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Wisdom Education International Holdings Company Limited

睿見教育國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6068)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2017

HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of RMB0.026 (equivalent to HK\$0.030) per share. Together with the interim dividend paid of RMB0.024 (equivalent to HK\$0.027) per share, total dividend will be RMB0.05 (equivalent to HK\$0.057) per share for the year ended 31 August 2017.

	As at 1 September		Change	Percentage Change
	2016	2015		
Total number of students enrolled	31,788	27,644	+4,144	+15.0%
	Year ended 31 August		Change	Percentage Change
	2017	2016		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	979,140	700,741	+278,399	+39.7%
Gross profit	449,851	330,389	+119,462	+36.2%
Profit for the year	200,195	154,363	+45,832	+29.7%
Core net profit (Note)	248,517	185,775	+62,742	+33.8%

Note:

Core net profit is defined as the profit for the year of the Group after adjusting for those items which are not indicative of the Group's operating performance. For details of the reconciliation of the profit for the year to the core net profit of the Group, please refer to the section headed "Financial Review" in this announcement.

	As at 31 August		Change	Percentage Change
	2017	2016		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Deferred revenue	436,778	365,005	+71,773	+19.7%

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2017

The board (the “**Board**”) of directors (the “**Directors**”) of Wisdom Education International Holdings Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 August 2017. These annual results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2017

	<i>NOTES</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	4	979,140	700,741
Cost of revenue		<u>(529,289)</u>	<u>(370,352)</u>
Gross profit		449,851	330,389
Other income	5	10,999	7,499
Other gains and losses	6	(26,173)	(6,201)
Selling expenses		(17,063)	(13,271)
Administrative expenses		(125,765)	(93,945)
Listing expenses		(10,257)	(24,401)
Finance income	7	6,931	64,105
Finance costs	8	<u>(18,216)</u>	<u>(69,640)</u>
Profit before taxation		270,307	194,535
Taxation	9	<u>(70,112)</u>	<u>(40,172)</u>
Profit and total comprehensive income for the year	10	<u>200,195</u>	<u>154,363</u>
Attributable to:			
Owners of the Company		200,233	154,367
Non-controlling interests		<u>(38)</u>	<u>(4)</u>
		<u>200,195</u>	<u>154,363</u>
Earnings per share			
Basic (RMB)	12	<u>0.11</u>	<u>0.10</u>
Diluted (RMB)	12	<u>0.11</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2017

	<i>NOTES</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,779,440	1,344,405
Prepaid lease payments		298,816	226,324
Investment properties		20,100	19,700
Deferred tax assets		6,376	2,775
Deposits for acquisition and construction of property	13	163,264	—
Pledged bank deposits	14	197,919	—
Prepayments for construction to a related company		262,047	170,000
		<u>2,727,962</u>	<u>1,763,204</u>
CURRENT ASSETS			
Inventories — goods for sale		8,816	4,522
Deposits, prepayments and other receivables	13	25,633	30,416
Amounts due from related parties		6,901	550,830
Prepaid lease payments		7,324	5,698
Pledged bank deposits	14	177,540	—
Bank balances and cash		378,051	103,705
		<u>604,265</u>	<u>695,171</u>
CURRENT LIABILITIES			
Deferred revenue	15	423,115	365,005
Trade payables		58,617	39,936
Other payables and accrued expenses	16	334,734	207,549
Amounts due to related parties		—	339,788
Income tax payable		122,438	58,218
Borrowings	17	154,900	142,279
		<u>1,093,804</u>	<u>1,152,775</u>
NET CURRENT LIABILITIES		<u>(489,539)</u>	<u>(457,604)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,238,423</u>	<u>1,305,600</u>
CAPITAL AND RESERVES			
Share capital		18,026	—
Reserves		1,727,864	830,775
Equity attributable to owners of the Company		1,745,890	830,775
Non-controlling interests		(38)	—
		<u>1,745,852</u>	<u>830,775</u>
NON-CURRENT LIABILITIES			
Borrowings	17	466,900	465,421
Deferred revenue	15	13,663	—
Deferred tax liabilities		12,008	9,404
		<u>492,571</u>	<u>474,825</u>
		<u>2,238,423</u>	<u>1,305,600</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 26 January 2017.

The Company is an investment holding company. The principal activities of the Group are provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company. The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 August 2017, the Group recorded net current liabilities of RMB489,539,000 (2016: RMB457,604,000). In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group’s cash flow projection, unutilised bank facilities and the Group’s future capital expenditure in respect of its non-cancellable capital commitments.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers and the related Amendments ²
IFRS 16	Leases ³
IFRS 17	Insurance Contracts ⁵
IFRIC 22	Foreign Currency Transactions and Advance Consideration ²
IFRIC 23	Uncertainty over Income Tax Treatments ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to IAS 40	Transfers of Investment Property ²
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle except for amendments to IFRS 12 ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2021

4. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of education services in the PRC.

Revenue represents service income from tuition fees, boarding fees and ancillary services less returns, discounts and sales related tax.

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer who reviews revenue analysis of the Group as a whole.

Information reported to the CODM, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

The revenues attributable to the Group's service lines are as follows:

	2017 RMB'000	2016 <i>RMB'000</i>
Tuition fees	596,000	489,561
Boarding fees	75,170	60,555
Ancillary services	307,970	150,625
	<u>979,140</u>	<u>700,741</u>

Major customers

No single customer contributes over 10% or more of total revenue of the Group in both years.

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

5. OTHER INCOME

	2017 RMB'000	2016 <i>RMB'000</i>
Rental income from investment properties	1,116	1,043
Government grants (<i>note</i>)	1,858	1,956
Donations	50	680
Staff quarter income	2,581	2,649
Others	5,394	1,171
	<u>10,999</u>	<u>7,499</u>

Note: Government grants mainly represent non-conditional subsidies from government for organising schools activities and outstanding academic performance of the schools.

6. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 <i>RMB'000</i>
Exchange loss	(26,081)	—
Loss on disposal of property, plant and equipment, net	(155)	(827)
Gain on change in fair value of investment properties	400	1,600
Penalties and late surcharges	(337)	(4,553)
Loss on disposal of subsidiaries	—	(2,353)
Others	—	(68)
	<u>(26,173)</u>	<u>(6,201)</u>

7. FINANCE INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Bank interest income	3,902	155
Imputed interest income on advances to Cinese Group	<u>3,029</u>	<u>63,950</u>
	<u>6,931</u>	<u>64,105</u>

8. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest expense on bank and other borrowings	26,251	80,008
Less: amounts capitalised in the cost of property, plant and equipment	<u>(8,035)</u>	<u>(10,368)</u>
	<u>18,216</u>	<u>69,640</u>

9. TAXATION

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
The income tax expense comprises:		
Current tax:		
PRC EIT	69,115	38,748
Deferred tax	<u>997</u>	<u>1,424</u>
	<u>70,112</u>	<u>40,172</u>

The Company was incorporated in the Cayman Islands and Bright Education BVI was incorporated in the British Virgin Islands (“BVI”) that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

Withholding tax at 10% has been provided for royalty income paid from PRC subsidiaries of the Group to a Hong Kong subsidiary.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit in both years.

All other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% in both years.

10. PROFIT FOR THE YEAR

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	266,059	225,383
— retirement benefit scheme contributions	29,755	21,299
— share-based payments	5,304	—
Total staff costs	<u>301,118</u>	<u>246,682</u>
Depreciation of property, plant and equipment	65,645	49,413
Release of prepaid lease payments	7,173	5,503
Auditors' remuneration	<u>2,510</u>	<u>182</u>

11. DIVIDENDS

During the year ended 31 August 2017, an interim dividend of RMB0.024 per share amounting to RMB48,940,000 was paid to the shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2017 of RMB0.026 per share amounting to RMB53,018,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>200,233</u>	<u>154,367</u>
	2017 <i>'000</i>	2016 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,818,877	1,500,000
Effect of dilutive potential ordinary shares:		
Share options	2,353	—
Over-allotment option	<u>203</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,821,433</u>	<u>1,500,000</u>

The weighted average number of ordinary shares shown above have been arrived at after deducting 1,588,000 shares held by a share award scheme trust.

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share for the years ended 31 August 2016 has been retrospectively adjusted for the effect of the issuance of ordinary shares as part of the group reorganisation and capitalisation issue.

No diluted earnings per share is presented for the year ended 31 August 2016 as the Group had no dilutive potential ordinary shares in issue during the prior year.

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Deposits paid for construction of properties	14,430	3,001
Other deposits	12,387	8,334
Staff advances	1,441	3,660
Other receivables	3,787	3,925
Prepayments	5,852	3,362
Deposits paid for the acquisition of new private schools (<i>note</i>)	151,000	—
Deferred listing expenses	—	8,134
	<u>188,897</u>	<u>30,416</u>
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current	25,633	30,416
Non-current	<u>163,264</u>	—
	<u>188,897</u>	<u>30,416</u>

Note: During the year ended 31 August 2017, deposits of RMB151,000,000 were made to two independent third parties in relation to the acquisition of 70% equity interest of school sponsor's interest in 華南師大粵東實驗學校 (“Jieyang School”), a private school established in the PRC and 70% equity interest in a land parcel currently occupied by Jieyang School. The deposits were subsequently utilised upon the completion of the acquisition on 1 September 2017.

14. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. Deposits amounting to RMB177,540,000 (2016: nil) have been pledged to secure short-term borrowings and are therefore classified as current assets. The remaining deposits amounting to RMB197,919,000 (2016: nil) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

15. DEFERRED REVENUE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Tuition fees	340,890	297,690
Boarding fees	42,742	37,804
Ancillary services	39,199	29,511
Government grants	13,947	—
	<u>436,778</u>	<u>365,005</u>
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current	423,115	365,005
Non-current	13,663	—
	<u>436,778</u>	<u>365,005</u>

16. OTHER PAYABLES AND ACCRUED EXPENSES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Accruals for construction	186,183	115,213
Receipt in advance (<i>note i</i>)	60,000	—
Accrued staff benefits and payroll	19,758	24,044
Accrued listing expenses	17,499	20,037
Other payables	11,723	8,597
Payables for land use right (<i>note ii</i>)	7,948	12,448
Other tax payables	9,644	6,304
Consideration payable for the acquisition of Dongguan Guangzheng Preparatory School (<i>note ii</i>)	4,000	4,000
Discretionary government subsidies receipt in advance	5,506	5,224
Deposits received	3,074	2,693
Receipt on behalf of ancillary services providers	2,554	1,958
Interest payable	1,010	995
Accrued operating expenses	5,198	4,751
Payables to an independent third party relating to international programmes	637	1,285
	<u>334,734</u>	<u>207,549</u>

Notes:

- i. In August 2016, a subsidiary of the Company has entered into an investment agreement with a non-controlling shareholder of a subsidiary to set up a new subsidiary which will engage in provision of middle school and primary school full time education. In January 2017, the Group received an advance payment of RMB60,000,000 from the non-controlling shareholder of a subsidiary. The advance payment received by the Group will be used partially as the capital injection and the working capital for the potential joint development of the new subsidiary of the Company.
- ii: The amounts were interest free, unsecured and repayable on demand.

17. BORROWINGS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Secured borrowings	<u>621,800</u>	<u>607,700</u>
Carrying amounts repayable:		
— Within one year	154,900	142,279
— More than one year, but not exceeding two years	156,900	119,279
— More than two years, but not exceeding five years	212,200	235,337
— More than five years	<u>97,800</u>	<u>110,805</u>
	621,800	607,700
Less: Amounts due within one year shown under current liabilities	<u>(154,900)</u>	<u>(142,279)</u>
	<u>466,900</u>	<u>465,421</u>
The exposure of borrowings:		
— Fixed rate	155,000	23,000
— Variable rate	<u>466,800</u>	<u>584,700</u>
	<u>621,800</u>	<u>607,700</u>

The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowing are as follows:

	2017	2016
Effective interest rate:		
Fixed rates bank borrowings	4.4%–4.8%	4.6%
Variable-rate bank borrowings	4.4%–6.9%	4.6%–4.9%

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and pledged bank deposits.

18. EVENTS AFTER THE REPORTING PERIOD

On 1 September 2017, the Group completed the acquisition of 70% equity interest in Jieyang School and land parcel and all the buildings and facilities thereon currently occupied by Jieyang School with an area of approximately 190 acres (equivalent to approximately 127,000 square metres) from independent third parties, at the consideration of RMB224 million.

Jieyang School are principally engaged in the provision of full spectrum private fundamental education, including primary and middle school in the PRC. The acquisition has been accounted for using purchase method.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL YEAR ENDED 31 AUGUST 2017 (2016/2017 SCHOOL YEAR)

BUSINESS REVIEW

Established in 2003, we were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as at 1 September 2015, according to the report commissioned by Frost & Sullivan (“**Frost & Sullivan Report**”) for the purpose of the Company’s prospectus dated 16 January 2017 (“**Prospectus**”).

Our Schools and Educational Curriculum

During the 2016/2017 school year, we operated six premium private schools in five campuses with a total student enrolment of approximately 31,788 students. Four of these schools were located in Guangdong province, one school was located in Liaoning province and one school was located in Shandong province. Our schools target students primarily from the middle class or above families in China. The following table sets forth the category of education our schools provided in the 2016/2017 school year:

	Primary School	Middle School	High School	International Programmes
Dongguan Guangming School	N/A	√	√	√
Dongguan Guangming Primary School	√	N/A	N/A	N/A
Dongguan Guangzheng Preparatory School	√	√	√	√
Huizhou Guangzheng Preparatory School	√	√	√	N/A
Panjin Guangzheng Preparatory School	√	√	N/A	N/A
Weifang Guangzheng Preparatory School	√	√	N/A	N/A

Our primary and middle schools provide PRC curriculum education to students from grade 1 to 6 and students from grade 7 to 9 respectively. Our high schools mainly provide PRC curriculum education to students from grade 10 to 12. Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School only commenced operations in 2014 and 2016 respectively, and thus no high school has been opened in these schools for the 2016/2017 school year.

We also offer international programmes to certain students who aim to pursue higher education overseas. For instance, the international programme of Dongguan Guangzheng Preparatory School was authorized by the London Examination Board, offering courses designed to prepare high school students for the examinations required for obtaining the International General Certificate of Secondary Education (“**IGCSE**”) and the United Kingdom General Certificate of Education Advanced Level (“**A Level**”) qualification.

Our Educational Philosophy

Our educational objectives are “to serve the society with honesty and integrity through our services” and “to cultivate talents with a warm and loving heart” (以誠心服務社會，以愛心培育人才). To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture worthy and capable, sincere and upright graduates (賢良方正，立德樹人).

Our School Characteristics

All of our schools are boarding schools with on-campus student dormitories. To promote the well-rounded development of our students, we offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture. Our students have made significant achievements in areas such as basketball, track and field, martial arts, music, dance and Chinese calligraphy. For instance, our Dongguan Guangming School high school male basketball team has won various municipal and provincial championships and was the second runner-up in 2017 national high school basketball competition.

Student Placement

For the 2016/2017 school year, over 90% of our high school graduates were admitted to universities in China, and over 20% of our high school graduates were admitted to first-tier universities in China identified in the “University Application and Enrolment Guidelines for Guangdong Province” issued by the Education Examinations Authority of Guangdong Province. In the 2017 PRC national higher education entrance examination, 10 of our high school graduates were admitted to Peking University and Tsinghua University.

Revenue

We derive revenue from tuition fees and boarding fees collected from our students and from ancillary services provided to our students.

<i>Revenue by Service</i>	For the year ended 31 August			
	2017	% of	2016	% of
	RMB'000	Total	RMB'000	Total
Tuition fees	596,000	60.9	489,561	69.9
Boarding fees	75,170	7.7	60,555	8.6
Ancillary services	307,970	31.4	150,625	21.5
Total revenue	979,140	100	700,741	100

Tuition and boarding fees

Our school year normally runs from 1 September to 31 August (including a summer vacation) and each school year is divided into two school terms. Our tuition and boarding fees are generally paid in advance prior to the commencement of each school term, and we initially record such payments as deferred revenue. We then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school year.

Comparing with that for the year ended 31 August 2016, tuition and boarding fees for the year ended 31 August 2017 increased mainly because our overall student enrolment increased and we increased the rates of tuition and boarding fees for certain of our schools where the newly admitted students are subject to the increased fee rates with effect from the 2016/2017 school year.

Ancillary services

In order to enhance the quality of student life on campus where our students normally live in our dormitories from Monday to Friday during school terms, we provide our students with ancillary services, including on-campus canteens, supermarkets and medical rooms, for which we charge separately in addition to tuition and boarding fees.

During the year ended 31 August 2017, we commenced to provide additional services to our students, including the arrangement of school bus and the provision of school uniform and study tours. Comparing with that for the year ended 31 August 2016, revenue from ancillary services for the year ended 31 August 2017 increased significantly, primarily due to the provision of additional ancillary services to our students and the increase in the number of students who spent for the relevant services at our schools.

<i>Revenue by School</i>	For the year ended 31 August			
	2017	% of	2016	% of
	RMB'000	Total	RMB'000	Total
Dongguan Guangming School and Dongguan Guangming Primary School	531,055	54.2	428,000	61.0
Dongguan Guangzheng Preparatory School	285,607	29.2	194,691	27.8
Huizhou Guangzheng Preparatory School	111,318	11.4	59,742	8.6
Panjin Guangzheng Preparatory School	35,780	3.7	18,308	2.6
Weifang Guangzheng Preparatory School	15,380	1.5	—	—
Total	979,140	100	700,741	100

<i>Revenue by Province</i>	For the year ended 31 August			
	2017	% of	2016	% of
	RMB'000	Total	RMB'000	Total
Guangdong	927,980	94.8	682,433	97.4
Liaoning	35,780	3.7	18,308	2.6
Shandong	15,380	1.5	—	—
Total	979,140	100	700,741	100

For the year ended 31 August 2017, revenue from all of our schools increased primarily due to the increase in student enrolment of the respective school. In addition, with effect from the 2016/2017 school year, we increased the tuition and boarding fees for Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School where the newly admitted students are subject to the increased fee rates.

Revenue contributions from Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, as a percentage of total revenue, increased significantly primarily due to the significant increase in student enrolment of these schools. Weifang Guangzheng Preparatory School commenced its operation in September 2016.

Our schools in Guangdong province remained as the major revenue contributors in both financial years.

Student Enrolment

For each of the school years 2014/2015, 2015/2016 and 2016/2017, the number of students withdrawn from our schools was less than 1% of the total student enrolment as at the beginning of the respective school year. The following tables set forth the student enrolment as at the beginning of each of the 2016/2017 and 2015/2016 school years:

<i>Student Enrolment by School</i>	As at 1 September			Percentage Change
	2016	2015	Change	
Dongguan Guangming School	10,510	10,417	+93	+0.9%
Dongguan Guangming Primary School	5,973	5,959	+14	+0.2%
Dongguan Guangzheng Preparatory School	9,094	7,768	+1,326	+17.1%
Huizhou Guangzheng Preparatory School	3,903	2,500	+1,403	+56.1%
Panjin Guangzheng Preparatory School	1,590	1,000	+590	+59.0%
Weifang Guangzheng Preparatory School	718	—	+718	N/A
Total number of students	31,788	27,644	+4,144	+15.0%

<i>Student Enrolment by Category</i>	As at 1 September			Percentage Change
	2016	2015	Change	
High school	7,733	6,834	+899	+13.2%
Middle school	12,509	10,748	+1,761	+16.4%
Primary school	11,199	9,759	+1,440	+14.8%
International programmes	347	303	+44	+14.5%
Total number of students	31,788	27,644	+4,144	+15.0%

Our total student number increased and the number of our primary and middle school students increased significantly primarily due to the expansion of capacity for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and the commencement of primary and middle school operation of Weifang Guangzheng Preparatory School with effect from 1 September 2016. The student number of each of Dongguan Guangming School and Dongguan Guangming Primary School remained relatively stable as land area of these campuses has been almost fully utilized.

As at 1 September 2016, the percentages of high school, middle school, primary schools and international programmes were approximately 24.3%, 39.4%, 35.2% and 1.1% of the total number of students, respectively, which remained relatively stable comparing with those as at 1 September 2015.

Student Recruitment

For recruiting our high school students, we participate in the unified admission procedure administered by the relevant Educational Bureau in the PRC and generally admit middle school graduates who have applied to our schools through the unified admission system and have reached or exceeded the standardized test scores required by us. We also recruit a limited number of specialty students who have sports, music or art talents for our high schools each school year and administer additional tests to evaluate applicants' skills in the respective specialty area.

For recruiting our middle school students, we generally admit primary school graduates who have achieved the requisite scores in admission tests administered by us.

For recruiting our primary school students, we require applicants to participate in on-campus interviews.

For the 2016/2017 school year, over 80.0% of our primary school graduates enrolled in our middle schools, and over 50% of our middle school graduates enrolled in our high schools.

Average Tuition and Boarding Fees Per Student

	For the year ended 31 August			
	2017	2017	2016	2016
	Tuition and	Average	Tuition and	Average
	boarding fees	per student	boarding fees	per student
<i>Tuition and Boarding Fees by School</i>	<i>RMB'000</i>	<i>RMB</i>	<i>RMB'000</i>	<i>RMB</i>
		<i>(Note)</i>		<i>(Note)</i>
Dongguan Guangming School	245,392	23,348	217,807	20,909
Dongguan Guangming Primary School	120,375	20,153	115,616	19,402
Dongguan Guangzheng Preparatory School	198,335	21,809	155,593	20,030
Huizhou Guangzheng Preparatory School	75,174	19,261	47,117	18,847
Panjin Guangzheng Preparatory School	22,726	14,293	13,983	13,983
Weifang Guangzheng Preparatory School	9,168	12,769	—	—
Overall	<u>671,170</u>	<u>21,114</u>	<u>550,116</u>	<u>19,900</u>

<i>Tuition and Boarding Fees by Category</i>	For the year ended 31 August			
	2017 Tuition and boarding fees RMB'000	2017 Average per student RMB (Note)	2016 Tuition and boarding fees RMB'000	2016 Average per student RMB (Note)
High school	171,019	22,115	137,555	20,128
Middle school	262,948	21,021	211,884	19,714
Primary school	214,008	19,110	181,285	18,576
International programmes	23,195	66,844	19,392	64,000
Total tuition and boarding fees	<u>671,170</u>	<u>21,114</u>	<u>550,116</u>	<u>19,900</u>

Note:

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective year end by the number of student enrolment as at the beginning of the respective school year. As the number of students withdrawn from our schools was less than 1% of the total student enrolment as at the beginning of each of school years 2014/2015, 2015/2016 and 2016/2017, no average student enrolment for the respective year end is presented for the calculation of the average tuition and boarding fees per student.

The average tuition and boarding fees per student for each of Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School increased for the year ended 31 August 2017, primarily due to the increase in the tuition and boarding fees for the newly admitted students in these schools with effect from the 2016/2017 school year.

School Capacity and Utilization

As all of our schools are boarding schools, the capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal records and calculations. School utilization rate is calculated by dividing the number of students enrolled by the student capacity at the beginning of relevant school year. The following tables set forth the capacity for students and utilization of our schools as at the beginning of each of the school years 2016/2017 and 2015/2016:

<i>Student Capacity and Utilization by School</i>	As at 1 September 2016		As at 1 September 2015	
	Student Capacity	Utilization	Student Capacity	Utilization
Dongguan Guangming School	10,744	97.8%	10,532	98.9%
Dongguan Guangming Primary School	6,060	98.6%	6,062	98.3%
Dongguan Guangzheng Preparatory School	9,706	93.7%	9,038	85.9%
Huizhou Guangzheng Preparatory School	4,024	97.0%	3,465	72.2%
Panjin Guangzheng Preparatory School	1,866	85.2%	1,455	68.7%
Weifang Guangzheng Preparatory School	752	95.5%	—	—
Overall	<u>33,152</u>	<u>95.9%</u>	<u>30,552</u>	<u>90.5%</u>

<i>Student Capacity and Utilization by Category</i>	As at 1 September 2016		As at 1 September 2015	
	Student Capacity	Utilization	Student Capacity	Utilization
High school	8,294	93.2%	8,112	84.2%
Middle school	12,924	96.8%	11,288	95.2%
Primary school	11,554	96.9%	10,836	90.1%
International programmes	380	91.3%	316	95.9%
Overall	<u>33,152</u>	<u>95.9%</u>	<u>30,552</u>	<u>90.5%</u>

Total student capacity increased from 30,552 as at 1 September 2015 (for the 2015/2016 school year) to 33,152 as at 1 September 2016 (for the 2016/2017 school year) primarily due to the commencement of operation of Weifang Guangzheng Preparatory School in the 2016/2017 school year and an increase in capacity of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School. The student capacity and utilization for each of Dongguan Guangming School and Dongguan Guangming Primary School remained relatively stable as the land areas of these campuses have been almost fully utilized. The overall utilization increased mainly because the student enrolment of each of our schools increased.

For details of the expansion of our schools' capacity, please refer to the section headed "Outlook" in this announcement.

Teachers

As at 1 September 2016, over 79% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from 1,666 as at 1 September 2015 to 1,960 as at 1 September 2016 primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the opening of Weifang Guangzheng Preparatory School. The overall student-teacher ratio remained relatively stable.

Teacher Turnover Rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low cost accommodation on campus or close to our schools. For the 2016/2017 school year, the turnover rate of our teachers was below 10%.

RECENT BUSINESS UPDATE (FOR THE 2017/2018 SCHOOL YEAR)

Acquisition of Huanan Shida Yuedong Preparatory School* (華南師大粵東實驗學校) (“Jieyang School”)

On 19 June 2017, a consolidated affiliated entity of the Company (“**Consolidated Entity**”) entered into an agreement with an independent third party (“**Seller A**”), pursuant to which the Consolidated Entity agreed to acquire and Seller A agreed to sell 70% of the school sponsor’s interest in Jieyang School at a consideration of RMB91 million. Jieyang School is a private school located in Jieyang city, Guangdong province providing primary, middle and high school education, with approximately 3,200 students in the 2016/2017 school year. On the same day, the Consolidated Entity entered into another agreement with Seller A and another independent third party (collectively, the “**Sellers**”), pursuant to which the Consolidated Entity agreed to acquire and the Sellers agreed to sell 70% interest in the land, buildings and facilities thereon currently occupied by Jieyang School (“**Assets**”) at a consideration of RMB133 million. Please refer to the Company’s announcement dated 19 June 2017 for further details of the acquisition.

The financial statements of Jieyang School and the Assets were consolidated in the consolidated financial statements of the Group with effect from 1 September 2017. The name of Jieyang School will be changed upon completion of the necessary procedures.

* For identification purposes only

Student Enrolment Growth as at 1 September 2017

<i>Student Enrolment by School</i>	As at 1 September		Change	Percentage Change
	2017	2016		
Existing schools:				
Dongguan Guangming School	10,507	10,510	-3	-0.1%
Dongguan Guangming Primary School	5,970	5,973	-3	-0.1%
Dongguan Guangzheng Preparatory School	10,620	9,094	+1,526	+16.8%
Huizhou Guangzheng Preparatory School	6,011	3,903	+2,108	+54.0%
Panjin Guangzheng Preparatory School	2,170	1,590	+580	+36.5%
Weifang Guangzheng Preparatory School	1,401	718	+683	+95.1%
	36,679	31,788	+4,891	+15.4%
New school:				
Jieyang School (acquired in 2017)	4,501	N/A	+4,501	N/A
Total number of students	41,180	31,788	+9,392	+29.5%

The increase in student enrolment by 9,392, or 29.5%, was partly due to 15.4% organic growth in student enrolment of the existing schools of the Group and partly due to 14.1% growth as a result of the acquisition of Jieyang School.

New High Schools Opened

A new high school section was opened in each of Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School with effect from 1 September 2017.

Major Tuition and Boarding Fees Increments

With effect from 1 September 2017, new primary and middle school students of Weifang Guangzheng Preparatory School are subject to new tuition and boarding fees increments of more than 25% whereas new primary and middle school students of Panjin Guangzheng Preparatory School are subject to new tuition and board fees increments of more than 6%.

Expansion of Schools' Capacity

As the overall schools' utilization rate was about 95.9% for the 2016/2017 school year, the Group has expanded its student capacity in order to cope with the growth in student enrolment in the next two school years. The overall student capacity increased from 33,152 as at 1 September 2016 to 49,804 as at 1 September 2017, representing a year-on-year growth of about 50.2%.

For details below of the expansion of capacity for each of our schools, please refer to the section headed "Outlook".

Number of Teachers

The number of teachers increased from 1,960 as at 1 September 2016 to 2,580 as at 1 September 2017, primarily due to our continued expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and the acquisition of Jieyang School.

MARKET REVIEW

Private education was first allowed in China by law in early 1980s to bridge the shortage of public education resources. Private education has experienced rapid growth and become an important segment in the PRC education system.

Student Enrolment of Primary and Secondary Education in China

According to the Frost & Sullivan Report, the overall number of both public and private primary and secondary schools' students in China is expected to increase from 166.0 million students in 2016 to 171.8 million students in 2020, whereas the total number of private primary and secondary schools' students in China is expected to increase from 15.3 million students in 2016 to 18.5 million students in 2020.

Our Market Position in South China

According to the Frost & Sullivan Report, the total number of private primary and secondary schools' students in South China is expected to increase from 3.4 million in 2016 to 4.0 million in 2020.

Premium private schools in China are defined to include private schools whose annual tuition fee is higher than the average per student public fiscal budget on education of the province they operate in, and these schools generally offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium private schools, according to the Frost & Sullivan Report.

In the 2015/2016 school year, the number of students enrolled in premium private primary and secondary schools in South China accounted for approximately 29% of the total student number in private primary and secondary schools in South China, and we were the largest provider of premium private primary and secondary education in South China, in terms of student enrolment, with a market share of approximately 2.8%, according to the Frost & Sullivan Report.

OUTLOOK

Growth Drivers of Premium Private Education in China

i) Growing Number of Middle and High Income Class Families in China

According to the report released by The Economist Intelligence Unit in 2016, it is expected that about 35% of China's population by 2030 will belong to the upper-middle income class and high income class whose annual personal disposal income measured in 2015 prices range from RMB67,000 to RMB200,000 and above RMB200,000, respectively.

We expect that the growth in the number of these middle and high income class families and the rise in their corresponding disposable income may drive their spending on premium private fundamental education. Parents from these families normally consider premium private education as a preferred choice of education for their children because premium private schools generally focus more on developing quality all-rounded education and provide better facilities and ancillary services, helping students to gain better access to top universities in China.

According to the Frost & Sullivan Report, the overall penetration rate of private primary and secondary school, in terms of student enrolment, increased from 7.6% in 2012 to 9.0% in 2015 and it is expected that the penetration rate of private primary and secondary schools will continue to increase from 9.3% in 2016 to 10.8% to 2020.

ii) China's Two-child Policy

The Chinese government decided to end the one-child policy in October 2015 after more than three decades, allowing couples to have two children. According to the National Bureau of Statistics of China, the total number of live births in China in 2016 was approximately 17.9 million, representing an increase of more than 1 million compared with that of 2015. In particular, the number of newborn babies in Guangdong province in the same year was approximately 1.3 million, with a live birth rate of about 11.9%.

We expect that middle and high income class families will generally afford to have two children under this new policy and accordingly, this policy change will benefit premium private primary and secondary schools in the medium and long term.

iii) A Supplement to Chinese Public Schools

Generally, it is difficult for Chinese students to get enrolled in quality public schools in local cities in China due to limited public education resources and locality restrictions such as those relating to students' registered permanent residence. Furthermore, education resources in public schools are generally not distributed equally in China. Premium private schools usually have more flexible enrolment plan and less restricted admission requirements, and can thus provide a supplement to quality public schools in China.

iv) The Development of Guangdong-Hong Kong-Macau Greater Bay Area

According to the Chinese government statistics, the gross domestic product (“GDP”) of Guangdong province reached about RMB7.9 trillion and the population was about 109 million in 2016, both of which were ranked first in China. In March 2017, the Chinese government announced a plan for the development of a city cluster in the Guangdong-Hong Kong-Macau Greater Bay Area (“Greater Bay Area”). The Greater Bay Area, covering 56,500 square kilometres, includes 9 cities in Guangdong province — Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing. The combined GDP of the Greater Bay Area reached United States Dollar 1.36 trillion in 2016, with an estimated population of 66.7 million.

The key initiative of developing Greater Bay Area is to connect the 11 cities which can combine resources in the areas of production, innovation and technology, financial and other services. It is expected that the development of the Greater Bay Area will further improve the transportation and the infrastructure in the relevant cities, facilitating the flow of capital and human resources from other regions in China to the Greater Bay Area. We expect that the Greater Bay Area development will boost the economy and provide more business opportunities for supporting social services such as premium private primary and secondary school education in Guangdong province.

Our Growth Plan

Geographic Focus in Guangdong Province

We are optimistic about the strong demand for private education in Guangdong province backed by the development of the Greater Bay Area. As such, we will focus on our expansion primarily in Guangdong province. However, we will not exclude any feasible expansion opportunity outside Guangdong province. When selecting a location for our expansion, we consider various factors including economic development, population, average household income, number of school-aged children, birth rate, social and cultural environment, government support, competition and the relevant costs and benefits for operating a private school in that location.

Expansion Strategies

In order to sustain our growth, we intend to (i) expand our school network through acquisition of local private schools, (ii) establish more greenfield schools and (iii) increase the capacity of our schools.

I) Acquisition of Local Private Schools

We are in the process of negotiating with certain independent third parties to acquire certain private schools providing private primary and secondary education in China. As at the date of this announcement, the Group has not entered into any formal or legal-binding agreement in relation to the proposed acquisitions. The proposed acquisitions may or may not proceed and further announcement(s) will be made as and when necessary.

II) Establishment of Own Greenfield Schools with Local Government

a) New School Under Construction — Expected Date of Commencement in September 2018

Yunfu, Guangdong province

On 19 July 2016, the Group entered into a cooperation agreement with the local government of Yunfu, Guangdong province to establish a school in Yunfu, providing, among other things, primary, middle and high school education, with a target maximum capacity of 10,680 students. Pursuant to the cooperation agreement, the local government of Yunfu agreed to allocate a parcel of land to the Group for educational purposes at a designated price and provide certain preferential policies and assistance to the school to facilitate its construction and operation, whereas the Group is responsible for the construction of the school properties in several phases. It was originally expected that the school should have commenced operation in September 2017. However, since that the local government of Yunfu has recently identified another parcel of land with a larger site area and a better location than the original one allocated to the Group, the Group and the local government of Yunfu, from a future expansion perspective, have agreed to reschedule the commencement date of the school to September 2018.

Guang'an, Sichuan province

On 4 May 2016, the Group entered into a cooperation agreement with the local government of Guang'an, Sichuan province and the management committee of Guang'an Zaoshan Logistics and Trade Park to establish a new school in Guang'an, providing, among other things, primary, middle and high school education, as well as international programmes, with a target maximum capacity of approximately 9,280 students. Pursuant to the cooperation agreement, the local government of Guang'an agreed to allocate a parcel of land to the Group for educational purposes and provide certain preferential policies and assistance to the school to facilitate its construction, whereas the Group is responsible for the construction of the school in several phases. It was originally expected that the school should have commenced operation in September 2017. Due to the delay in obtaining the assistance from the local government of Guang'an to facilitate the school construction, the Group and the local government of Guang'an agreed to reschedule the commencement date of the school to September 2018.

b) Exploring more opportunities in Guangdong province

We are in the process of negotiating with certain local governments in the cooperation of the development of private primary and secondary schools in certain cities located in Guangdong province. As at the date of this announcement, we have not signed any formal or legal-binding agreement in relation to the proposed cooperation.

III) Expansion of Capacity of Our Schools

Except for that the land areas of Dongguan Guangming School and Dongguan Guangming Primary School campuses have been almost fully utilized, we will continue to increase the capacity of other schools where their campuses have extra land areas for our expansion in order to cope with the future growth in student enrolment of the relevant schools.

However, the expansion of our schools' capacity is subject to adjustment, depending on their actual student recruitment and capacity utilization. The following table sets out the expansion of each school's capacity and its target capacity:

	Student Capacity as at 1 September 2016	Estimated Student Capacity as at 1 September 2017	Target Student Capacity (Notes)
Existing Schools			
Dongguan Guangming School	10,744	10,744	10,744
Dongguan Guangming Primary School	6,060	6,060	6,060
Dongguan Guangzheng Preparatory School	9,706	13,500	15,226 ⁽¹⁾
Huizhou Guangzheng Preparatory School	4,024	8,000	9,464 ⁽¹⁾
Panjin Guangzheng Preparatory School	1,866	2,500	6,200 ⁽¹⁾
Weifang Guangzheng Preparatory School	752	4,000	8,000 ⁽¹⁾
Jieyang School (acquired in 2017)	N/A	5,000	18,000 ⁽²⁾
Sub-total	<u>33,152</u>	<u>49,804</u>	<u>73,694</u>
Greenfield Schools Under Construction			
— Expected commencement in September 2017			
Yunfu Guangzheng Preparatory School	—	—	7,000 ⁽³⁾
Guang'an Guangzheng Preparatory School	—	—	7,860 ⁽⁴⁾
Sub-total	<u>—</u>	<u>—</u>	<u>14,860</u>
Total	<u><u>33,152</u></u>	<u><u>49,804</u></u>	<u><u>88,554</u></u>

Notes:

- (1) The target student capacity for each of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School is calculated based on the estimated number of students that the student dormitories of the respective school were designed to accommodate according to the relevant school expansion plans by the 2020/2021 school year or earlier. The expansion of each school's target student capacity is subject to adjustment, depending on the actual student recruitment and the capacity utilization of the relevant school.
- (2) The People's Government of Jiedong agreed to provide support to the Group in the provision of additional land for the expansion of Jieyang School in the future with a view to accommodate the maximum student capacity of 18,000. The expansion of Jieyang School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.
- (3) The target student capacity of 7,000 for Yunfu Preparatory School is based on the initial total capacity for primary school, middle school and international programme students (i.e. without high school) as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Yunfu Preparatory School is estimated to be 10,680 students, which is based on the final total capacity for primary, middle and high school education, and international programme as set forth in the relevant cooperation agreement. The expansion of Yunfu Preparatory School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.
- (4) The target student capacity of 7,860 for Guang'an Guangzheng Preparatory School is based on the initial total capacity for primary school, middle school and international programme students (i.e. without high school) as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Guang'an Guangzheng Preparatory School is estimated to be 9,280 students, which is based on the final total capacity for primary, middle and high school and international programme students as set forth in the relevant cooperation agreement. The expansion plan of Guang'an Guangzheng Preparatory School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.

Future Capital Expenditure and Financing

We expect that the Group's future capital expenditure will primarily be financed by its net proceeds from the Company's listing on the Stock Exchange in January 2017 ("**Listing**") (see the paragraph headed "Use of Proceeds" below), cash flow generated from operating activities, bank borrowings and other financing options available from capital markets if necessary.

Teacher's Recruitment, Training and Retention

We employ our teachers through different channels and methods, including campus recruitment, general public recruitment, candidate self-nominations and the use of online recruiting websites. Our newly hired teachers undergo training programmes in which they familiarize themselves with the requirements and expectations of their respective school and our Group, and get to know their work environment and colleagues. We also provide on-going training programmes for our teachers such as discussion groups, cross-school teacher seminars and outdoor training camps, where our teachers share experiences, enhance teaching skills and improve teamwork.

We reward teachers with high performance evaluations and require teachers who do not meet our expectations to improve within a prescribed period of time. We implement strict rules prohibiting our teachers from accepting gifts of monetary value from parents and students.

Conclusion

We will focus our resources to expand our business in Guangdong province. With our successful expansion track record and multiple expansion strategies, we are confident to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China.

USE OF PROCEEDS

The net proceeds from the Listing (including the partial exercise of the over-allotment option) of approximately HK\$824.9 million (equivalent to approximately RMB730 million), after deducting the underwriting fees, commissions and expenses in relation to the Listing, are intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 16 January 2017.

As at the date of this announcement, the Company has applied the net proceeds as follows:

Use of Proceeds	% of the Net Proceeds	Proceeds Allocated (RMB million)	Amount Utilized (RMB million)	Unutilized Balance (RMB million)
— Expansion of our school network, in particular, through the development of new schools	65%	474.5	89.2	385.3
— Further expansion of three existing schools, namely Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and Panjin Guangzheng Preparatory School	8%	58.4	58.4	—
— Maintenance, renovation and upgrade of two existing schools, namely Dongguan Guangming School and Dongguan Guangming Primary School	2%	14.6	2.3	12.3
— Acquisition of schools to supplement our school network	18%	131.4	91.0	40.4
— Provision of scholarships and subsidies to our students	2%	14.6	1.2	13.4
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	278.6	451.4

The unutilized net proceeds are generally placed in licensed financial institutions as short-term interest-bearing deposits.

REGULATORY UPDATE

Our Schools under The Law for Promoting Private Education

According to the Law for Promoting Private Education (which was effective on 1 September 2003 and was subsequently amended on 29 June 2013) and its implementing rules (which were effective on 1 April 2004) in the PRC, school sponsors of private schools may or may not require reasonable return. Private schools with school sponsors not requiring reasonable returns should be eligible for tax incentives that are the same as public schools, such as enterprise income tax (“EIT”) exemption, subject to the local government and tax bureau’s approval. On the other hand, any preferential tax treatment policies for private schools with school sponsors requiring reasonable returns shall be separately formulated by the relevant authorities. However, there were no formal PRC tax rules or regulations elaborating the tax incentives applicable to private schools with school sponsors requiring reasonable returns and there were no formula or guidelines for determining what constitutes a reasonable return. As such, even though all of our schools were private schools with the school sponsors requiring reasonable returns classified under the Law for Promoting Private Education, our schools were subject to EIT of 25% before the effective date of The Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People’s Congress on 7 November 2016 (“Decision”).

The Decision on Amending the Law for Promoting Private Education

The Decision, which has been effective since 1 September 2017, made certain amendments to the Law for Promoting Private Education of the PRC. The Decision removed the article that school sponsors of private schools may choose to require reasonable returns. According to the Decision, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, except that schools which provide compulsory education (i.e. primary and middle schools offering PRC curriculum) can only be established as not-for-profit entities, and sponsors of not-for-profit schools are not entitled to any distribution of profits from the schools they operate. All operation surplus of not-for-profit schools shall be used for the operation of the schools. Not-for-profit schools are entitled to enjoy EIT exemption as public schools.

The Decision Has No Material Impact on Our Business and Operation

Since 1 September 2017, all of our primary and middle schools providing compulsory education have been classified as not-for-profit schools according to the Decision and we have also decided to change our high schools to not-for-profit schools based on the cost and benefit considerations though implementation regulations in relation to the Decision have not been promulgated. We expect our effective tax rate of the Group, being the income tax divided by profit before taxation, will be reduced if all our schools are classified as not-for-profit schools which are entitled to the same EIT exemption as public schools. Other than those mentioned above, we do not expect the Decision will have material impact on our business and operation.

The Decision Has No Material Impact on Our Group Structure

Our PRC legal adviser has advised us that, the Decision has no material impact on the contractual arrangements (“**Contractual Arrangements**”) adopted in our Group’s variable interest entity structure (“**VIE**”) and that the Contractual Arrangements will remain legal and effective (including the payment of fees pursuant thereunder) after the Decision becomes effective, if the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) (“**Sino foreign Schools Regulation**”), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)) (“**Guidance Catalog**”) and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements adopted in the Group’s VIE structure.

Draft Foreign Investment Law

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation. Accordingly we conduct our private education business in the PRC through a “variable interest entity” structure, or VIE structure, through which we obtain control over and derive the economic benefits from our consolidated affiliated entities.

On 19 January 2015, the Ministry of Commerce of the PRC (中華人民共和國商務部) published the PRC Law on Foreign Investment (Draft for Comment) (《外國投資法(草案徵求意見稿)》) (“**Draft Foreign Investment Law**”) and its accompanying explanatory notes (“**Explanatory Notes**”) proposing major changes to the PRC foreign investment regulatory regime, which was expected to have a significant impact on businesses operated in the PRC by foreign invested enterprises primarily through contractual arrangements, including our business conducted through the Contractual Arrangements.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity (“**FIE**”). Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For companies with a VIE structure in an industry category that is in the “restricted category” on the “negative list”, it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/ are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

As a measure to ensure the Contractual Arrangements remain a domestic investment and are compliant with the Draft Foreign Investment Law, Mr. Liu Xuebin and Ms. Li Suwen, as our controlling shareholders, have each given an undertaking in favour of our Company that, among other things, they will continue to maintain their Chinese nationality and citizenship. Please refer to the sections headed “Regulations” and “Contractual Arrangements” in the Prospectus for further details relating to the Draft Foreign Investment Law and the measures we have adopted to ensure compliance with the Draft Foreign Investment Law and its Explanatory Notes. The Company is not aware of any non-compliance with such measures for the year ended 31 August 2017.

Qualification Requirement

Under the Sino-Foreign Regulation, foreign investors of Sino-foreign joint venture schools must be foreign educational institutions. According to the Sino-Foreign Regulation, such foreign investors must be foreign institutions with relevant qualifications and experience in a foreign country (“**Qualification Requirement**”). As part of our efforts to meet the Qualification Requirement, we entered into a memorandum of understanding with Dewey College on 10 February 2016 with respect to the parties’ proposed cooperation in setting up a private school in Ontario, Canada, as well as other proposed cooperation in international education. As at the date of this announcement, we have already established a subsidiary with Dewey International Holdings Limited for the potential development of the new school in Canada. Please refer to the section headed “Contractual Arrangements” in the Prospectus for further details of our efforts and actions undertaken to comply with the Qualification Requirement.

FINANCIAL REVIEW

Revenue

For the components of our revenue, please refer to the section headed “Management Discussion and Analysis” above.

The Group’s total revenue increased by RMB278.4 million, or 39.7%, from RMB700.7 million for the year ended 31 August 2016 to RMB979.1 million for the year ended 31 August 2017. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB121.1 million and the increase in revenue from ancillary services by RMB157.3 million.

Revenue from tuition and boarding fees increased by 22.0% from RMB550.1 million for the year ended 31 August 2016 to RMB671.2 million for the year ended 31 August 2017, largely due to the increase in total student enrolment by 15.0% from 27,644 as at 1 September 2015 to 31,788 as at 1 September 2016 and the increase in tuition and boarding fee rates of Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School with effect from the 2016/2017 school year.

Revenue from ancillary services increased by 104.5% from RMB150.6 million for the year ended 31 August 2016 to RMB308.0 million for the year ended 31 August 2017, primarily due to the provision of additional services to our students and the increase in the total student enrolment as mentioned in the section headed “Management Discussion and Analysis” above.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of goods sold for ancillary services, which primarily consist of cost of goods sold at our on-campus canteens, (iii) depreciation and amortization on property, plant and equipment and land and buildings used by our schools, (iv) utilities and maintenance costs for our schools and (v) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses.

	For the year ended 31 August			
	2017 <i>RMB'000</i>	% of Revenue	2016 <i>RMB'000</i>	% of Revenue
Staff costs	248,158	25.3	197,501	28.2
Cost of goods sold for ancillary services	168,780	17.2	76,336	10.9
Depreciation and amortization	53,278	5.5	46,739	6.7
Utilities and maintenance	26,689	2.7	26,096	3.7
Education expenses	32,384	3.3	23,680	3.4
Total cost of revenue	<u>529,289</u>	<u>54.0</u>	<u>370,352</u>	<u>52.9</u>

Cost of revenue increased by RMB158.9 million, or 42.9%, from RMB370.4 million for the year ended 31 August 2016 to RMB529.3 million for the year ended 31 August 2017. The increase in cost of revenue was generally in line with the increase in revenue.

Staff costs increased mainly because the number of teachers increased by 17.6% from as 1,666 at 1 September 2015 to 1,960 as at 1 September 2016, primarily attributable to the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the new opening of Weifang Guangzheng Preparatory School. There was no material increase in the salary level of our teachers for the year ended 31 August 2017.

Increase in depreciation and amortisation was primarily to the enhancement and expansion of our Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, and the opening of Weifang Guangzheng Preparatory School with effect from September 2016.

Gross Profit

As a result of the foregoing, gross profit increased by 36.2% from RMB330.4 million for the year ended 31 August 2016 to RMB449.9 million for the year ended 31 August 2017. Our gross margin decreased slightly from 47.1% for year ended 31 August 2016 to 45.9% for the year ended 31 August 2017, primarily due to the change in revenue mix in which the proportion of our revenue from ancillary services increased.

Other Income

Other income primarily consists of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary and non-conditional subsidies we received from the PRC government authorities for organizing school activities and outstanding academic performance of our schools, and (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other Gains and Losses

Other gains and losses for the year ended 31 August 2017 primarily consist of (i) unrealised exchange loss, and (ii) gains arising from change in fair value of investment properties.

Other gains and losses increased from a loss of RMB6.2 million for the year ended 31 August 2016 to a loss of RMB26.2 million for the year ended 31 August 2017. The depreciation of HK\$ against RMB during the year ended 31 August 2017 resulted in the foreign exchange loss of RMB26.1 million for certain bank balances denominated in HK\$.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, (ii) salaries for our marketing staff and (iii) other marketing expenses, which primarily comprise student recruitment bonuses, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools.

Selling expenses increased by 28.6% from RMB13.3 million for the year ended 31 August 2016 to RMB17.1 million for the year ended 31 August 2017, primarily as a result of increased advertising expenses in relation to the marketing and promotion of our Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. However, selling expenses as a percentage of revenue decreased from 1.9% for the year ended 31 August 2016 to 1.7% for the year ended 31 August 2017.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) rental expenses, (iii) depreciation of office buildings and equipment, (iv) office expenses, (v) travel expenses, (vi) entertainment expenses and (vii) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses increased by 34.0% from RMB93.9 million for the year ended 31 August 2016 to RMB125.8 million for year ended 31 August 2017, primarily as a result of the increase in salaries and other benefits in line with the Group's expansion plan. Administrative expenses as a percentage of revenue, however, decreased from 13.4% for the year ended 31 August 2016 to 12.8% for the year ended 31 August 2017.

Finance Income

Finance income consists of (i) imputed interest income on advances to Cinese Group Company Limited (富盈集團有限公司)(the “Cinese Group”); and (ii) bank interest income.

Finance income decreased from RMB64.1 million for the year ended 31 August 2016 to RMB6.9 million for the year ended 31 August 2017 primarily due to the decrease in imputed interest income on advances to Cinese Group as a result of the settlement of majority balances with Cinese Group during the current year.

Finance Costs

Finance costs consist of the interest expenses for bank borrowings less interest capitalized in the cost of property, plant and equipment.

Finance cost decreased from RMB69.6 million for the year ended 31 August 2016 to RMB18.2 million for the year ended 31 August 2017 primarily due to the decrease in average bank borrowings during the current year.

Profit before Taxation

As a result of the foregoing, profit before taxation increased by 39.0% from RMB194.5 million for the year ended 31 August 2016 to RMB270.3 million for the year ended 31 August 2017. Profit before taxation as a percentage of revenue of the Group was 27.6% for the year ended 31 August 2017, which was comparable to that of 27.8% for the year ended 31 August 2016.

Taxation

Income tax expense of the Group increased from RMB40.2 million for the year ended 31 August 2016 to RMB70.1 million for the year ended 31 August 2017, mainly due to the increase in assessable profit of certain subsidiaries of the Company. All of our schools were classified as private schools with the school sponsors requiring reasonable returns before the Decision were effective on 1 September 2017. The effective tax rate of the Group for the year ended 31 August 2017 and the year ended 31 August 2016 was 25.9% and 20.7%, respectively. The increase in the Group's effective tax rates was primarily due to the unrealised exchange loss and share-based payments which were non-deductible for tax purpose.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 30.0% from RMB154.4 million for the year ended 31 August 2016 to RMB200.2 million for the year ended 31 August 2017.

Core Net Profit

The Group defines its core net profit (formerly referred to as adjusted net profit in the Prospectus) as its profit for the year after adjusting for those items which are not indicative of the Group's operating performances as presented in the table below. This is not an IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit of the Group to core net profit for the two financial years presented below:

	For the year ended	
	2017	2016
	RMB'000	RMB'000
Profit for the year	200,195	154,363
Less:		
Imputed interest income on advances to Cinese Group (<i>note</i>)	3,029	63,950
Add:		
Finance costs in relation to advances to Cinese Group (<i>note</i>)	9,709	68,608
Listing expenses (<i>note</i>)	10,257	24,401
Unrealised exchange loss	26,081	—
Loss on disposal of subsidiaries	—	2,353
Share-based payments	5,304	—
Core net profit	<u>248,517</u>	<u>185,775</u>

Note: We do not expect to have these items in coming financial years.

Core net profit for the year ended 31 August 2017 was RMB248.5 million, representing an increase of RMB62.7 million or 33.8% from RMB185.8 million recorded for the year ended 31 August 2016. Core net profit margin decreased from 26.5% for the year ended 31 August 2016 to 25.4% for the year ended 31 August 2017, largely reflected the decrease in gross profit margin.

Capital Expenditure

For the year ended 31 August 2017, the Group paid RMB422.2 million for construction and the acquisition of property, plant and equipment and paid RMB85.8 million for the acquisition of prepaid lease for the expansion of our existing schools.

Liquidity, Financial Resources and Capital Structure

The following table sets forth a summary of our cash flows for the two financial years:

	For the year ended	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities	393,491	337,612
Net cash (used in) from investing activities	(467,008)	251,066
Net cash from (used in) financing activities	373,944	(497,202)
Net increase in cash and cash equivalents	300,427	91,476
Cash and cash equivalents at beginning of the year	103,705	12,229
Effect of foreign exchange rate changes	(26,081)	—
Cash and cash equivalents at end of the year	378,051	103,705

As at 31 August 2017, the Group's total pledged bank deposits, bank balances and cash amounted to RMB753.5 million, of which the majority were denominated in HK\$ and RMB. The increase in pledged bank deposits, bank balances and cash primarily due to the net proceeds received from the Listing.

As at 31 August 2017, the Group's total bank borrowings amounted to RMB621.8 million comprising RMB154.9 million repayable within one year and RMB466.9 million repayable more than one year. Bank borrowings carried interest rates ranging from 4.4% to 6.9% per annum and all of the bank borrowings were denominated in RMB.

The Group recorded net current liabilities of RMB489.5 million as of 31 August 2017 (31 August 2016: RMB457.6 million) primarily as a result of the deferred revenue which represents the tuition fees and boarding fees received in advance prior to the beginning of next school term.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total bank borrowings net of pledged bank deposits, bank balances and cash divided by total equity at the end of the relevant year. The Group was in net cash position as at 31 August 2017. Net gearing ratio as at 31 August 2016 was 60.7%. The decrease in net gearing ratio was primarily due to the increase in the Group's total equity resulted from the issue of new shares of the Company in relation to the Listing.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK\$. As at 31 August 2017, certain bank balances and cash were denominated in HK\$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will only have an insignificant adverse effect on the Group's operation.

Contingent Liabilities

On 19 March 2015, an individual, who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of one of our schools during its establishment for a total amount of RMB5,000,000 and the interests thereof. As at the date of this announcement, the outcome of such legal proceedings was yet to be finalized. In the opinion of the Directors, after consultation with our external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision has been made in the financial statements.

Capital Commitments

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	<u>427,572</u>	<u>231,756</u>

Pledge of Assets

As at 31 August 2017, the Group's bank borrowings were secured by bank deposits and the rights to receive the tuition fees and boarding fees of certain schools of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the acquisition of Jieyang School as disclosed in the section headed "Recent Business Update" above, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2017.

SIGNIFICANT INVESTMENTS HELD

As at 31 August 2017, there was no significant investment held by the Group.

EMPLOYEE BENEFITS

As at 31 August 2017, the Group had approximately 4,150 employees (as at 31 August 2016: approximately 3,360). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted pre-IPO share option scheme, share option scheme and share award scheme for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees. Staff costs (including directors' remuneration) for the year ended 31 August 2017 amounted to approximately RMB301.1 million (2016: RMB246.7 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of RMB0.026 (equivalent to HK\$0.030) per share for year ended 31 August 2017 to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on 18 January 2018 (Thursday). Subject to the approval by Shareholders at the forthcoming annual general meeting (“**AGM**”) to be held on 8 January 2018 (Monday), the proposed final dividend is expected to be paid on or about 30 January 2018 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 8 January 2018 (Monday), the register of members of the Company will be closed from 3 January 2018 (Wednesday) to 8 January 2018 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2 January 2018 (Tuesday).

For determining the entitlement to the proposed final dividend (subject to the approval by Shareholders at the AGM) for the year ended 31 August 2017, the register of members of the Company will be closed from 16 January 2018 (Tuesday) to 18 January 2018 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15 January 2018 (Monday).

SHARE AWARD SCHEME

On 7 June 2017, the Company adopted a share award scheme (the “**Scheme**”) as a means to recognise the contribution of, and provide incentives, for the key management personnel including Directors and senior management and employees of the Group. The shares (“**Shares**”) to be awarded under the Scheme will be purchased by a trustee (the “**Trustee**”) from the open market or subscribed from the Company as new Shares out of cash contributed by the Group and be held on trust for the selected participants until such Shares are vested with the relevant selected participants in accordance with the provisions of the Scheme. The Scheme shall be subject to administration of the Board and the Trustee in accordance with the Scheme rules and the trust deed dated 7 June 2017.

As at 31 August 2017, the Trustee purchased a total of 1,588,000 Shares on the Stock Exchange at a total consideration of approximately HK\$4.4 million (equivalent to approximately RMB3.7 million) and no Shares under the Scheme were granted to Directors and employees of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Save for the purchases made by the Trustee pursuant to the Scheme as disclosed in the section headed “Share Award Scheme” above, during the period from the Listing Date to 31 August 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the period from the Listing Date to 31 August 2017.

CORPORATE GOVERNANCE

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Tam King Ching Kenny, Mr. Sun Kai Lit Cliff and Mr. Yau Sze Ka, all being independent non-executive Directors of the Company. Mr. Tam King Ching Kenny is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2017 and has met with the independent auditor, Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.wisdomeeducationintl.com. The annual report of the Group for the year ended 31 August 2017 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders in due course.

By Order of the Board
Wisdom Education International Holdings Company Limited
Liu Xuebin
Chairman

Hong Kong, 21 November 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Xuebin, Ms. Li Suwen, Mr. Li Jiuchang and Mr. Ng Cheuk Him; and the independent non-executive Directors of the Company are Mr. Sun Kai Lit Cliff, Mr. Tam King Ching Kenny and Mr. Yau Sze Ka.