Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: MindChamps PreSchool Limited

Stock code: CNE

Meeting details:
Date: 29 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The company stated that the COVID-19 outbreak has had a 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.

The annual report was dated 8 April 2020 and posted on SGXNet on 15 April 2020.

In Note 34 (page 155 – Events occurring after balance sheet date), the company stated that, 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*** [emphasis added] arising from the COVID-19 outbreak.

School fees generated in Singapore and Australia were $19.0 million and $27.0 million respectively in 2019. Since April 2020, Singapore has imposed circuit breaker measures while Australia has also imposed strict "social distancing" measures. In Singapore, preschool centres were instructed to close during the circuit breaker.

(i) **Specifically, what is the impact on the operations in Singapore and in Australia?**

(ii) **With the centers closed during this period, how are the group's cash flows affected? Do the centers continue with fees collection, rental payment, staff salaries, franchise fees etc?**

(iii) **What financial assistance is the group receiving from landlords and other stakeholders?**

(iv) **Would management be providing shareholders with timely updates of material development at its preschools and in the group's overall operations as part of the company's continuous disclosure obligations?**

Q2. Would the board/management provide shareholders with better clarity on the group's operational/strategic matters? Specifically:

(i) **Business model:** In previous annual reports, management reported on the number of company owned and operated (COCO) centres and the number of franchisee owned and operated (FOFO) centres as these are very different in their risks and earnings profile. **Would the board clarify if it had finetuned its business strategy? If so, please state/restate its business model for the benefit of shareholders.**

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(ii) **Centres: Would management list down its network of preschools and other centres?** The company has stated that it has a "growing global presence includes premium preschools and enrichment centres in Australia, Abu Dhabi, the Philippines, Myanmar, Vietnam and Malaysia" (page 5). However, it seems like the number of centres and their locations are not in the annual report.

(iii) **Corporate EBITDA:** As shown in the 5-year financial highlight (page 22), the EBITDA attributable to the Corporate segment has increased (in losses) in an exponential manner in the past 5 years. **What are the reasons for the increasing negative EBITDA for the Corporate segment? What are management's plans to rein in corporate expenses?**

	2015 S$'000	2016 S$'000	2017 S$'000	2018 S$'000	2019 S$'000
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

(Source: company annual report)

(iv) **Profitability:** Revenue increased by 46% in the financial year but profit after tax increased by 7%. **Can management elaborate further on the underlying reasons for the substantially lower net profit margin? What are the ways that profit margin can be improved?**

Q3. The attendance of directors at board and board committee meetings is shown in the table below.

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

(Source: 2019 company annual report)

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The company has stated that 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.

(i) **Would the company help shareholders understand if the director was absent from 2 board meetings, 2 audit committee meetings and the only nominating committee meeting in the year and had not participated in the meeting by telephone conference or video-conference as well?**

The attendance for FY2018 is reproduced below:

The number of Board and Board Committee meetings held in FY2018 and the attendance of Directors during these meetings are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of Meetings held	5	5	1	1
Number of Meetings attended by the Directors				
David Chiem Phu An	5	1 (2)	1 (2)	1 (2)
Catherine Du	5	N.A. (1)	N.A. (1)	N.A. (1)
Janice Wu Sung Sung	5	N.A. (1)	N.A. (1)	N.A. (1)
Philip Antony Jeyaretnam	4	3	1	1
Phua Chin Chor	4	5	1	1
Lee Suan Hiang	5	5	1	1

Notes:
(1) N.A. = Not Applicable
(2) Attended by invitation

(Source: company annual report)

(ii) **Would the board help shareholders understand if there were extenuating circumstances that led the director to miss the board and board committee meetings in both years?**

(iii) **How can the company work together with the directors to ensure that all directors attend the board and board committee meetings?**

(iv) **As the lead independent director, would Mr Philip Antony Jeyaretnam be holding himself to a higher standard of governance practices and norms?**

(v) Mr Philip Antony Jeyaretnam is seeking his re-election at the annual general meeting scheduled to be held on 29 June 2020. **Should Mr Philip Antony Jeyaretnam be re-elected, would Mr Philip Antony Jeyaretnam be reviewing how he could be even more effective at discharging his duties and responsibilities?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)