



# ASX Announcement

G8 Education Limited  
(ASX:GEM)

G8 Education<sup>ltd</sup>  
28 October 2010

## Acquisition of Cherie Hearts, Singapore

The directors of G8 Education Limited are pleased to announce the proposed acquisition of the assets of Cherie Hearts Group International Pte Ltd and its subsidiaries ('Cherie Hearts'), the largest private provider of child care centres and kindergarten groups in Singapore.

Formal documentation has been signed with completion scheduled for the first week of January 2011.

### Transaction Summary:

The Cherie Hearts business will comprise 18 owned child care businesses, 48 franchised child care businesses and majority interests in a training business and an enrichment business. Additionally 23 franchisees have executed agreements which are awaiting completion.

The purchase price is AUD19.23 million.<sup>1</sup> The transaction will be fully funded from cash reserves and the assumption of AUD5.65 million in existing debt. The transaction is subject to several conditions precedent including approval from G8 Education's financier and licensing approvals from the relevant regulatory body in Singapore.

Forecast EBIT for The Cherie Hearts Group for calendar year 2011 is AUD4.3 million.<sup>1</sup>

	Calendar Year 2011 Guidance for Cherie Hearts
Revenue	AUD16.7 million
Expenses	AUD12.4 million
Earnings Before Interest and Tax	AUD4.3 million
Interest	AUD0.3 million
Net Profit Before Tax	AUD4 million
Net Profit After Tax	AUD3.35 million

The purchase price of AUD19.23 million represents an EBIT multiple of 4.47 times. The Singapore corporate tax rate is 17% so the tax affected equivalent multiple is 3.75 times EBIT on a like for like basis with Australian acquisitions.

The guidance assumes no synergies and no revenue from the 23 franchisee businesses signed and awaiting completion.

Chairperson Jenny Hutson said, "The acquisition of Cherie Hearts provides G8 Education with an outstanding opportunity to operate significant child care businesses in both Singapore and Australia. Cherie Hearts is a well respected provider of child care services in Singapore, where it has a reputation for high quality operations, having provided services for the last 9 years. Cherie Hearts has exceptional growth prospects in Singapore."

<sup>1</sup> Assuming an exchange rate of S\$1.28 for each Australian dollar.

#32953

G8 Education Limited | ACN 123 828 553

A Suite 27 Pegasus Centre, 42 Bundall Road, Bundall QLD 4217 P PO Box 7092 Gold Coast MC QLD 9726  
P 07 5581 5300 F 07 5581 5311 W [www.g8education.com](http://www.g8education.com) E [reception@g8education.com](mailto:reception@g8education.com)



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Managing Director, Chris Scott, will oversee the Singapore operations as well as the existing operations in Australia. He has been a permanent resident of Singapore for many years and has over 30 years' business experience in Singapore and South East Asia.

Sam Yap and Gurchran Singh (alternate), founders of Cherie Hearts will join the board of G8 Education

## Cherie Hearts Centres

Business Models	Total centres	Number of places
Owned centres at completion	18	1503
Franchised centres – in operation	48	3705
Franchised centres – signed agreements and pending confirmation of licence	23	To be finalised once licences are issued
Enrichment Company	1	-
Teacher Training Company	1	-
<b>Total licence capacity</b>		<b>5208</b>



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## Company Background – Cherie Hearts

<b>Name:</b> Cherie Hearts  	<b>Centres:</b> 66
	<b>Places:</b> 5208
	<b>Established:</b> 2001
	<b>Based:</b> Singapore

Cherie Hearts Group International Pte Ltd (Cherie Hearts) is the largest private child care operator Singapore.

Cherie Hearts was founded by Sam Yap and Gurchran Singh in 2001. Cherie Hearts started with a single child care centre on Singapore’s east coast. Cherie Hearts offers both an ownership and franchise model.

Cherie Hearts provides quality child care and pre-school education to children aged between 2 months and 12 years of age, and offers bi-lingual (English and Chinese Mandarin) full day and half day programs to children across a number of programs:

- *Infant care:* for child aged 2 months to 18 months;
- *Playgroup 1 (P1):* for children aged 18 months to 2 years;
- *Playgroup 2 (P2):* for children aged 2 to 3 years;
- *Nursery:* for children aged 3 – 4 years;
- *Kindergarten 1 (K1):* for children aged 4 to 5 years;
- *Kindergarten 2 (K2):* for children aged 5 to 6 years; and
- *Before and After School Care (BASC):* for children aged 7 years to 12 years.

### Market

Cherie Hearts currently caters for approximately 5,000 households in Singapore.

There are approximately 849 child care and infant centres in Singapore, with an average of 75 children per centre. The department governing child care services in Singapore, the Ministry of Community Development, Youth and Sports (MCYS) has plans to approve approximately 200 more child care centres across Singapore over the next 5 years.

Approximately half of the centres in Singapore are operated by voluntary organisations, and includes organisations funded by the Singapore government.

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## Curriculum

Cherie Hearts provides an integrated education service, focusing on the physical, intellectual, emotional, social and literacy development of children. They have developed a '*child approach*' curriculum - children holistically inquire to learn and develop, that develops children from 2 to 17 months ("My First Journey"), 18 months to 4 years old ("Jump Start Years") and 4 years to 6 years old ("Bridging Years") catering for their year to year developmental growth.

The Cherie Hearts curriculum gives children the autonomy through its *child approach* curriculum. This approach is crafted using local context settings that enhance children's learning through concrete, attention-grabbing and meaningful experiences, at the same time children also learn to understand and appreciate their learning environment in the centre and also the environment around them. They will also be exposed to multi-cultural settings and values that are incorporated in our curriculum.

The curriculum focuses on promoting the growth of the child in all areas of development - physical, social, emotional, cognitive and language and the curriculum's focal point is to develop the whole child.

The *My First Journey* program consists of activities that stimulate the development of the various developmental domains (PIESL) and could help to meet the needs of every infant and toddler (2-17 months). The curriculum includes baby gym, music and movement.

The *Jump Start Years* program for Playgroup 1 and 2 children introduces concrete learning experiences to develop and lay a solid foundation for children in developmental areas such as fine and gross motor skills, cognitive domain, aesthetic and affective domain and language acquisition. The curriculum includes art and crafts, story telling, and music and movement,

The *Bridging Years* program for Nursery, Kindergarten 1 and 2 enhances what the children have been exposed to in the Jump Start Years, extending and expanding their learning experiences to further develop children in developmental areas such as environmental awareness, language and literacy, mathematical thinking, physical development, creative and aesthetic development, self and social awareness. The curriculum includes literacy reading program, math discovery, science exploration, artistic expressions, computer skills, social studies, projects and creative writing.

For K2 children, Cherie Hearts offers the School Readiness Programme, a holistic approach designed specially to help the children transit smoothly from pre-school to the formal system in Primary School. The School Readiness Programme with emphasis on academic achievements and helps nurture and prepare the children for the social and emotional adjustments that they will face in the Primary One school setting.

## Enrichment Program

The enrichment company, *The Children's Repertoire Pte Ltd*, is wholly owned by Cherie Hearts and provides both proprietary and external enrichment programs to Cherie Hearts' centres. The current programs available are:

- *The Theatrical Kids' (Chinese)*: this is a performing arts program where children experience different forms of art and theatre. The programs are conducted by performing arts specialists, and caters for children aged 3 to 6
- *Acts of Life Speech and Drama*: this program integrates performing arts elements of drama, dance, music and visual arts.
- *GIM Sports*: this program is a highly interactive gymnastics and fitness program for children aged 2 to 6.

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- *Lego Robotics*: this program uses Lego pieces to create moving objects with the assistance of software programming. This program cultivates analytical skills through the art of play.
- *Kindermusik*: this program has been established for 30 years internationally. It focuses on the importance of fundamentals music before learning an instrument. The components include awareness and sensitivity for beat, rhythm, meter, pitch, pitch relativity, tonality music concepts and literacy, for children aged 2 to 6.
- *Future Kids*: this is an interactive computer mastery program for children aged 4 to 6 years. In addition to developing children in the use of technology, the program also promotes learning of the English language, science and general knowledge.
- *WOW Art*: this is a children's art program specially developed to affirm, encourage and inspire children to develop their artistic ability and pursue their own unique artistic expression.
- *Kickin' Tots*: a sports enrichment program tailored for children aged 2 to 6 years. With an emphasis on fun, the program is designed to develop motor-skills, self-confidence and promote physical fitness in young children by combining aerobic movement with ball play.

## Professional development

Cherie Hearts owns 51% of the issued capital in *The First Learning and Training Centre Pte Ltd*. This centre provides education to child care professionals at certificate and diploma levels in early childhood education. The centre is accredited by the Singaporean Ministry of Community Services, Youth and Sport and the Ministry of Education.

## Awards

Cherie Hearts Group has been received more than 30 national and regional awards over the past 5 years:



- *Singapore Promising Brand Award* : awarded by Association of Small & Medium Enterprises and Lian He Zao Bao to organisations that have established a good brand in Singapore

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- *Singapore Promising Franchisor Award 2005*: awarded by Franchise & Licensing Association of Singapore to promising franchisors that have a systematic and promising franchising track record
- *Shell Livewire Young Business Start Up Award 2005 (Champion Winner)*: awarded by Shell and ITE for young entrepreneurs who have established an excellent start up business
- *MCYS Family Day Care Services (FDCC) Centres*: awarded by Ministry of Community Development, Youth and Sports for 6 out of 700 child care centres selected to pilot the FDCC
- *People Developer Standard*: awarded by MCYS for organisations that are active in promoting family life balance activities
- *Singapore Work Alliance for Work and Family*: awarded by MCYS for organisations who work together to share best practices in promoting family life balance activities
- *COOL child care centres*: awarded by SPRING Singapore for child care centres that adopt best practices in hygiene management
- *Deputy Registrar of Marriages*: awarded by Registry of Marriages and MCYS for individuals who contribute extensively in family and community activities
- *Work Life Excellence Award 2006*: awarded by Tripartite Committee on Work Life Strategy
- *Work Life Leadership Aware*: awarded by Tripartite Committee on Work Life Strategy
- *Singapore Prestige Brand Award 2008 – CitiBusiness Regional Brands*: awarded by the Association of Small and Medium Enterprises, Lianhe Zaobao and CitiBank
- *Healthy Eating Award*: awarded by Health Promotion Board
- *Singapore Prestige Brand Award 2008 – Established Businesses*: awarded by the Association of Small and Medium Enterprises and Lianhe Zaobao
- *Singapore Promising Franchisor Award 2006*: awarded by Franchise and Licensing Association of Singapore to promising franchisors that have a systematic and promising franchising track record
- *Ernst & Young Entrepreneur of the Year Award 2006*
- *Pro-Family Business Mark 2007*: awarded by Singapore Productivity Association and supported by MCYS
- *Entrepreneur of the Year, 2007*: organised by the Association of Small and Medium Enterprise and the Rotary Club of Singapore
- *Singapore Prestige Brand Award for Established Brands 2007*: organised by the Association of Small and Medium Enterprise and Lianhe Zaobao
- *Professional Enterprise Award 2007*: awarded by Asian Management Association
- *Professional Enterprise Award 2007 for Significance in Corporate Vision*: awarded by Asian Management Association
- *Member, Franchising and Licensing Association, Singapore*

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