provident Fund	**3,023**	1,827
	34,681	20,864

9 Finance expenses

	Group	
	2019	**2018**
	$'000	**$'000**
Interest expenses:		
– Lease liabilities / finance lease liabilities	**1,005**	1
– Term loans	**1,379**	524
	2,384	525
Amortisation of transaction cost	**123**	51
	2,507	576

10 Income tax expense

	Group	
	2019	**2018**
	$'000	**$'000**
Income tax expense attributable to profit is made up of:		
Profit for the financial year:		
– Current income tax – Singapore	**295**	200
– Current income tax – Australia	**835**	–
	1,130	200
Deferred income tax (Note 23)	**(962)**	136
	168	336
(Over)/Under provision in prior financial years		
– Current income tax – Singapore	**(14)**	–
– Current income tax – Australia	**208**	–
	362	336

10 Income tax expense (Continued)

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before income tax	**7,310**	6,823
Share of loss of an associated corporation and joint ventures (Notes 16 and 17)	**42**	–*
Profit before income tax and share of loss of an associated corporation and joint ventures	**7,352**	6,823
Tax calculated at a tax rate of 17%:	**1,250**	1,160
Effects of:		
– expenses not deductible for tax purposes	**469**	193
– different tax rate in other country	**(118)**	29
– deferred tax assets not recognised	**59**	27
– tax incentives	**(246)**	(925)
– income not subject to tax	**(1,129)**	(51)
– capitalisation of revenue expense	**(117)**	(97)
– under provision in prior financial years	**194**	–
Tax charge	**362**	336

Subject to agreement with the tax authorities, the Group has unutilised tax losses and capital allowances amounting to $7,293,000 and $2,337,000 (2018: $1,876,000 and $125,000) respectively at the balance sheet date which can be carried forward for offsetting against future taxable income subject to compliance with the provisions of the Income Tax Act of Singapore and the Income Tax Assessment Act of Australia and meeting certain statutory requirements in Singapore and Australia.

11 Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks	**5,610**	14,148	**1,149**	2,670
Short-term bank deposits	**141**	21,244	**–**	21,244
Cash in hand	**11**	45	**1**	1
	5,762	35,437	**1,150**	23,915

11 Cash and cash equivalents (Continued)

Acquisitions and divestments of preschool businesses and subsidiary corporations

Please refer to Note 32 for the effects of acquisitions of preschool businesses and subsidiary corporations on the cash flows of the Group.

On 31 December 2019, the Group divested of its wholly owned subsidiary corporations, MindChamps PreSchool @ TPY Pte. Limited ("TPY") and MindChamps PreSchool @ Changi Business Park Pte. Ltd. ("CBP").

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

	TPY $'000	CBP $'000	Total $'000
Carrying amounts of assets and liabilities as at the date of divestments:			
Cash and cash equivalents	80	338	418
Property, plant and equipment (Note 14)	1,569	379	1,948
Trade and other receivables	1,186	77	1,263
Inventories	6	4	10
Total assets	2,841	798	3,639
Trade and other payables	830	219	1,049
Contract liabilities	312	110	422
Lease liabilities	1,499	352	1,851
Total liabilities	2,641	681	3,322
Net assets divested of	200	117	317
Cash inflows arising from divestments:			
Net assets divested of (as above)	200	117	317
Gain on divestments	5,012	952	5,964
Proceeds on divestments	5,212	1,069	6,281
Less: Deferred considerations*	(4,712)	(22)	(4,734)
Less: Cash and cash equivalents in subsidiary corporations divested of	(80)	(338)	(418)
Net cash inflow on divestments	420	709	1,129

* The deferred considerations have been received in full in February 2020.

12 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Non–related parties	**7,039**	6,915	**4,726**	4,693
– Subsidiary corporations	**–**	–	**15**	7
– Related corporations	**19**	–	**–**	–
	7,058	6,915	**4,741**	4,700
Less: Loss allowance (Note 30(b))				
– Non-related parties	**(189)**	(125)	**–**	–
Trade receivables – net	**6,869**	6,790	**4,741**	4,700
Other receivables				
– Non-related parties	**2,580**	674	**678**	228
– Related corporations	**5,359**	149	**638**	127
– Immediate holding corporation	**177**	476	**177**	476
– Subsidiary corporations	**–**	–	**5,877**	44,567
	8,116	1,299	**7,370**	45,398
Less: Loss allowance (Note 30(b))				
– Non-related parties	**(15)**	(65)	**–**	–
– Subsidiary corporation	**–**	–	**(343)**	(343)
Other receivables-net	**8,101**	1,234	**7,027**	45,055
Prepayments	**1,235**	712	**238**	209
Deposits	**4,591**	3,273	**1,336**	906
Total trade and other receivables	**20,796**	12,009	**13,342**	50,870

Non-trade amounts due from immediate holding corporation, related corporations and subsidiary corporations are unsecured, interest-free and are repayable on demand.

13 Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At cost				
Finished goods – merchandise for sale	**154**	138	**5**	–

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $426,000 (2018: $425,000).

14 Property, plant and equipment

	Office and preschool premises $'000	Furniture and office equipment $'000	Renovation $'000	Computer equipment $'000	Motor vehicle $'000	Total $'000
Group						
Cost						
As at 1 January 2019	–	1,520	2,058	455	491	4,524
Adoption of SFRS(I) 16 (Note 2.1)	18,798	–	(544)	–	–	18,254
	18,798	1,520	1,514	455	491	22,778
Acquisitions of preschool businesses and subsidiary corporations (Note 32)	14,616	430	285	17	4	15,352
Additions	8,064	1,011	875	201	111	10,262
Write-off	(224)	(5)	–	–	–	(229)
Disposal	–	–	–	(2)	(4)	(6)
Divestment of subsidiary corporations (Note 11)	(2,714)	(589)	(252)	(128)	–	(3,683)
Currency translation differences	(531)	(19)	(8)	(4)	(1)	(563)
As at 31 December 2019	**38,009**	**2,348**	**2,414**	**539**	**601**	**43,911**
Accumulated depreciation						
As at 1 January 2019	–	1,060	1,027	299	198	2,584
Depreciation charge (Note 7)	7,687	406	271	107	53	8,524
Write-off	(156)	(5)	–	–	–	(161)
Disposal	–	–	–	(1)	(2)	(3)
Divestment of subsidiary corporations (Note 32)	(881)	(550)	(187)	(117)	–	(1,735)
Current translation differences	(19)	(3)	(1)	(1)	–	(24)
As at 31 December 2019	**6,631**	**908**	**1,110**	**287**	**249**	**9,185**
Net book value						
As at 31 December 2019	**31,378**	**1,440**	**1,304**	**252**	**352**	**34,726**

	Furniture and office equipment $'000	Renovation $'000	Computer equipment $'000	Motor vehicle $'000	Total $'000
Group					
Cost					
As at 1 January 2018	1,167	1,352	330	435	3,284
Acquisitions of preschool businesses and subsidiary corporation (Note 32)	268	12	33	–	313
Additions	132	731	97	62	1,022
Write-off	(6)	–	–	–	(6)
Currency translation differences	(41)	(37)	(5)	(6)	(89)
As at 31 December 2018	1,520	2,058	455	491	4,524
Accumulated depreciation					
As at 1 January 2018	843	754	205	155	1,957
Currency translation differences	(22)	(10)	(1)	(1)	(34)
Depreciation charge (Note 7)	240	283	95	44	662
Write-off	(1)	–	–	–	(1)
As at 31 December 2018	1,060	1,027	299	198	2,584
Net book value					
As at 31 December 2018	460	1,031	156	293	1,940

* *Less than $1,000*

14 Property, plant and equipment (Continued)

	Office and preschool premises $'000	**Renovation $'000**	**Furniture and office equipment $'000**	**Computer equipment $'000**	**Motor vehicle $'000**	**Total $'000**
Company						
Cost						
As at 1 January 2019	–	–	5	11	393	409
Additions	2,948	571	178	–	–	3,697
As at 31 December 2019	**2,948**	**571**	**183**	**11**	**393**	**4,106**
Accumulated depreciation						
As at 1 January 2019	–	–	2	3	187	192
Depreciation charge	3	–	2	4	39	48
As at 31 December 2019	**3**	**–**	**4**	**7**	**226**	**240**
Net book value						
As at 31 December 2019	**2,945**	**571**	**179**	**4**	**167**	**3,866**

	Renovation $'000	**Furniture and office equipment $'000**	**Computer equipment $'000**	**Motor vehicle $'000**	**Total $'000**
Cost					
As at 1 January 2018	–	–	–	393	393
Additions	–	5	11	–	16
As at 31 December 2018	–	5	11	393	409
Accumulated depreciation					
As at 1 January 2018	–	–	–	149	149
Depreciation charge	–	2	3	38	43
As at 31 December 2018	–	2	3	187	192
Net book value					
As at 31 December 2018	**–**	**3**	**8**	**206**	**217**

(a) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 29.

(b) The carrying amount of the Group's and the Company's motor vehicle held under finance leases liabilities is nil (2018: $206,000) at the balance sheet date.

15 Intangible assets

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Composition				
Goodwill arising on consolidation (Note (a))	**86,676**	41,945	**–**	–
Franchise licences (Note (b))	**31**	11	**–**	–
Courseware development costs (Note (c))	**2,207**	952	**1,241**	715
Computer software licences (Note (d))	**878**	1,045	**875**	1,029
Copyrights (Note (e))	**95**	–	**95**	–
	89,887	43,953	**2,211**	1,744

(a) Goodwill arising on consolidation

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**42,031**	21,244
Acquisition of preschool businesses and subsidiary corporations (Note 32)	**46,260**	23,010
Currency translation differences	**(1,529)**	(2,223)
End of financial year	**86,762**	42,031
Accumulated impairment		
Beginning and end of financial year	**86**	86
Net book value	**86,676**	41,945

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to each of the operating entities.

A segment-level summary of the goodwill allocation is as follows:

	Group	
	2019	2018
	$'000	$'000
Education		
Singapore	**13,809**	6,179
Australia	**72,867**	35,766
	86,676	41,945

15 Intangible assets (Continued)

(a) Goodwill arising on consolidation (Continued)

Impairment tests for goodwill (Continued)

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period.

(i) Goodwill arising from the preschool businesses in Australia

For the MindChamps Early Learning ("MCEL") businesses below, there was no impairment of goodwill for the financial year ended 31 December 2019.

Key assumptions used for value-in-use calculations:

	Gross margin[1] %	**Growth rate**[2] %	**Discount rate**[3] %
MCEL @ Broadway			
– As at 31 December 2019	**42.7**	**3.0**	**8.7**
– As at 31 December 2018	51.8	3.0	8.3
MCEL @ Cherrybrook			
– As at 31 December 2019	**51.2**	**3.0**	**8.7**
– As at 31 December 2018	54.5	3.0	8.3
MCEL @ Eastwood			
– As at 31 December 2019	**50.6**	**3.0**	**8.7**
– As at 31 December 2018	43.4	3.0	8.3
MCEL @ Hornsby			
– As at 31 December 2019	**50.4**	**3.0**	**8.7**
– As at 31 December 2018	54.0	3.0	8.3
MCEL @ Penrith			
– As at 31 December 2019	**34.7**	**3.0**	**8.7**
– As at 31 December 2018	35.4	3.0	8.3
MCEL @ Warriewood			
– As at 31 December 2019	**50.2**	**3.0**	**8.7**
– As at 31 December 2018	52.7	3.0	8.3
MCEL @ Ropes Crossing			
– As at 31 December 2019	**35.4**	**3.0**	**8.7**
– As at 31 December 2018	33.0	3.0	8.3
MCEL @ West Hoxton			
– As at 31 December 2019	**39.1**	**3.0**	**8.7**
– As at 31 December 2018	40.7	3.0	8.3
MCEL @ Lane Cove			
– As at 31 December 2019	**31.9**	**3.0**	**8.7**
– As at 31 December 2018	39.0	3.0	8.3
MCEL @ Hurstville			
– As at 31 December 2019	**44.8**	**3.0**	**8.7**
– As at 31 December 2018	40.1	3.0	8.3

15 Intangible assets (Continued)

(a) Goodwill arising on consolidation (Continued)

Impairment tests for goodwill (Continued)

(i) Goodwill arising from the preschool businesses in Australia (Continued)

	Gross margin[1] %	Growth rate[2] %	Discount rate[3] %
MCEL @ Wheeler Heights			
– As at 31 December 2019	**35.1**	**3.0**	**8.7**
– As at 31 December 2018	46.0	3.0	8.3
MCEL @ West Hoxton 1			
– As at 31 December 2019	**47.0**	**3.0**	**8.7**
MCEL @ Albion Park			
– As at 31 December 2019	**53.2**	**3.0**	**8.7**
MCEL @ Kemps Creek			
– As at 31 December 2019	**48.1**	**3.0**	**8.7**
MCEL @ West Hoxton 2			
– As at 31 December 2019	**47.7**	**3.0**	**8.7**
MCEL @ Mascot 1			
– As at 31 December 2019	**48.0**	**3.0**	**8.7**
MCEL @ Mascot 2			
– As at 31 December 2019	**56.0**	**3.0**	**8.7**
MCEL @ Parramatta			
– As at 31 December 2019	**55.1**	**3.0**	**8.7**
MCEL @ Shellharbour			
– As at 31 December 2019	**54.8**	**3.0**	**8.7**

1 Budgeted gross margin
2 Weighted average growth rate used to extrapolate cash flows beyond the budgeted period
3 Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry report. The discount rates used were pre-tax and reflected specific risks relating to the segment. There were no reasonably possible changes in significant assumptions used in the value-in-use calculations which would cause the recoverable amount of each business to fall below the respective carrying amounts.

The impairment test carried out as at 31 December 2019 for the goodwill arising from the preschool businesses in Australia, has revealed that a 1% increase in the discount rate would not have material impact to the results of the Group for the financial year ended 31 December 2019.

15 Intangible assets (Continued)

(a) Goodwill arising on consolidation (Continued)

Impairment tests for goodwill (Continued)

(ii) Goodwill arising from the preschool businesses in Singapore

There was no impairment of goodwill allocated to the preschool businesses in Singapore.

Key assumptions used for value-in-use calculations:

	Gross margin[1] %	Growth rate[2] %	Discount rate[3] %
MindChamps PreSchool @ Paragon Pte. Limited			
– As at 31 December 2019	**45.1**	**3.0**	**9.7**
– As at 31 December 2018	45.6	3.0	9.3
MindChamps PreSchool @ Serangoon Pte. Limited			
– As at 31 December 2019	**45.2**	**3.0**	**9.7**
– As at 31 December 2018	45.7	3.0	9.3
MindChamps PreSchool @ Zhongshan Park Pte. Ltd.			
– As at 31 December 2019	**44.5**	**3.0**	**9.7**
– As at 31 December 2018	45.0	3.0	9.3
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited			
– As at 31 December 2019	**40.6**	**3.0**	**9.7**
– As at 31 December 2018	41.0	3.0	9.3
MindChamps PreSchool @ Woodlands Pte. Ltd.			
– As at 31 December 2019	**47.4**	**3.0**	**9.7**
– As at 31 December 2018	47.6	3.0	9.3
MindChamps PreSchool @ Punggol Northshore Pte. Limited			
– As at 31 December 2019	**49.5**	**3.0**	**9.7**
MindChamps PreSchool @ Buangkok Private Limited			
– As at 31 December 2019	**48.0**	**3.0**	**9.7**

1 Budgeted gross margin
2 Weighted average growth rate used to extrapolate cash flows beyond the budgeted period
3 Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry report. The discount rates used were pre-tax and reflected specific risks relating to the segment. There were no reasonably possible changes in significant assumptions used in the value-in-use calculations which would cause the recoverable amount of each entity to fall below the respective carrying amounts.

15 Intangible assets (Continued)

(a) Goodwill arising on consolidation (Continued)

Impairment tests for goodwill (Continued)

(ii) Goodwill arising from the preschool businesses in Singapore (Continued)

Key assumptions used for value-in-use calculations: (Continued)

Goodwill arising from a preschool business acquired on 20 December 2019 in Singapore is provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired, liabilities and contingent liabilities assumed. The fair value exercise is expected to be finalised within 12 months from date of acquisition; hence, the goodwill has not been allocated to the relevant cash-generating unit ("CGU"). The Group has not performed any impairment assessment as at 31 December 2019 on the goodwill arising from this acquisition as the initial allocation of goodwill has not been completed. Furthermore, there are no internal and external triggering events that warrant an impairment assessment, as this business is generating revenue and profit for the financial year ended 31 December 2019.

(b) Franchise licences

	Group	
	2019	**2018**
	$'000	**$'000**
Cost		
Beginning of financial year	**56**	46
Acquisition of subsidiary corporation (Note 32)	**32**	10
Divestment of subsidiary corporations	**(14)**	–
End of financial year	**74**	56
Accumulated amortisation		
Beginning of financial year	**45**	22
Amortisation charge	**12**	23
Divestment of subsidiary corporations	**(14)**	–
End of financial year	**43**	45
Net book value	**31**	11

(c) Courseware development costs

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cost				
Beginning of financial year	**2,309**	1,738	**2,073**	1,502
Acquisition of subsidiary corporation (Note 32)	**512**	–	**–**	–
Additions	**907**	571	**690**	571
End of financial year	**3,728**	2,309	**2,763**	2,073
Accumulated amortisation				
Beginning of financial year	**1,357**	884	**1,358**	885
Amortisation charge	**164**	473	**164**	473
End of financial year	**1,521**	1,357	**1,522**	1,358
Net book value	**2,207**	952	**1,241**	715

15 Intangible assets (Continued)

(d) Computer software

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cost				
Beginning of financial year	**1,274**	216	**1,118**	76
Additions	**120**	1,058	**119**	1,042
Write-off	**(14)**	–	–	–
End of financial year	**1,380**	1,274	**1,237**	1,118
Accumulated amortisation				
Beginning of financial year	**229**	175	**89**	54
Amortisation charge	**273**	54	**273**	35
End of financial year	**502**	229	**362**	89
Net book value	**878**	1,045	**875**	1,029

(e) Copyrights

	Group	
	2019	**2018**
	$'000	**$'000**
Cost		
Beginning of financial year	–	–
Additions	**104**	–
End of financial year	**104**	–
Accumulated amortisation		
Beginning of financial year	–	–
Amortisation charge	**9**	–
End of financial year	**9**	–
Net book value	**95**	–

15 Intangible assets (Continued)

(f) Amortisation expenses included in the statement of comprehensive income is analysed as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Administrative expenses (Note 7)	**458**	550

16 Investment in an associated corporation

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Equity accounting		
Beginning of financial year	**–**	–
Addition	**–**	–*
Share of loss of an associated corporation	**–**	(–*)
End of financial year	**–**	–

* *Less than $1,000*

Set out below is the associated corporation of the Group and the Company as at 31 December 2019 and 2018:

Name of entity	Place of business/ country of incorporation	% of ownership Interest 2019	2018
MindChamps (BeiJing) Education Ltd.	People's Republic of China	**49**	49

On 22 June 2018, the Company, together with First Capital Education Investment (Shenzhen) Co. Ltd., ("FCEIS") have incorporated MindChamps (BeiJing) Education Ltd. ("MCBJE") in the People's Republic of China ("PRC"). The Company holds 49% and FCEIS holds 51% of the agreed share capital of MCBJE. The paid-up capital of MCBJE is nominal.

MCBJE is the Company's master franchisee in the PRC to facilitate the operation, training, upgrading, etc. of the newly established or acquired preschools under the "MindChamps" brand in the PRC.

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

16 Investment in an associated corporation (Continued)

Summarised financial information for an associated corporation

Summarised balance sheet

	MCBJE	
	2019	**2018**
	$’000	**$’000**
Current assets	**67**	181
Current liabilities	**(2,720)**	(2,579)
Non-current assets	**1,087**	1,404
Non-current liabilities	**–**	–

Summarised statement of comprehensive income

	MCBJE	
	2019	**2018**
	$’000	**$’000**
Total comprehensive loss, representing net loss	**(608)**	(1,022)

The information above reflects the amounts presented in the financial statements of MCBJE (and not the Group’s share of those amounts), adjusted for differences in accounting policies between the Group and MCBJE.

The Group’s and the Company’s share of losses in MCBJE equals to its interest in MCBJE. The Group and the Company did not recognise further losses. As at 31 December 2019, the cumulative unrecognised loss with respect to MCBJE was $785,000 (2018: $487,000).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group and Company’s interest in MCBJE, is as follows:

	MCBJE	
	2019	**2018**
	$’000	**$’000**
Net liabilities	**(1,566)**	(994)
Group’s equity interest	**49%**	49%
Group’s share of net liabilities	**–***	–*
Carrying value	**–**	–

* *Less than $1,000*

17 Investment in joint ventures

	Group	
	2019	**2018**
	$'000	**$'000**
Equity accounting		
Beginning of financial year	**–**	–
Addition	**113**	–*
Gain from corporate transaction	**243**	–
Share of losses from joint ventures	**(42)**	(–*)
End of financial year	**314**	–

* *Less than $1,000*

Gain from corporate transaction was recognised due to the Group's share of the fair value of the identifiable net assets of a joint venture which exceeded the cost of acquisition paid by the Group during the financial year.

Set out below are the joint ventures of the Group as at 31 December 2019 and 2018:

	Place of business/	% of ownership Interest	
Name of entity	**country of incorporation**	**2019**	**2018**
MindChamps – First Capital PreSchool China Capital Management Limited	Cayman Islands	**50**	50
MindChamps PreSchool @ Concorde Hotel (Orchard) Pte. Ltd.	Singapore	**50**	**–**

On 24 May 2018, the Group, together with First Capital Mega International Limited ("FCMI"), have incorporated MindChamps – First Capital PreSchool China Capital Management Limited ("MFCPCCM") in the Cayman Islands. The total issued capital of MFCPCCM is US$2.00, of which the Group holds 50% and FCMI holds 50%. MFCPCCM is intended to be a General Partner to an investment fund. There are no contingent liabilities relating to the Group's interest in MFCPCCM.

On 29 November 2019, the Group entered into a Share Purchase and Subscription Agreement and a Shareholders' Agreement with Kabir Raiyan and MindChamps PreSchool @ Concorde Hotel (Orchard) Pte. Ltd. ("CHO"), which was a franchisee of the Group's subsidiary corporation, to acquire 5,000 ordinary shares and subscribe to 4,750 convertible and non-redeemable Class A preference shares in MindChamps PreSchool @ Concorde Hotel (Orchard) Pte. Ltd., for a total consideration of $113,000.

Summarised financial information for joint ventures

Summarised balance sheet

	MFCPCCM		CHO	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current assets	**–**	–	**503**	–
Current liabilities	**–***	–*	**(951)**	–
Non-current assets	**–**	–	**2,532**	–
Non-current liabilities	**–**	–	**(1,457)**	–

* *Less than $1,000*

17 Investment in joint ventures (Continued)

Summarised statement of comprehensive income

	MFCPCCM		CHO	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Total comprehensive loss, representing net loss	**(–*)**	(–*)	**(83)**	–

* *Less than $1,000*

The information above reflects the amounts presented in the financial statements of each joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the respective joint ventures.

The Group's share of losses in MFCPCCM equals to its interest in MFCPCCM. The Group did not recognise further losses.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in MFCPCCM and CHO, are as follows:

	MFCPCCM		CHO	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net (liabilities)/asset	**(–*)**	(–*)	**627**	–
Group's equity interest	**50%**	50%	**50%**	–
Group's share of net (liabilities)/asset	**(–*)**	(–*)	**314**	–
Carrying value	**–**	–	**314**	–

18 Investments in subsidiary corporations

	Company	
	2019	**2018**
	$'000	**$'000**
Equity accounting		
Beginning of financial year	**2,474**	8,139
Additions	**102,134**	–*
Transfers	**(22,930)**	(5,665)
	81,678	2,474
Less: Allowance for impairment	**(1)**	(1)
End of financial year	**81,677**	2,473

* *Less than $1,000*

18 Investments in subsidiary corporations (Continued)

The Group and the Company have the following subsidiary corporations as at 31 December 2019 and 31 December 2018:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2019 %	Proportion of ordinary shares held by the Group 2018 %	Proportion of ordinary shares held by non-controlling interests 2019 %	Proportion of ordinary shares held by non-controlling interests 2018 %
Held by the Company						
MindChamps PreSchool Singapore Pte. Limited[(a)]	Franchising of childcare services for preschool children	Singapore	**100**	100	**–**	–
Champion Mindset Academy Pte. Limited[(a)]	Commercial school offering higher education services	Singapore	**100**	100	**–**	–
MindChamps Shanghai Pte. Limited[(a)]	Business and management consultancy services and investment holding	Singapore	**60**	60	**40**	40
MindChamps – Pavcap PreSchool Global Holdings Pte. Limited[(a)]	Other holding	Singapore	**100**	100	**–**	–
MindChamps Capital Pte. Limited[(a)]	Asset management	Singapore	**100**	100	**–**	–
MindChamps Music Pte. Limited[(a),(c)]	Music, Dancing, Art, Speech and Drama Instruction	Singapore	**80**	**–**	**20**	**–**
MindChamps Early Learning 1 Pty. Limited[(d)]	Childcare and related services	Australia	**–**	100	**–**	–
MindChamps Early Learning Australia Pty. Limited[(d)]	Franchising of childcare services for preschool children	Australia	**100**	100	**–**	–
Held by MindChamps PreSchool Singapore Pte. Limited						
MindChamps PreSchool @ TPY Pte. Limited[(a),(e)]	Childcare and related services	Singapore	**–**	100	**–**	–
MindChamps PreSchool @ Paragon Pte. Limited[(a)]	Childcare and related services	Singapore	**100**	100	**–**	–
MindChamps PreSchool @ Serangoon Pte. Limited[(a)]	Childcare and related services	Singapore	**80**	80	**20**	20
MindChamps PreSchool @ Zhongshan Park Pte. Ltd.[(a)]	Childcare and related services	Singapore	**75**	75	**25**	25

18 Investments in subsidiary corporations (Continued)

The Group and the Company have the following subsidiary corporations as at 31 December 2019 and 31 December 2018: (Continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2019 %	2018 %	Proportion of ordinary shares held by non-controlling interests 2019 %	2018 %
Held by MindChamps PreSchool Singapore Pte. Limited (Continued)						
MindChamps PreSchool @ Changi Business Park Pte. Ltd.[(a),(e)]	Childcare and related services	Singapore	**–**	100	**–**	–
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited[(a)]	Childcare and related services	Singapore	**51**	51	**49**	49
MindChamps PreSchool @ Woodlands Pte. Ltd.[(a)]	Childcare and related services	Singapore	**100**	100	**–**	–
MindChamps PreSchool @ Punggol Northshore Pte. Limited[(a),(c)]	Childcare and related services	Singapore	**100**	–	**–**	–
MindChamps PreSchool @ Buangkok Private Limited[(a),(c)]	Childcare and related services	Singapore	**100**	–	**–**	–
MindChamps PreSchool @ UPT Pte. Limited (*formerly known as MindChamps PreSchool Investments Pte Limited*)[(a),(c)]	Childcare and related services	Singapore	**100**	–	**–**	–
Held by MindChamps Early Learning Australia Pty. Ltd.						
MindChamps Early Learning 1 Pty. Limited[(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 2 Pty. Limited[(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 3 Pty. Limited[(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 4 Pty. Limited[(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Australia Franchise Pty. Limited[(d)]	Franchising of childcare services for preschool children	Australia	**100**	**–**	**–**	–
MindChamps Early Learning 6 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 7 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 8 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 9 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 10 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 11 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–
MindChamps Early Learning 12 Pty. Limited[(c),(d)]	Childcare and related services	Australia	**100**	–	**–**	–

18 Investments in subsidiary corporations (Continued)

The Group and the Company have the following subsidiary corporations as at 31 December 2019 and 31 December 2018: (Continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2019 %	Proportion of ordinary shares held by the Group 2018 %	Proportion of ordinary shares held by non-controlling interests 2019 %	Proportion of ordinary shares held by non-controlling interests 2018 %
Held by MindChamps Early Learning 1 Pty. Limited. (formerly known as MindChamps Australia Pty. Ltd.)						
MindChamps Early Learning & Care @ Broadway Pty. Limited[(d)]	Childcare and related services	Australia	–	100	–	–
MindChamps Early Learning & Care @ Cherrybrook Pty. Limited[(d)]	Childcare and related services	Australia	–	100	–	–
MindChamps Early Learning & Care @ Eastwood Pty. Limited[(d)]	Childcare and related services	Australia	–	100	–	–
MindChamps Early Learning & Care @ Hornsby Pty. Limited[(d)]	Childcare and related services	Australia	–	100	–	–

(a) Audited by Nexia TS Public Accounting Corporation, a member firm of Nexia International
(b) Incorporated during the financial year
(c) Acquired during the financial year
(d) Audited by Nexia Sydney Audit Pty. Ltd., a member firm of Nexia International; and reviewed by Nexia TS Public Accounting Corporation for consolidation purposes
(e) Disposed during the financial year

Additions of subsidiary corporations

(i) On 10 May 2019, the Group acquired 80% equity interest in MindChamps Music Pte. Limited ("MSC") at a consideration of S$80.00. The Group has subsequently increased the issued and paid up capital by $550,000 on 24 June 2019. Equity interest remained unchanged after the increased in paid up capital.

(ii) The Group has increased the issued and paid up capital of MindChamps Early Learning Australia Pty. Ltd. by 38,255,500 shares on 24 June 2019 and 5 December 2019. The additional paid up capital amounted to $39,282,000 and $39,373,000 respectively.

(iii) The Company has increased the issued and paid up capital of MindChamps Early Learning 1 Pty. Limited by 22,003,000 shares on 5 December 2019. The additional paid up capital amounted to $22,929,000.

(iv) On 1 March 2018, the Group acquired 100% equity interest in MindChamps PreSchool @ Woodlands Pte. Ltd.

(v) During prior year, the Company incorporated the following wholly owned subsidiary corporations:

Incorporation dates	Name
16 May 2018	MindChamps – PavCap PreSchool Global Holdings Pte. Limited
6 June 2018	MindChamps Early Learning Australia Pty. Limited
18 July 2018	MindChamps Capital Pte. Limited

18 Investments in subsidiary corporations (Continued)

Transfers of subsidiary corporations

On 5 December 2019, the Company performed an internal restructuring exercise. The rationale for the exercise is to create an intermediate Australia holding company, to facilitate more efficient performance monitoring and analysis at a country level.

In this regard, the Company has transferred its entire shareholding in MindChamps Early Learning 1 Pty. Limited to a wholly-owned subsidiary corporation of the Company, MindChamps Early Learning Australia Pte. Limited:

Name	Equity Interest Transferred %	Consideration $'000	Carrying Value $'000	Excess of Consideration $'000
MindChamps Early Learning 1 Pty. Limited	100	22,930	(22,930)	–
		22,930	(22,930)	–

* *Less than $1,000*

On 31 December 2018, the Company performed an internal restructuring exercise. The rationale for the exercise is to create an intermediate Singapore holding company, to facilitate more efficient performance monitoring and analysis at a country level.

In this regard, the Company has transferred its entire shareholding in the following subsidiary corporations, to a wholly-owned subsidiary corporation of the Company, MindChamps PreSchool Singapore Pte. Limited (formerly known as MindChamps PreSchool Franchise Pte. Limited):

Name	Equity Interest Transferred	Consideration $'000	Carrying Value $'000	Excess of Consideration $'000
MindChamps PreSchool @ TPY Pte. Limited	100%	200	(200)	-
MindChamps PreSchool @ Changi Business Park Pte. Ltd.	100%	387	(387)	–
MindChamps PreSchool @ Paragon Pte. Limited	100%	153	(153)	–
MindChamps PreSchool @ Serangoon Pte. Limited	80%	4,115	(4,115)	–
MindChamps PreSchool @ Zhongshan Park Pte. Limited	75%	810	(810)	–
MindChamps PreSchool @ Leisure Park Kallang Pte. Limited	51%	–*	–*	–
		5,665	(5,665)	–

* *Less than $1,000*

18 Investments in subsidiary corporations (Continued)

Carrying value of non-controlling interests

	2019 $'000	2018 $'000
MindChamps PreSchool @ Serangoon Pte. Limited ("SRG")	**229**	248
Other subsidiary corporations with immaterial non-controlling interests	**(451)**	(297)
Total	**(222)**	(49)

Summarised balance sheet

	SRG	
	2019 $'000	2018 $'000
Current		
Assets	**2,288**	2,250
Liabilities	**(1,826)**	(1,118)
Total current net assets	**462**	1,132
Non-current		
Assets	**1,166**	172
Liabilities	**(569)**	(62)
Total non-current net assets	**597**	110
Net assets	**1,059**	1,242

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for each subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised income statement

	SRG	
	2019 $'000	2018 $'000
Revenue	**3,969**	3,661
Profit before income tax	**881**	801
Income tax expense	**(126)**	(100)
Total comprehensive income, representing net profit	**755**	701
Total comprehensive income allocated to non-controlling interests	**151**	140
Dividends paid to non-controlling interests	**170**	120

18 Investments in subsidiary corporations (Continued)

Summarised cash flows

	SRG 2019 $'000	SRG 2018 $'000
Cash flows from operating activities		
Cash generated from operations	**1,494**	969
Income tax paid	**(109)**	(77)
Net cash provided by operating activities	**1,385**	892
Net cash used in investing activities	**(1,728)**	(38)
Net cash used in financing activities	**(1,480)**	(600)
Net (decrease)/increase in cash and cash equivalents	**(1,823)**	254
Cash and cash equivalents at beginning of financial year	**1,989**	1,735
Cash and cash equivalents at end of financial year	**166**	1,989

19 Trade and other payables

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables				
– non-related parties	**846**	208	**–**	–
– related corporations	**2**	–	**–**	–
– subsidiary corporations	**–**	–	**1**	1
	848	208	**1**	1
Other payables to:				
– non-related parties	**2,652**	899	**270**	131
– related corporations	**358**	992	**–**	990
– subsidiary corporations	**–**	–	**13,523**	4,224
– immediate holding corporation	**–**	2	**–**	–
	3,010	1,893	**13,793**	5,345
Deposit received	**2,942**	2,678	**32**	32
Accrued operating expenses	**6,491**	4,186	**1,295**	1,138
Total trade and other payables	**13,291**	8,965	**15,121**	6,516

Non-trade amounts due to non-related parties, related corporations, subsidiary corporations and immediate holding corporation are unsecured, interest-free and are repayable on demand.

20 Borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Term loans	**10,640**	5,824	**9,714**	5,824
Lease liabilities	**8,252**	–	**1,059**	–
Finance lease liabilities (Note 21)	**–**	14	**–**	14
	18,892	5,838	**10,773**	5,838
Non-current				
Term loans	**30,695**	15,088	**26,456**	15,088
Lease liabilities	**26,196**	–	**4,778**	–
Finance lease liabilities (Note 21)	**–**	–	**–**	–
	56,891	15,088	**31,234**	15,088
Total borrowings	**75,783**	20,926	**42,007**	20,926

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
6 months or less	**5,320**	2,912	**4,857**	2,912
6 – 12 months	**5,320**	2,912	**4,857**	2,912
1 – 5 years	**30,695**	15,088	**26,456**	15,088
Total borrowings	**41,335**	20,912	**36,170**	20,912

20 Borrowings (Continued)

(a) Security granted

Term loans of the Group amounting to $41,335,000 (2018: $20,926,000) and the Company amounting to $36,170,000 (2018: $20,926,000) include secured liabilities. Term loans of the Group and the Company 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

(b) Fair value of non-current borrowings

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Term loans	**24,258**	12,234	**20,881**	12,234

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group and Company	
	2019	**2018**
	%	**%**
Term loans	**5.25**	5.33

The fair values are within level 2 of the fair values hierarchy.

21 Finance lease liabilities

The Group and the Company lease motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses as the Group and the Company intend to use these assets until the end of the assets' useful lives.

	Group and Company 2018 $'000
Minimum lease payments due	
– Not later than one year	14
– Between one and five years	–
	14
Less: Future finance charges	–*
Present value of finance lease liabilities	14

* *Less than $1,000*

The present values of finance lease liabilities are analysed as follows:

	Group and Company 2018 $'000
– Not later than one year	14
– Between one and five years	–
	14

The effective interest rate for the Group and the Company in 2018 was 3.96% per annum.

There was no finance lease liabilities for the financial year ended 31 December 2019 as it has been fully paid off during the financial year.

22 Provision for reinstatement cost

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Beginning of financial year	**764**	164	**–**	–
Acquisition of subsidiary corporations (Note 32)	**386**	40	**–**	–
Additions	**105**	587	**31**	–
Reversal of provisions	**(289)**	–	**–**	–
Currency translation differences	**(26)**	(27)	**–**	–
End of financial year	**940**	764	**31**	–

The provision relates to the Group's obligation to reinstate leased premises to its original condition upon termination of each individual lease and is based on the management's estimate in similar situations. The Group expects to incur the liability upon the expiration of each individual lease.

23 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Deferred income tax assets	**1,318**	251	**–**	37
Deferred income tax liabilities	**(28)**	(16)	**(4)**	–
Net deferred tax assets/(liabilities)	**1,290**	235	**(4)**	37

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The deferred income tax assets balance of $1,318,000 (2018: $251,000) relates to the temporary differences arising from the Company and certain profitable subsidiary corporations. The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income of the Company and its subsidiary corporations based on the approved business plans and budgets in upcoming financial years. The temporary differences have no expiry date.

The Group has unrecognised tax losses of $7,239,000 (2018: $1,849,000) and capital allowances of $2,337,000 (2018: $125,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

As at 31 December 2019 and 31 December 2018, no deferred tax liabilities were recognised for withholding and other taxes that would be payable on the unremitted profits of the Group's overseas subsidiary corporations when remitted to the holding corporation as the overseas subsidiary corporations did not have unremitted profits as at the balance sheet dates.

23 Deferred income taxes (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group ***Deferred income tax assets***	**Provisions $'000**	**Tax losses $'000**	**Total $'000**
2019			
Beginning of financial year	**(245)**	**(6)**	**(251)**
Acquisition of subsidiary corporations	**(109)**	**–**	**(109)**
Charged/(credited) to profit or loss	**71**	**(1,045)**	**(974)**
Currency translation differences	**3**	**13**	**16**
End of financial year	**(280)**	**(1,038)**	**(1,318)**
2018			
Beginning of financial year	(153)	(235)	(388)
(Credited)/charged to profit or loss	(92)	229	137
End of financial year	(245)	(6)	(251)

Group ***Deferred income tax liabilities***	**Total $'000**
Accelerated tax depreciation	
2019	
Beginning of financial year	**16**
Charged to profit or loss	**12**
End of financial year	**28**
2018	
Beginning of financial year	17
Credited to profit or loss	(1)
End of financial year	16

Company ***Deferred income tax assets***	**Provisions $'000**	**Tax losses $'000**	**Total $'000**
2019			
Beginning of financial year	**(37)**	**–**	**(37)**
Charged to profit or loss	**37**	**–**	**37**
End of financial year	**–**	**–**	**–**
2018			
Beginning of financial year	–	(67)	(67)
(Credited)/charged to profit or loss	(37)	67	30
End of financial year	(37)	–	(37)

Company ***Deferred income tax liabilities***	**Total $'000**
Accelerated tax depreciation	
2019	
Beginning of financial year	**–**
Charged to profit or loss	**4**
End of financial year	**4**
2018	
Beginning of financial year	–
Credited to profit or loss	–
End of financial year	–

24 Share capital

	Group and Company			
	2019		2018	
	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.

25 (Accumulated losses)/Retained profits

(a) The retained profits of the Group and the Company are distributable.

(b) Movement in (accumulated losses)/retained profits for the Company is as follows:

	Company	
	2019 $'000	2018 $'000
Beginning of financial year	**2,513**	1,174
Net (loss)/profit	**(571)**	1,339
Dividend (Note 27)	**(3,237)**	–
End of financial year	**(1,295)**	2,513

26 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018
Net profit attributable to equity holders of the Company ($'000)	**6,927**	6,384
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**241,600**	241,600
Basic earnings per share (cents per share)	**2.87**	2.64

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

27 Dividends

On 30 April 2019, the Shareholders approved a final dividend of 1.34 cents per share, amounting to a total of $3,237,000 in respect to financial year ended 2018. The approved amount was paid out on 21 May 2019.

28 Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases premises, computer equipment and office equipment under operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group
	2018
	$'000
Not later than one year	5,210
Between one and five years	9,743
Later than five years	6,032
	20,985

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

29 Leases

Nature of the Group's leasing activities

Property

The Group and Company lease office and preschool premises for the purpose of back office operations and preschool operations respectively.

29 Leases (Continued)

Nature of the Group's leasing activities (Continued)

Property (Continued)

(a) The Group and Company as a lessee

(i) Carrying amounts

Right-of-use assets classified within property, plant and equipment (Note 14)

	Office and preschool premises	
	Group	**Company**
	$'000	**$'000**
Balance as at 1 January 2019	**–**	**–**
Adoption of SFRS(I) 16	**18,798**	**–**
	18,798	**–**
Acquisitions of preschool businesses and subsidiary corporations	**14,616**	**–**
Additions during the year	**8,064**	**2,948**
Write-off	**(68)**	**–**
Depreciation charge during the year	**(7,687)**	**(3)**
Divestment of subsidiary corporations	**(1,833)**	**–**
Currency translation difference	**(512)**	**–**
Balance as at 31 December 2019	**31,378**	**2,945**

(ii) Interest expense

	Group	**Company**
	$'000	**$'000**
Interest expense on lease liabilities	**1,005**	**–***

* Less than $1,000

(iii) Lease expense not capitalised in lease liabilities

	Group	**Company**
	$'000	**$'000**
Lease expense – low-value leases	**79**	**2**

(iv) Total cash outflow for all the leases in 2019 was $7,809,000 and $3,000 for the Group and Company respectively.

29 Leases (Continued)

Nature of the Group's leasing activities (Continued)

Property (Continued)

(a) The Group and Company as a lessee (Continued)

(v) Future cash outflow which are not capitalised in lease liabilities

- Variable lease payments

  The lease for a preschool premise contains variable lease payments on top of fixed payments that are based on a certain percentage of net sales of each month less base rent, service charge and advertising and promotion contribution. There was no variable lease payments paid for the Group and Company during the financial year ended 31 December 2019 as the monthly base rent and service charge are higher.

- Extension options

  The leases for office and preschool premises contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group and Company are not reasonably certain to exercise these extension options. The Group and Company negotiate extention options to optimise operational flexibility in terms of managing the assets used in the Group and Company's operations.

(b) The Group and Company as a lessor

Nature of the Group and Company's leasing activities – the Group and Company as an intermediate lessor

Subleases – classified as finance leases

The Group and Company's sublease of its right-of-use of the office space is classified as finance lease because the sublease is for the entire remaining lease term of the head lease.

Right-of-use assets relating to the head leases with sub-leases classified as finance lease are derecognised. The net investment in the sublease is recognised under "Lease receivable".

The finance income recognised during the financial year was less than $1,000 as the sublease arrangement was entered into on 30 December 2019.

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	Group and Company	
	31 December 2019 $'000	**1 January 2019 $'000**
Not later than one year	**529**	–
Between one and five years	**2,672**	–
Total undiscounted lease payments	**3,201**	–
Less: Unearned finance income	**(283)**	–
Net investment in finance lease	**2,918**	–
Current	**529**	–
Non-current	**2,389**	–
Total	**2,918**	–

30 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The key management team then establishes the detailed policies such as authority levels, risk identification and measurement, oversight responsibilities, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by the Group's finance team. The finance team measures actual exposures against the limits set and prepares regular reports for the review of the key management team and the Board of Directors. The information presented below is based on the information provided to key management team.

(a) Market risk

(i) Currency risk

The Group operates in Singapore and Australia. Entities in the Group regularly transact in their respective functional currencies. The Group has hedging arrangements in place. Currently, the Group does not enter into any hedging arrangements or instruments for the purposes of hedging currency risk. In the event that the Group encounters any significant exposure or potential exposure to any currency risk, the Group may take precautionary measures including entering into hedging arrangements or instruments as may be prudent or necessary.

The Group is not exposed to the currency transaction risk as the transactions, financial assets and financial liabilities are denominated in the currency of respective country where the business domiciles and operates.

The Group is exposed to currency translation risk on the net assets of the Group's foreign operations in Australia, which are denominated in Australian Dollar ("AUD"). The Group does not enter into any of the hedging instruments for the purpose of hedging the translation of its foreign operations. There is no debt instrument denominated in foreign currency as at balance sheet date.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company is not exposed to the currency risk as the transactions are predominantly denominated in Singapore Dollar ("SGD").

The Group's currency exposures based on the information provided to key management are as follows:

At 31 December 2019	**SGD $'000**	**AUD $'000**
Group		
Financial assets		
Cash and cash equivalents	**2,608**	**3,143**
Trade and other receivables	**15,347**	**4,214**
Lease receivables	**2,918**	**–**
Intra-group receivables	**19,410**	**3,701**
	40,283	**11,058**
Financial liabilities		
Borrowings	**(41,335)**	**–**
Lease liabilities	**(13,502)**	**(20,946)**
Trade and other payables	**(7,677)**	**(5,614)**
Intra-group payables	**(15,885)**	**(7,226)**
	(78,399)	**(33,786)**
Net financial liabilities	**(38,116)**	**(22,728)**
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	**–**	**(3,525)**

30 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

At 31 December 2018	**SGD $'000**	**AUD $'000**
Group		
Financial assets		
Cash and cash equivalents	31,274	4,154
Trade and other receivables	9,450	1,847
Intra-group receivables	48,528	16,323
	89,252	22,324
Financial liabilities		
Borrowings	(20,926)	–
Trade and other payables	(6,210)	(2,755)
Intra-group payables	(7,688)	(57,163)
	(34,824)	(59,918)
Net financial assets/(liabilities)	54,428	(37,594)
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(40,840)

If the AUD changes against the SGD by 2% (2018: 7%) with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets (excluding equity instruments) that are exposed to currency risk will be as follows:

	Increase/(Decrease)	
	Profit after tax $'000	**Other comprehensive income $'000**
Group		
31 December 2019		
AUD against SGD		
– Strengthened	**38**	**59**
– Weakened	**(38)**	**(59)**
31 December 2018		
AUD against SGD		
– Strengthened	159	2,373
– Weakened	(159)	(2,373)

30 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group and the Company are not exposed to equity price risk as the Group and the Company do not hold equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company has no significant interest-bearing assets and liabilities, the Group's and the Company's operating cash flows are substantially independent of changes in market interest rate.

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 10% (2018: 10%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by $114,000 (2018: $43,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are trade receivables, other receivables, deposits and cash and cash equivalents.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history.

For other financial assets, the Group adopts the policy of dealing only with high credit quality financial institutions and counterparties.

Credit exposure to an individual customer is restricted by establishing maximum payment periods of less than one-month period for both individual and corporate customers. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the management and at the Group level by the credit controller.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The movements in credit loss allowance are as follows:

	Trade receivables $'000	Other receivables $'000	Total $'000
Group			
Balance at 1 January 2019	**125**	**65**	**190**
Loss allowance recognised in profit or loss during the year on:			
– Additions	**125**	**–**	**125**
– Divestment of subsidiary corporations	**(4)**	**(50)**	**(54)**
– Write off	**(57)**	**–**	**(57)**
Balance at 31 December 2019 (Note 12)	**189**	**15**	**204**
Company			
Balance at 1 January 2019 and 31 December 2019 (Note 12)	**–**	**343**	**343**

	Trade receivables $'000	Other receivables $'000	Total $'000
Group			
Balance at 1 January 2018	209	66	275
Application of SFRS(I) 9	(16)	–	(16)
Balance at 1 January 2018 under SFRS(I) 9	193	66	259
Loss allowance recognised in profit or loss during the year on:			
– Reversal of unutilised amounts	(68)	(1)	(69)
Balance at 31 December 2018 (Note 12)	125	65	190
Company			
Balance at 1 January 2018 and 31 December 2018 (Note 12)	–	343	343

The Group's cash and cash equivalents and deposits are subject to immaterial credit loss.

The Company's cash and cash equivalents, trade receivables and deposits are subject to immaterial credit loss.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Trade receivables

The Group and the Company use a provision matrix to measure the lifetime Expected Credit Loss ("ECL") allowance for trade receivables.

In calculating the ECL rates, trade receivables are grouped based on shared credit risk characteristics and days past due. The Group and the Company consider historical loss rates for each category of customers and adjust to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and the Company have identified the gross domestic product ("GDP") of the countries in which it sell goods and services to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and/or the Company. The Group and the Company consider a financial asset is in default if the counterparty fails to make contractual payments within 180 days when they fall due and writes off the financial asset when it is certain that the outstanding amount is not collectible. Where receivables are written off, the Group and the Company continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are received, these are recognised in profit or loss.

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows:

		←	Past due	→	
	Current $'000	**Less than 3 months $'000**	**3 to 6 months $'000**	**More than 6 months $'000**	**Total $'000**
Group					
School fees					
Trade receivables	229	555	254	–	1,038
Loss allowance	–	–	–	–	–
Franchise income					
Trade receivables	4,064	–	–	–	4,064
Loss allowance	–	–	–	–	–
Royalty income and sales of merchandise					
Trade receivables	123	184	810	839	1,956
Loss allowance	–	–	–	189	189
Company					
Franchise income					
Trade receivables	3,971	–	–	–	3,971
Loss allowance	–	–	–	–	–
Royalty income and sales of merchandise					
Trade receivables	15	69	686	–	770
Loss allowance	–	–	–	–	–

30 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

		Past due			
	Current $'000	Less than 3 months $'000	3 to 6 months $'000	More than 6 months $'000	Total $'000
Group					
School fees					
Trade receivables	137	451	26	–	614
Loss allowance	–	–	–	–	–
Franchise income					
Trade receivables	4,026	70	–	–	4,096
Loss allowance	–	–	–	–	–
Royalty income and sales of merchandise					
Trade receivables	795	866	175	369	2,205
Loss allowance	–	–	–	125	125
Company					
Franchise income					
Trade receivables	4,026	70	–	–	4,096
Loss allowance	–	–	–	–	–
Royalty income and sales of merchandise					
Trade receivables	82	496	26	–	604
Loss allowance	–	–	–	–	–

(ii) Cash and cash equivalents, other receivables and deposits

The Group and the Company use the general approach for assessment of ECLs for these financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Cash and cash equivalents, other receivables and deposits (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs.

As at 31 December 2019, the Group and the Company performed an assessment of qualitative and quantitative factors which are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, available press information and applying experienced credit judgement) and an assessment of impairment using the 12-month ECL basis on these financial assets. The Group concluded that the loss allowance on these financial assets is insignificant. The Company concluded the loss allowance provided for other receivables is adequate and the loss allowance on other financial assets is insignificant.

(iii) Lease receivables

Lease receivables of $2,918,000 (2018: nil) are subject to immaterial credit loss as the Group entered into lease arrangements with a related corporation and there is no history of default.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below analyses non-derivative financial liabilities of the Group and of the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 2 and 5 years $'000	More than 5 years $'000
Group			
At 31 December 2019			
Trade and other payables	**13,291**	**–**	**–**
Lease liabilities	**9,891**	**23,322**	**4,411**
Borrowings	**12,078**	**33,304**	**–**
At 31 December 2018			
Trade and other payables	8,965	–	–
Borrowings	6,616	16,208	–
Company			
At 31 December 2019			
Trade and other payables	**15,121**	**–**	**–**
Lease liabilities	**1,206**	**5,144**	**52**
Borrowings	**11,066**	**28,708**	**–**
At 31 December 2018			
Trade and other payables	6,516	–	–
Borrowings	6,616	16,208	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Board of Directors monitors its capital based on debt ratio. The debt ratio is calculated as total liabilities divided by total assets.

30 Financial risk management (Continued)

Financial risk factors (Continued)

(d) Capital risk (Continued)

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Total liabilities	**93,233**	33,042	**57,163**	27,442
Total assets	**155,875**	93,728	**105,169**	79,256
Debt ratio	**60%**	35%	**54%**	35%

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2019.

(e) Fair value measurements

The carrying amounts of financial assets and financial liabilities of the Group and of the Company are assumed to approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments disclosed is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets, at amortised cost	**28,241**	46,734	**17,172**	74,576
Financial liabilities, at amortised cost	**90,014**	30,655	**57,163**	27,442

31 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale and purchase of goods and services

	Group	
	2019	**2018**
	$'000	**$'000**
Fees received from an associated corporation		
– Franchise income	**–**	1,500
Fees received from related corporations		
– Allocated staff costs	**–**	131
– Rental income	**240**	241
– Royalty fees	**236**	304
– Service income	**47**	591
Fees paid to related corporations		
– Commission	**137**	118
– Deposit for curriculum development services	**–**	274
– Purchase of intangible assets#	**–**	990
– IT services	**142**	–
– Purchase of merchandise and event expense	**388**	175
– Rental expense	**156**	129
Fees received from immediate holding corporation		
– Service income	**497**	403
– Legal fees	**176**	134
Fees paid to immediate holding corporation of a controlling shareholder		
– Rental expenses	**477**	477
Divestment of a subsidiary corporation to a related corporation*	**5,213**	–

The related corporation is controlled by the Group's immediate holding corporation. The purchase consideration remained outstanding as at 31 December 2018. The payable amount has been fully settled during current financial year.

* *The related corporation is controlled by the Group's key management personnel and their close family members. The Group received the full consideration pertaining to the divestment of a subsidiary corporation from a related corporation in February 2020.*

Outstanding balances at 31 December 2019, arising from sales and purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 19 respectively.

31 Related party transactions (Continued)

(b) Key management compensation

Key management personnel compensation is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Wages and salaries	**1,562**	1,500
Employer's contribution to defined contribution plans, including Central Provident Fund	**52**	52
Other benefit	**492**	478
	2,106	2,030

32 Business combination

(i) Acquisitions of a subsidiary corporation and preschool businesses in 2019

On 30 April 2019, the Group completed the acquisition of 100% equity interest in MindChamps PreSchool @ Punggol Northshore Pte. Limited ("PGL"). The principal activities of PGL are those relating to provision of childcare, education and learning related services for preschool children.

On 10 May 2019, the Group completed the acquisition of 100% equity interest in 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 and MindChamps Early Learning 12 Pty. Limited ("MCEL 6-12") in Sydney, Australia. The principal activities of the MCEL 6-12 are those relating to provision of childcare, education and learning related services for preschool children.

On 10 May 2019, the Group completed the acquisition of 80% equity interest in MindChamps Music Pte. Limited ("MSC") . The principal activities of MSC are those relating to developer and intellectual property holder of music-related curricula and enrichment programmes.

On 31 July 2019, the Group completed the acquisition of 100% equity interest in MindChamps PreSchool @ Buangkok Private Limited ("BGK"). The principal activities of BGK are those relating to provision of childcare, education and learning related services for preschool children.

On 20 December 2019, the Group completed the acquisition of a preschool business ("UPT") in Singapore. The principal activities of UPT are those relating to provision of childcare, education and learning related services for preschool children.

On 26 December 2019, the Group completed the acquisition of a preschool business ("MSQ") in Singapore. The principal activities of MSQ are those relating to provision of childcare, education and learning related services for preschool children.

32 Business combination (Continued)

(i) Acquisitions of a subsidiary corporation and preschool businesses in 2019 (Continued)

		PGL $'000	MCEL 6-12 $'000	MSC $'000	BGK $'000	UPT $'000	MSQ $'000	Total $'000
(a)	Purchase consideration							
	Cash paid	3,436	38,267	–*	3,356	376	218	45,653
	Deferred consideration	99	963	–	295	–	–	1,357
	Consideration transferred for the businesses	3,535	39,230	–*	3,651	376	218	47,010
(b)	Effect on cash flows of the Group							
	Cash paid	3,436	38,267	–*	3,356	376	218	45,653
	Less: cash and cash equivalents in preschool businesses acquired	(505)	(1,093)	(12)	(755)	–	–	(2,365)
	Less: Oustanding debt payment	(140)	–	–	–	–	–	(140)
	Cash outflow on acquisition	**2,791**	**37,174**	**(12)**	**2,601**	**376**	**218**	**43,148**

* Less than $1,000

		PGL At Fair Value $'000	MCEL 6-12 At Fair Value $'000	MSC At Fair Value $'000	BGK At Fair Value $'000	UPT At Provisional Fair Value $'000	MSQ At Fair Value $'000	Total $'000
(c)	Identifiable assets acquired and liabilities assumed							
	Cash and cash equivalents	505	1,093	12	755	–	–	2,365
	Property, plant and equipment (Note 14)	1,832	10,740	4	926	862	988	15,352
	Franchise license (Note 15 (b))	–	–	–	–	32	–	32
	Courseware development costs (Note 15 (c))	–	–	512	–	–	–	512
	Deferred income tax assets (Note 23)	–	109	–	–	–	–	109
	Trade and other receivables	148	430	–	106	86	13	783
	Total assets	2,485	12,372	528	1,787	980	1,001	19,153
	Trade and other payables	(803)	(1,280)	(552)	(395)	(143)	(211)	(3,384)
	Contract liabilities	(86)	(119)	–	(44)	(91)	(87)	(427)
	Lease liabilities	(1,542)	(10,091)	–	(789)	(837)	(971)	(14,230)
	Provision for reinstatement costs (Note 22)	(41)	(282)	–	(22)	(25)	(16)	(386)
	Total liabilities	(2,472)	(11,772)	(552)	(1,250)	(1,096)	(1,285)	(18,427)
	Total identifiable net assets	**13**	**600**	**(24)**	**537**	**(116)**	**(284)**	**726**
	Add: Non-controlling interest	–	–	24	–	–	–	24
	Add: Goodwill (Note 15 (a))	3,522	38,630	–	3,114	492	502	46,260
	Consideration transferred for the businesses	**3,535**	**39,230**	**–**	**3,651**	**376**	**218**	**47,010**

32 Business combination (Continued)

(i) Acquisitions of subsidiary corporations and preschool businesses in 2019 (Continued)

(d) Acquisition-related costs

Acquisition-related costs of $395,000 were expensed in the consolidated statement of comprehensive income and included in investing cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

The fair value of other receivables is $892,000, which comprises school fee receivables, rental and utilities deposits.

(f) Goodwill

PGL

The goodwill of $3,522,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 6-12

The goodwill of $36,754,000 arising from the acquisitions is part of the Group's business expansion initiative, specifically from expanding market presences in the early learning industry in Australia.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

BGK

The goodwill of $3,114,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

32 Business combination (Continued)

(i) Acquisitions of subsidiary corporations and preschool businesses in 2019 (Continued)

(f) Goodwill (Continued)

UPT

The goodwill of $492,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MSQ

The goodwill of $502,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

(g) Revenue and profit contribution

PGL

The acquired business contributed revenue of $2,837,000 and net profit of $684,000 to the Group for the financial period from 1 May 2019 to 31 December 2019.

Had PGL been consolidated from 1 January 2019, consolidated revenue and consolidated net profit for the financial year ended 31 December 2019 would have been $55,309,000 and $7,285,000 respectively.

MCEL 6 – 12

The acquired businesses contributed revenue of $9,498,000 and net profit of $2,078,000 to the Group for the financial period from 10 May 2019 to 31 December 2019.

Had MCEL 6 – 12 been consolidated from 1 January 2019, consolidated revenue and consolidated net profit for the financial year ended 31 December 2019 would have been $61,480,000 and $8,467,000 respectively.

32 Business combination (Continued)

(i) Acquisitions of subsidiary corporations and preschool businesses in 2019 (Continued)

(g) Revenue and profit contribution (Continued)

MSC

The acquired business did not contribute revenue to the Group as at 31 December 2019 as MSC has yet to commence any income generating activities. As at 31 December 2019, MSC is still under developing stage and is currently loss making.

BGK

The acquired business contributed revenue of $1,337,000 and net profit of $345,000 to the Group for the financial period from 1 August 2019 to 31 December 2019.

Had BGK been consolidated from 1 January 2019, consolidated revenue and consolidated net profit for the financial year ended 31 December 2019 would have been $55,761,000 and $7,423,000 respectively.

UPT and MSQ

The acquired businesses did not contribute significant revenue and net profit to the Group from acquisition date to 31 December 2019 as the period between acquisition date and financial year end date is less than 15 days.

(ii) Acquisitions of a subsidiary corporation and preschool businesses in 2018

On 1 March 2018, the Group completed the acquisition of 100% equity interest in MindChamps PreSchool @ Woodlands Pte Ltd ("WDL"). The principal activities of WDL are those relating to provision of childcare, education and learning related services for preschool children.

On 15 June, 6 July, 27 July and 21 September 2018, the Group completed the acquisitions of six preschool businesses ("MCEL 2") in Sydney, Australia. The principal activities of the MCEL 2 are those relating to provision of childcare, education and learning related services for preschool children.

On 2 November 2018, the Group completed the acquisition of a preschool business ("MCEL 3") in Sydney, Australia. The principal activities of MCEL 3 are those relating to provision of childcare, education and learning related services for preschool children.

32 Business combination (Continued)

(ii) Acquisitions of a subsidiary corporation and preschool businesses in 2018 (Continued)

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follows:

		WDL $'000	MCEL 2 $'000	MCEL 3 $'000	Total $'000
(a)	Purchase consideration				
	Consideration transferred for the business	1,309	19,092	2,941	23,342
(b)	Effect on cash flows of the Group				
	Cash paid (as above)	1,309	19,092	2,941	23,342
	Less: cash and cash equivalents in preschool businesses acquired	(187)	–	–	(187)
	Cash outflow on acquisition	1,122	19,092	2,941	23,155

		WDL At fair value $'000	MCEL 2 At fair value $'000	MCEL 3 At fair value $'000	Total $'000
(c)	Identifiable assets acquired and liabilities assumed				
	Cash and cash equivalents	187	–	–	187
	Property, plant and equipment (Note 14)	28	255	30	313
	Intangible assets (Note 15)	10	–	–	10
	Other receivables	56	–	–	56
	Total assets	281	255	30	566
	Other payables	(178)	–	–	(178)
	Provision for reinstatement cost (Note 22)	(40)	–	–	(40)
	Contract liabilities	(16)	–	–	(16)
	Total liabilities	(234)	–	–	(234)
	Total identifiable net assets	47	255	30	332
	Add: Goodwill (Note 15(a), (f) below)	1,262	18,837	2,911	23,010
	Consideration transferred for the business	1,309	19,092	2,941	23,342

32 Business combination (Continued)

(ii) Acquisitions of a subsidiary corporation and preschool businesses in 2018 (Continued)

(d) Acquisition-related costs

Acquisition-related costs of $496,000 were expensed in the consolidated statement of comprehensive income and included in investing cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

WDL

The fair value of other receivables is $56,000, which comprises the rental and utilities deposits.

(f) Goodwill

WDL

The goodwill of $1,262,000 arising from the acquisition is attributable to the synergies of the business combination, specifically from an increase in market share in Singapore.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 2

The goodwill of $18,837,000 arising from the acquisitions is part of the Group's business expansion initiative, specifically from setting up market presences in the early learning industry in Australia.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

MCEL 3

The goodwill of $2,911,000 arising from the acquisitions is part of the Group's business expansion initiative, specifically from setting up market presences in the early learning industry in Australia.

The acquired businesses also included assembled workforce and non-contractual student listing that are not separable. These items are not identifiable assets, and they are subsumed into goodwill.

32 Business combination (Continued)

(ii) Acquisitions of a subsidiary corporation and preschool businesses in 2018 (Continued)

(g) Revenue and profit contribution

WDL

The acquired business contributed revenue of $1,412,000 and net profit of $308,000 to the Group for the financial period from 1 March 2018 to 31 December 2018.

Had WDL been consolidated from 1 January 2018, consolidated revenue and consolidated net profit for the financial year ended 31 December 2018 would have been $37,203,000 and $6,126,000 respectively.

MCEL 2 & MCEL 3

The acquired businesses contributed revenue of $5,659,000 and net profit of $199,000 to the Group for the financial period from 15 June 2018 to 31 December 2018.

Had MCEL 2 and MCEL 3 been consolidated from 1 January 2018, consolidated revenue and consolidated net profit for the financial year ended 31 December 2018 would have been $44,726,000 and $6,815,000 respectively.

33 Segment information

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

33 Segment information (Continued)

(iv) Others

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

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

	Singapore				Australia		Group
	Education $'000	Franchise $'000	Corporate $'000	Others $'000	Education $'000	Corporate $'000	Total $'000
2019							
Sales							
Total segment sales	**19,440**	**9,154**	**–**	**–**	**27,057**	**–**	**55,651**
Inter-segment sales	**–**	**(1,761)**	**–**	**–**	**–**	**–**	**(1,761)**
Sales to external parties	**19,440**	**7,393**	**–**	**–**	**27,057**	**–**	**53,890**
Adjusted operating EBITDA	**15,502**	**1,837**	**(2,843)**	**(55)**	**8,280**	**(3,658)**	**19,063**
Acquisitions related expenses	**–**	**–**	**(347)**	**–**	**–**	**(48)**	**(395)**
Adjusted EBITDA	**15,502**	**1,837**	**(3,190)**	**(55)**	**8,280**	**(3,706)**	**18,668**
Depreciation*	**3,597**	**200**	**47**	**1**	**4,630**	**49**	**8,524**
Amortisation	**11**	**–**	**447**	**–**	**–**	**–**	**458**
Segment assets	**24,624**	**7,791**	**17,615**	**1,060**	**103,653**	**1,132**	**155,875**
Segment assets includes:							
Additions to:							
– property, plant and equipment	**3,337**	**7**	**3,696**	**2**	**2,468**	**752**	**10,262**
– intangible assets	**–**	**218**	**913**	**–**	**–**	**–**	**1,131**
Segment liabilities	**(13,228)**	**(7,732)**	**(43,640)**	**(178)**	**(26,873)**	**(1,582)**	**(93,233)**
2018							
Sales							
Total segment sales	15,175	11,415	–	–	11,751	–	38,341
Inter-segment sales	–	(1,381)	–	–	–	–	(1,381)
Sales to external parties	15,175	10,034	–	–	11,751	–	36,960
Adjusted operating EBITDA	4,568	6,492	(2,958)	(14)	2,018	(1,428)	8,678
Acquisitions related expenses	–	–	–	–	(1)	(495)	(496)
Adjusted EBITDA	4,568	6,492	(2,958)	(14)	2,017	(1,923)	8,182
Depreciation	317	29	43	–	256	17	662
Amortisation	23	19	508	–	–	–	550
Segment assets	13,225	4,557	32,216	360	40,299	3,071	93,728
Segment assets includes:							
Additions to:							
– property, plant and equipment	102	2	16	–	801	101	1,022
– intangible assets	–	1,162	467	–	–	–	1,629
Segment liabilities	(4,548)	(1,724)	(23,218)	(172)	(3,173)	(207)	(33,042)

* See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

33 Segment information (Continued)

(a) Reconciliation

Segment profits

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

	2019 $'000	2018 $'000
Adjusted EBITDA for reportable segments	**18,723**	8,196
Adjusted EBITDA for other segments	**(55)**	(14)
Depreciation (Note 7)	**(8,524)**	(662)
Amortisation (Note 7)	**(458)**	(550)
Finance expense (Note 9)	**(2,507)**	(576)
Interest income (Note 5)	**131**	429
Profit before income tax	**7,310**	6,823

(b) Revenue from major services

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

	2019 $'000	2018 $'000
Revenue		
Education	**46,497**	26,926
Franchise & Corporate	**7,393**	10,034
	53,890	36,960

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

(c) Geographical information

The Group's three business segments operate in two geographical areas:

(i) Singapore

The Company is headquartered and has operations in Singapore. The operations in this area are principally those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services, provision of commercial schools offering higher education programmes, business and management consulting services, investment holding and corporate services.

33 Segment information (Continued)

(c) Geographical information (Continued)

(ii) Australia

The operation in this area is principally those relating to the provision of childcare, education and learning related services for preschool children, franchising of childcare services for preschool children, the provision of administrative support services and corporate office.

	Non-current assets	
	2019	**2018**
	$'000	**$'000**
Singapore	**31,989**	9,193
Australia	**96,645**	36,951
	128,634	46,144

The Group's revenue by geographical areas is disclosed under Note 4(a).

(d) Changes in accounting policy

(i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the adjusted EBITDA in the current year:

	Adjusted EBITDA before adoption of SFRS(I) 16 $'000	Rental expenses under SFRS(I) 1-17, when the Group is a lessee $'000	Adjusted EBITDA after adoption of SFRS(I) 16 $'000
Education	**15,251**	**8,531**	**23,782**
Franchise	**1,678**	**159**	**1,837**
Corporate	**(6,899)**	**3**	**(6,896)**
Others	**(55)**	**–**	**(55)**
	9,975	**8,693**	**18,668**

(ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follow:

	Segment assets $'000	Segment liabilities $'000
Education	**35,283**	**28,612**
Franchise	**-**	**-**
Corporate	**2,948**	**5,836**
Others	**-**	**-**
	38,231	**34,448**

33 Segment information (Continued)

(d) Changes in accounting policy (Continued)

(iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation $'000	Finance expense $'000
Education	**7,529**	**1,002**
Franchise	**156**	**3**
Corporate	**3**	**-***
Others	**-**	**-**
	7,688	**1,005**

* Less than $1,000

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

34 Events occurring after balance sheet date

(a) On 3 April 2020, the Group has entered into a joint venture agreement with Foundation Corporation Holdings to establish a fund, GCC PreSchool Fund, which has the investment objective of establishing and acquiring preschools in the Gulf Cooperation Council countries and operating them under the "MindChamps" brand.

(b) The coronavirus disease 2019 (COVID-19) outbreak has had significant impact on public life and the industry in various countries, including the jurisdictions in which the Group operates. Stricter measures may be taken by the governments of the jurisdictions in which the Group operates which may result in a negative impact on the financial performance of the Group in the future. As at the date of this Annual Report, the Group is not aware of any material impact on the Group's financial performance for the financial year ended 31 December 2019 arising from the COVID-19 outbreak.

35 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

35 New or revised accounting standards and interpretations (Continued)

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020) (Continued)

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

36 Authorisation of financial statements

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of MindChamps PreSchool Limited on 8 April 2020.

Ordinary Shareholdings

Total number of issued shares	:	241,600,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

The Company did not have treasury shares and shares held by a subsidiary corporation.

Number of Ordinary Shares Held	Number of Shareholders	%	Number of Ordinary Shares	%
1 – 99	1	0.07	58	0.00
100 – 1,000	225	16.77	193,900	0.08
1,001 – 10,000	762	56.78	3,725,400	1.54
10,001 – 1,000,000	344	25.63	20,141,215	8.34
1,000,001 and above	10	0.75	217,539,427	90.04
Total	**1,342**	**100.00**	**241,600,000**	**100.00**

Substantial Shareholders

As recorded in the Register of Substantial Shareholders of the Company:

	Number of Ordinary Shares			
Name	**Direct Interest**	**%***	**Deemed Interest**	**%***
David Chiem Phu An	–	–	128,516,969(1)	53.19
Catherine Du	–	–	128,516,969(2)	53.19
MindChamps Holdings Pte. Limited	–	–	124,895,913(3)	51.70
Champion Minds Pte. Limited	–	–	124,895,913(4)	51.70
Invest Learning Pte. Ltd.	48,320,000	20.00	–	–
Singapore Press Holdings Limited	–	–	48,320,000(5)	20.00

Notes:

* Percentage is based on 241,600,000 ordinary shares (excluding treasury shares).

(1) Mr David Chiem Phu An holds 35.77% of the issued ordinary shares of Champion Minds Pte. Limited ("**Champion Minds**"), which in turn wholly-owns MindChamps Holdings Pte. Limited ("**MCH**"). Accordingly, for the purpose of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, Mr Chiem is deemed to be interested in the shares of the Company ("**Shares**") held by MCH. In addition, Mr Chiem is deemed to be interested in the Shares in which his spouse, Ms Catherine Du, has an interest, including the 1,710,528 Shares which she holds through Citibank Nominees Singapore Pte Ltd. As Mr Chiem already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as his deemed interest in Shares in which his spouse, Ms Du, has an interest. Mr Chiem also holds 1,910,528 Shares through DBS Nominees (Private) Limited.

(2) Ms Catherine Du holds 35.77% of the issued ordinary shares of Champion Minds, which in turn wholly-owns MCH. Accordingly, for the purpose of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, Ms Du is deemed to be interested in the Shares held by MCH. In addition, Ms Du is deemed to be interested in the Shares in which her spouse, Mr David Chiem Phu An, has an interest, including the 1,910,528 Shares which he holds through DBS Nominees (Private) Limited. As Ms Du already has a deemed interest in the Shares held by MCH, such interest has not been additionally accounted for as her deemed interest in Shares in which her spouse, Mr Chiem, has an interest. Ms Du also holds 1,710,528 Shares through Citibank Nominees Singapore Pte Ltd.

(3) MCH is deemed interested in the Shares registered in the names of DBS Vickers Securities (Singapore) Pte. Ltd. and Maybank Nominees (Singapore) Private Limited.

(4) Champion Minds wholly-owns MCH. Accordingly, for the purposes of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, Champion Minds is deemed to be interested in the Shares in which MCH has an interest.

(5) Singapore Press Holdings Limited ("**SPH**") wholly-owns Invest Learning Pte. Ltd. ("**Invest Learning**"). Accordingly, for the purposes of Section 4 of the Securities and Futures Act, Cap. 289 of Singapore, SPH is deemed to be interested in the Shares in which Invest Learning has an interest.

Twenty-Two Largest Ordinary Shareholders

As shown in the Register of Members and Depository Register of the Company:

Name	Number of Ordinary Shares	%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	115,604,437	47.85
INVEST LEARNING PTE. LTD.	48,320,000	20.00
MAYBANK NOMINEES (SINGAPORE) PTE LTD	19,417,476	8.04
MERRILL LYNCH (SINGAPORE) PTE LTD	12,055,900	4.99
DBS NOMINEES PTE LTD	11,663,728	4.83
CITIBANK NOMINEES SINGAPORE PTE LTD	2,998,828	1.24
ABN AMRO CLEARING BANK N.V.	2,782,800	1.15
TEOH MEI YIAN (ZHAO MEIYAN)	1,807,229	0.75
WONG WEI HSNG (WANG WEISHENG)	1,807,229	0.75
RAFFLES NOMINEES (PTE) LIMITED	1,081,800	0.45
PHILLIP SECURITIES PTE LTD	678,400	0.28
OCBC NOMINEES SINGAPORE PTE LTD	620,400	0.26
PEH POH GEOK	610,600	0.25
WATGLEN PTY LTD	589,504	0.24
OCBC SECURITIES PRIVATE LTD	569,000	0.24
KOH CHIN IEE	483,100	0.20
Y.A. CHIAM INVESTMENTS PTE LTD	439,500	0.18
LEE CHIN ING (LI JINGYING)	408,000	0.17
ADELINE QUEK AI LIAN (ADELINE GUO AILIN)	400,000	0.17
KUA KOK CHWEE	380,000	0.16
LAU LAY HONG	380,000	0.16
TAN THIAM CHYE (CHEN TIANCAI)	380,000	0.16
	223,477,931	**92.52**

Free Float

Based on the information available to the Company, approximately 25.06% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

BOARD OF DIRECTORS

David Chiem Phu An
(Founder Chief Executive Officer & Executive Chairman)
Philip Antony Jeyaretnam
(Lead Independent Director)
Catherine Du
(Non-Independent Non-Executive Director)
Janice Wu Sung Sung
(Non-Independent Non-Executive Director)
Phua Chin Chor *(Independent Director)*
Lee Suan Hiang *(Independent Director)*

AUDIT COMMITTEE

Phua Chin Chor *(Chairman)*
Philip Antony Jeyaretnam
Lee Suan Hiang

NOMINATING COMMITTEE

Lee Suan Hiang *(Chairman)*
Philip Antony Jeyaretnam
Phua Chin Chor

REMUNERATION COMMITTEE

Philip Antony Jeyaretnam *(Chairman)*
Phua Chin Chor
Lee Suan Hiang

REGISTERED OFFICE

6 Raffles Boulevard
#04-100 Marina Square
Singapore 039594
Tel: (65) 6828 2688
Fax: (65) 6828 2699
Website: www.mindchamps.org/preschool

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00 Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399
Website: www.sg.tricorglobal.com

COMPANY SECRETARY

Daryl Ong Toon Howe *(LLB (Hons))*

EXTERNAL AUDITORS

Nexia TS Public Accounting Corporation
(appointed on 19 October 2009)
80 Robinson Road #25-00
Singapore 068898

Director-in-charge:
Loh Ji Kin
(appointed since the financial year ended 2018)

INTERNAL AUDITORS

KPMG Services Pte. Ltd.
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

INVESTOR RELATIONS

6 Raffles Boulevard
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Singapore 039594
Tel: (65) 6828 2688
Email: ir@mindchamps.org
Website: investor.mindchamps.org

STOCK CODE

CNE.SI

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