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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

HIGHLIGHTS

The Board has resolved to recommend the payment of an interim dividend of RMB0.032 (equivalent to HK$0.04) per share for the six months ended 28 February 2018 (six months ended 28 February 2017: RMB0.024 (equivalent to HK$0.027) per share).

	As at 1 September 2017	1 September 2016	**Change**	**Percentage Change**
Total number of students enrolled	**41,180**	31,788	**+9,392**	**+29.5%**

	Six months ended 28 February 2018 ***RMB'000*** **(unaudited)**	2017 *RMB'000* (unaudited)	**Change** ***RMB'000***	**Percentage Change**
Revenue	**591,995**	498,142	**+93,853**	**+18.8%**
Gross profit	**261,785**	230,861	**+30,924**	**+13.4%**
Core net profit *(Note)*	**162,701**	120,662	**+42,039**	**+34.8%**

Note: Core net profit is defined as the profit for the period 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 period to the core net profit of the Group, please refer to the section headed "Financial Review" in this announcement.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

The board (the "**Board**") of directors (the "**Directors**") of Wisdom Education International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 28 February 2018. These interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's external auditor, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

		Six months ended 28 February	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**591,995**	498,142
Cost of revenue		**(330,210)**	(267,281)
Gross profit		**261,785**	230,861
Other income	4	**22,567**	3,797
Other gains and losses	5	**(12,900)**	157
Selling expenses		**(18,329)**	(13,212)
Administrative expenses		**(97,828)**	(63,343)
Listing expenses		—	(7,172)
Finance income		**13,648**	3,094
Finance costs		**(10,646)**	(6,372)
Profit before taxation		**158,297**	147,810
Taxation	6	**(12,677)**	(40,530)
Profit and total comprehensive income for the period	7	**145,620**	107,280
Attributable to:			
Owners of the Company		**145,017**	107,304
Non-controlling interests		**603**	(24)
		145,620	107,280
EARNINGS PER SHARE			
Basic (RMB)	9	**0.07**	0.07
Diluted (RMB)	9	**0.07**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 28 FEBRUARY 2018

	NOTES	At 28 February 2018 RMB'000 (unaudited)	At 31 August 2017 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment		**2,080,230**	1,779,440
Prepaid lease payments		**476,426**	298,816
Investment properties		**20,200**	20,100
Goodwill	10	**61,781**	—
Intangible assets		**20,600**	—
Deferred tax assets		**—**	6,376
Deposits, prepayments and other receivables	11	**341,475**	425,311
Available-for-sale investments	12	**450,000**	—
Pledged bank deposits		**198,088**	197,919
		3,648,800	2,727,962
Current Assets			
Inventories — goods for sale		**7,426**	8,816
Deposits, prepayments and other receivables	11	**35,472**	25,633
Amount due from a related party		**6,540**	6,901
Prepaid lease payments		**9,872**	7,324
Available-for-sale investments	12	**104,147**	—
Pledged bank deposits		**326,596**	177,540
Bank balances and cash		**345,691**	378,051
		835,744	604,265
Current Liabilities			
Deferred revenue	13	**433,476**	423,115
Trade and other payables	14	**361,286**	393,351
Income tax payable		**103,119**	122,438
Borrowings	15	**326,560**	154,900
		1,224,441	1,093,804
Net Current Liabilities		**(388,697)**	(489,539)
Total Assets Less Current Liabilities		**3,260,103**	2,238,423

	NOTES	At 28 February 2018 RMB'000 (unaudited)	At 31 August 2017 RMB'000 (audited)
Capital and Reserves			
Share capital		**18,049**	18,026
Reserves		**1,791,155**	1,727,864
Equity attributable to owners of the Company		**1,809,204**	1,745,890
Non-controlling interests		**70,087**	(38)
		1,879,291	1,745,852
Non-current Liabilities			
Borrowings	15	**1,377,490**	466,900
Deferred revenue	13	—	13,663
Deferred tax liabilities		**3,322**	12,008
		1,380,812	492,571
		3,260,103	2,238,423

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As of 28 February 2018, the Group recorded net current liabilities of RMB388,697,000 (as of 31 August 2017: RMB489,539,000). In view of these circumstances, the directors of the Company (the "**Directors**") 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 condensed consolidated financial statements have been prepared on a going concern basis because the Directors are satisfied that the Group 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2017.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period. The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/ or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policies during the current interim period:

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Impairment loss made on goodwill is not reversed in the subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within the group of cash-generating units in which the Group monitors goodwill).

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial instruments

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated unlisted debts instruments in the PRC as AFS financial assets on initial recognition of those items.

Debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Impairment of AFS financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. 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 of the Group. 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:

	Six months ended	
	28 February 2018	28 February 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tuition and boarding fees	**417,409**	335,794
Ancillary services	**174,586**	162,348
	591,995	498,142

4. OTHER INCOME

	Six months ended	
	28 February 2018	28 February 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Rental income from investment properties	**558**	558
Government grants *(Note)*	**19,168**	1,185
Donations	**5**	37
Staff quarter income	**1,309**	1,220
Others	**1,527**	797
	22,567	3,797

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	28 February 2018	28 February 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange (loss) gain	**(12,555)**	738
Gain on change in fair value of investment properties	**100**	300
Penalties and late surcharges	**(463)**	—
Others	**18**	(881)
	(12,900)	157

6. TAXATION

	Six months ended	
	28 February	28 February
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The income tax expense comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**14,987**	40,262
Deferred tax	**(2,310)**	268
	12,677	40,530

The Company was incorporated in the Cayman Islands and Bright Education Co. Limited, a subsidiary of the Company, 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.

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

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

According to the Law for Promoting Private Education (the "**Law**"), with effective from 1 September 2017, private schools treated as not-for-profit schools, for which the school sponsors are not allowed to distribute or receive any profits from schools, are eligible to enjoy the same preferential tax treatment as public schools. As a result, qualified income obtained by not-for-profit schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment. In the opinion of legal counsel, according to the amendments of the memorandum and article of associations, the school sponsors do not request for reasonable returns from the schools under the Group, including Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School ("**Dongguan School**"), Huizhou Guangzheng Preparatory School ("**Huizhou School**"), Panjin Guangzheng Preparatory School ("**Panjin School**"), Weifang Guangzheng Preparatory School ("**Weifang School**") and Huanan Shida Yuedong Preparatory School (華南師大粵東實驗學校) ("**Jieyang School**"), which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition income and boarding fee. For the six months ended 28 February 2018, the non-taxable income amounted to RMB417,409,000. Subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% for the six months period 28 February 2017.

7. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2018	28 February 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**181,108**	138,195
— retirement benefit scheme contributions	**15,731**	11,519
— share-based payments	**2,364**	2,886
Total staff costs	**199,203**	152,600
Depreciation of property, plant and equipment	**33,208**	26,710
Release of prepaid lease payments	**4,855**	3,015
Amortization of intangible assets (included in cost of revenue)	**2,162**	—
Auditors' remuneration	**880**	680
Bank interest income	**(7,652)**	(65)
Interest income from AFS investments (included in "**Finance income**")	**(5,996)**	—
Imputed interest income on advance to Cinese Group (included in "**Finance income**")	**—**	(3,029)

8. DIVIDENDS

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 28 February 2018 of RMB0.032 (equivalent to HK$0.04) per share (2017: RMB0.024 (equivalent to HK$0.027 per share) amounting to RMB65,375,000 (equivalent to HK$81,718,000) (2017: RMB48,940,000 (equivalent to HK$55,057,000), has been proposed by the Directors. During the six months ended 28 February 2018, a final dividend in respect of the year ended 31 August 2017 of RMB0.026 per share amounting to RMB53,018,000 was paid to the shareholders of the Company.

9. 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:

	Six months ended	
	28 February 2018	28 February 2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**145,017**	107,304

	Six months ended	
	28 February 2018	28 February 2017
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,032,203**	1,595,360
Effect of dilutive potential ordinary shares:		
Share options	**6,116**	606
Over-allotment options	**—**	89
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,038,319**	1,596,055

The weighted average number of ordinary shares for the six months ended 28 February 2018 shown above have been arrived at after deducting 10,834,000 shares (six months ended 28 February 2017: Nil) held by a share award scheme trust.

10. ACQUISITION OF A BUSINESS

On 19 June 2017, the Group entered into agreements with independent third parties to acquire 70% of the school sponsor's interest in Jieyang School and a land parcel and all the buildings and facilities thereon currently occupied by Jieyang School with an area of approximately 190 mu (equivalent to approximately 127,000 square metres) at a total consideration of RMB224,000,000 (the "**Acquisition**"). The transaction was completed on 1 September 2017.

Jieyang School is principally engaged in the provision of full spectrum private fundamental education, including primary and secondary school in the PRC. The Acquisition has been accounted for using the purchase method. The Directors are of the view that the Acquisition allows the Group to further expand its school network in Guangdong province, a major market of the Group's operation, and to enhance the Group's revenue base.

The excess of the total consideration over the fair value of the net identifiable assets acquired resulted in RMB61,781,000 of goodwill which is tax deductible when the business is disposed of. The acquired assets and liabilities have been included in the condensed consolidated financial statements since the date of acquisition.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2018 *RMB'000* (unaudited)	At 31 August 2017 *RMB'000* (audited)
Deposits paid for construction of properties	**70,650**	14,430
Other deposits	**12,334**	12,387
Staff advances	**5,653**	1,441
Other receivables	**11,036**	3,787
Prepayments	**6,449**	5,852
Deposits paid for the acquisition of new private schools	**20,000**	151,000
Prepayments for construction to a related company	**250,825**	262,047
	376,947	450,944
Current	**35,472**	25,633
Non-current	**341,475**	425,311
	376,947	450,944

12. AVAILABLE-FOR-SALE INVESTMENTS

The AFS investments as at 28 February 2018 of RMB554,147,000 represented investments in various instruments issued by financial institutions in the PRC, with expected rate of return (not guaranteed), depending on the returns of the underlying borrowings to companies which are engaged in property development, debt instruments and a pool of assets, including bank deposits, money market funds, bills and trust products. Certain AFS investments are classified as non-current, which have duration over 12 months after the end of the reporting period. According to the terms of the agreement, the Group has the rights to sell the AFS investments to qualified investors.

	At 28 February 2018 *RMB'000* (unaudited)	At 31 August 2017 *RMB'000* (audited)
Current	**104,147**	—
Non-current	**450,000**	—
	554,147	—

13. DEFERRED REVENUE

	At 28 February 2018 *RMB'000* (unaudited)	At 31 August 2017 *RMB'000* (audited)
Tuition and boarding fees	**393,681**	383,632
Ancillary services	**39,795**	39,199
Government grants	**—**	13,947
	433,476	436,778
Current	**433,476**	423,115
Non-current	**—**	13,663
	433,476	436,778

14. TRADE AND OTHER PAYABLES

	At 28 February 2018 *RMB'000* (unaudited)	At 31 August 2017 *RMB'000* (audited)
Trade and construction payables	**76,659**	54,200
Accruals for construction	**92,395**	190,600
Receipt in advance	**60,000**	60,000
Accrued staff benefits and payroll	**22,462**	19,758
Payables for land use right	**7,948**	7,948
Other payables	**24,415**	21,122
Other tax payables	**7,737**	9,644
Consideration payable for the acquisition of a subsidiary	**49,000**	4,000
Deposits received	**3,940**	3,074
Discretionary government subsidies receipt in advance	**5,657**	5,506
Accrued listing expenses	**11,073**	17,499
	361,286	393,351

15. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB1,234,600,000 (31 August 2017：RMB566,200,000). The borrowings carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China ranged from 4.4% to 7.3% (31 August 2017：4.4% to 5.9%).

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Dongguan School, Huizhou School, Panjin School and Weifang School, the rights to receive the sale proceeds from disposal of certain prepaid lease payments and buildings and pledged bank deposits.

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into an agreement to acquire 100% school sponsor's interest in Weizhou School and a land parcel and all the buildings and facilities thereon currently occupied by Weifang Weizhou Foreign Language School (濰坊濰州外國語學校) ("**Weizhou School**") with an area of approximately 38 mu (equivalent to 25,300 square metres) from an independent third party, at a total consideration of RMB111,000,000. At the date of the issuance of these condensed consolidated financial statements, the aforementioned transaction has not been completed.

Weizhou School is principally engaged in the provision of private primary school education in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Established in 2003, we are one of the largest private education groups in South China operating premium primary and secondary schools as measured by student enrolment.

Comparing with the six months ended 28 February 2017, total student enrolment increased by 29.5% to 41,180 students and total capacity of our schools increased by approximately 50.2% to 49,804 students for the six months ended 28 February 2018. On 1 September 2017, we acquired the controlling interest in a private school located in Jieyang, Guangdong province, China as detailed below, and currently, we operate seven premium private schools in six campuses in China.

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. 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. Jieyang School is a private school located in Jieyang, Guangdong province providing primary and secondary school education. Before the completion of acquisition, Jieyang School had approximately 3,200 students in the 2016/2017 school year. Please refer to the Company's announcement dated 19 June 2017 for further details of the acquisition. Such acquisition was completed on 1 September 2017.

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

New High School Sections Opened

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

Our Schools and Educational Curriculum

During the six months ended 28 February 2018, three of our schools were located in two campuses in Dongguan, one school was located in Huizhou and one school was located in Jieyang in Guangdong province, one school was located in Panjin, Liaoning province and one school was located in Weifang, 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 that we provide in each of our six campuses:

	Primary School	Middle School	High School	International Programmes
Dongguan Guangming School together with Dongguan Guangming Primary Schools ("**Dongguan Guangming Secondary and Primary Schools**")	√	√	√	√
Dongguan Guangzheng Preparatory School	√	√	√	√
Huizhou Guangzheng Preparatory School	√	√	√	N/A
Panjin Guangzheng Preparatory School	√	√	√	N/A
Weifang Guangzheng Preparatory School	√	√	√	N/A
Jieyang School	√	√	√	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.

We also offer international programme 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

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.

Total Revenue

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

	For the six months ended 28 February			
	2018	**% of**	2017	% of
Total Revenue by Service	***RMB'000***	**Total**	*RMB'000*	Total
Tuition and boarding fees	**417,409**	**70.5**	335,794	67.4
Ancillary services	**174,586**	**29.5**	162,348	32.6
Total revenue	**591,995**	**100**	498,142	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 six months ended 28 February 2017, tuition and boarding fees for the six months ended 28 February 2018 increased by 24.3%, with 17.4% from organic growth and 6.9% from the acquisition of Jieyang School.

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 the provision of on-campus canteens and supermarkets, the supply of school uniforms, the provision of school bus and study tours, for which we charge separately in addition to tuition and boarding fees.

Comparing with that for the six months ended 28 February 2017, revenue from ancillary services for the six months ended 28 February 2018 increased by only 7.5% primarily due to the following reason. For the financial year ended 31 August 2017, we provided school uniforms and certain necessities to our students in both the first and the second terms and we recognized the relevant revenue in both periods. For the six months ended 28 February 2018, no revenue has been recognized for the supply of school uniforms and certain necessities as, from the current financial year, we have adopted the practice that we will supply these goods in the second term to better accommodate the seasonal uniform requirement from the students and accordingly, we will recognize the relevant ancillary service revenue in the second half of each financial year. We expect that a significant amount of ancillary service revenue for the supply of school uniforms and certain necessities in the second half of the year ending 31 August 2018.

	For the six months ended 28 February			
	2018	**% of**	2017	% of
Total Revenue by School	***RMB'000***	**Total**	*RMB'000*	Total
Dongguan Guangming Secondary and Primary Schools	**272,883**	**46.1**	274,499	55.1
Dongguan Guangzheng Preparatory School	**164,931**	**27.9**	145,283	29.2
Huizhou Guangzheng Preparatory School	**80,149**	**13.5**	54,034	10.8
Panjin Guangzheng Preparatory School	**24,253**	**4.1**	16,972	3.4
Weifang Guangzheng Preparatory School	**13,433**	**2.3**	7,354	1.5
Sub-total	**555,649**	**93.9**	498,142	100.0
Jieyang School — Acquired on 1 September 2017	**36,346**	**6.1**	N/A	N/A
Total	**591,995**	**100.0**	498,142	100.0

For the six months ended 28 February 2018, revenue from each of the Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School increased, largely due to the increase in tuition and boarding fees of the respective school resulting primarily from the increase in student enrolment. Revenue contribution from Huizhou Guangzheng Preparatory School, as a percentage of total revenue, increased primarily due to the significant increase in its student enrolment.

	For the six months ended 28 February			
	2018	**% of**	2017	% of
Total Revenue by Province	***RMB'000***	**Total**	*RMB'000*	Total
Guangdong	**554,309**	**93.6**	473,816	95.1
Liaoning	**24,253**	**4.1**	16,972	3.4
Shandong	**13,433**	**2.3**	7,354	1.5
Total	**591,995**	**100.0**	498,142	100.0

Our schools in Guangdong province remained as the major revenue contributors in both interim periods.

Student Enrolment

For the past three school years, the number of students withdrawn from our schools was less than 1.0% 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 2017/2018 and 2016/2017 school years:

Student Enrolment by School	**As at 1 September 2017**	As at 1 September 2016	**Change**	**Percentage Change**
Dongguan Guangming Secondary and Primary Schools	**16,477**	16,483	**−6**	**−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%**
Sub-total	**36,679**	31,788	**4,891**	**15.4%**
Jieyang School — Acquired on 1 September 2017	**4,501**	N/A	**4,501**	**N/A**
Total number of students	**41,180**	31,788	**9,392**	**29.5%**

Total student number increased by 29.5%, due to 15.4% organic growth in student enrolment primarily in Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and the remaining growth in student enrolment from the acquisition of Jieyang School. The student number of Dongguan Guangming Secondary and Primary Schools remained relatively stable as the campus land area has been almost fully utilized.

Student Enrolment by Section	**As at 1 September 2017**	**% of Total**	As at 1 September 2016	% of Total
High school	**9,037**	**21.9**	7,733	24.3
Middle school	**18,217**	**44.2**	12,509	39.4
Primary school	**13,619**	**33.1**	11,199	35.2
International programmes	**307**	**0.8**	347	1.1
Total number of students	**41,180**	**100**	31,788	100

Comparing with the percentage of total students as at 1 September 2016, the percentage of middle school student as at 1 September 2017 increased whereas those of other sections' students decreased primarily due to the acquisition of Jieyang School where the the majority of its students are middle school students.

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, approximately 90% of our primary school graduates enroled in our middle schools, and approximately 60% of our middle school graduates enroled in our high schools.

Average Tuition and Boarding Fees Per Student

Tuition and Boarding Fees by School	**For the six months ended 28 February** **2018** **Tuition and boarding fees** ***RMB'000***	**2018** **Average per student** ***RMB*** ***(Note)***	2017 Tuition and boarding fees *RMB'000*	2017 Average per student *RMB* *(Note)*
Dongguan Guangming Secondary and Primary Schools	**187,795**	**11,397**	183,713	11,146
Dongguan Guangzheng Preparatory School	**120,939**	**11,388**	99,023	10,889
Huizhou Guangzheng Preparatory School	**59,134**	**9,838**	37,456	9,597
Panjin Guangzheng Preparatory School	**16,395**	**7,555**	11,183	7,033
Weifang Guangzheng Preparatory School	**9,937**	**7,093**	4,419	6,155
Sub-total	**394,200**	**10,747**	335,794	10,564
Jieyang School — Acquired on 1 September 2017	**23,209**	**5,156**	N/A	N/A
Overall	**417,409**	**10,136**	335,794	10,564

Note:

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective six-month period 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 1.0% of the total student enrolment for the past three school years, no average student enrolment for the respective six-month period is presented for the calculation of the average tuition and boarding fees per student.

For the six months ended 28 February 2018, the average tuition and boarding fees per student without taking into consideration of the acquisition of Jieyang School increased by 1.7% to RMB10,747 primarily due to the increase in tuition and boarding fees for the new students in Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. Except for the new students who were enroled in our international programmes, there was no material increase in tuition and boarding fees for other new students in Dongguan Guangming Secondary and Primary Schools, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School for the six months ended 28 February 2018.

However, the overall average tuition and boarding fees per student of the Group decreased by 4.0% to RMB10,136 primarily due to the acquisition of Jieyang School where the average tuition and boarding fee per student is lower than those of our other schools.

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 enroled 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 2017/2018 and 2016/2017:

	As at 1 September 2017		As at 1 September 2016	
Student Capacity and Utilization by School	**Student Capacity**	**Utilization**	Student Capacity	Utilization
Dongguan Guangming Secondary and Primary Schools	**16,804**	**98.1%**	16,804	98.1%
Dongguan Guangzheng Preparatory School	**13,500**	**78.7%**	9,706	93.7%
Huizhou Guangzheng Preparatory School	**8,000**	**75.1%**	4,024	97.0%
Panjin Guangzheng Preparatory School	**2,500**	**86.8%**	1,866	85.2%
Weifang Guangzheng Preparatory School	**4,000**	**35.0%**	752	95.5%
Sub-total	**44,804**	**81.9%**	33,152	95.9%
Jieyang School — Acquired on 1 September 2017	**5,000**	**90.0%**	N/A	N/A
Overall	**49,804**	**82.7%**	33,152	95.9%

Total student capacity increased from 33,152 as at 1 September 2016 (for the 2016/2017 school year) to 49,804 as at 1 September 2017 (for the 2017/2018 school year) primarily due to the expansion of capacity of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Weifang Guangzheng Preparatory School, and the acquisition of Jieyang School.

The student capacity and utilization for Dongguan Guangming Secondary and Primary Schools remained relatively stable as the campus land area has been almost fully utilized.

For details of the Group's expansion plan, please refer to the section headed "Outlook" in this announcement.

Teachers

As at 1 September 2017, over 80% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from 1,960 as at 1 September 2016 to 2,580 as at 1 September 2017 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 Weifang Guangzheng Preparatory School, and the acquisition of Jieyang 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. We also provide a good career development path for outstanding teachers. For the 2016/2017 school year, the turnover rate of our teachers, including our termination, was approximately 8.0%.

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 Overall Primary and Secondary Education in China

According to the Frost & Sullivan Report, the total number of 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.

Student Enrolment of Private Primary and Secondary Education in China

According to the Frost & Sullivan Report, 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. Accordingly, the penetration rate of private primary and secondary schools, in terms of student enrolment, is expected to increase from 9.3% in 2016 to 10.8% to 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 enroled 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

Key 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 disposable income measured in 2015 ranged 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 estimated total student enrolment of primary and secondary education in China for 2018 is about 167.8 million persons and it is expected that the penetration rate of private primary and secondary schools, in terms of student enrolment, will continue to increase from 9.3% in 2016 to 10.8% in 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.

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 nine 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 eleven 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 Greater Bay Area, 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.

We expect the opening of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link in the near future will facilitate the development of the Greater Bay Area attracting more talents with their children from other provinces in China. As such, we believe the strong demand for private education in Guangdong province will continue and, therefore, we will focus on our expansion primarily in Guangdong province. However, we will not exclude any attractive expansion opportunity outside Guangdong province.

Apart from our existing schools in Dongguan city, Huizhou city and Jieyang city in Guangdong province, we will further strengthen our school network in different regions in Guangdong province, such as Chaozhou city in East Guangdong, Zhaoqing city in West Guangdong and Guangzhou city in South Guangdong.

Expansion Strategies

In order to sustain our growth in a longer term, 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.

Our school brands are well-received with proven track record. We believe our school properties are quality assets for running our large-scale schools in future decades and accordingly, we prefer to own our school properties.

I) Acquisition of Local Private Schools

Jieyang School

In September 2017, the Group completed the acquisition of 70% equity interest in Jieyang School. For details, please refer to the section headed "Business Review".

Weifang Weizhou Foreign Language School

On 16 April 2018, the Group entered into a sale and purchase agreement with an independent third party in relation to the acquisition by the Group (the "**Acquisition**") of the entire sponsor's interest in Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) ("**Weizhou School**") at the cash consideration of RMB111 million.

Established in 2012, the Weizhou School is one of the leading private primary schools located in Weifang city, Shandong province, providing quality compulsory education with English teaching features. The Weizhou School owns a parcel of land of approximately 38 mu (equivalent to approximately 25,300 square meters) on which school buildings, student dormitories and related facilities are located. Currently, the Weizhou School has a total of approximately 2,050 outstanding primary students and its utilisation is about 97%.

As the Weizhou School does not have its own middle and high school sections, we believe the Weizhou School will be a good match as a feeder school to the middle school section of Weifang Guangzheng Preparatory School resulting in a strong synergistic effect upon completion of the Acquisition. For details of the Acquisition, please refer to the Company's announcement dated 16 April 2018.

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

II) Establishment of Greenfield Schools with Local Government

a) New schools under construction — Expected commencement in the 2018/2019 school year

Guang'an, Sichuan province

On 4 May 2016, the Group entered into a cooperation agreement with the local government of Guang'an city in Sichuan province and the management committee of Guang'an Zaoshan Logistics and Trade Park to establish a boarding 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 city 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. Subject to certain factors including the necessary government approvals, the school is expected to commence operation in the 2018/2019 school year.

Yunfu, Guangdong province

On 19 July 2016, the Group entered into a cooperation agreement with the local government of Yunfu city in Guangdong province to establish a boarding school in Yunfu, providing, among other things, primary, middle and high school education, with a target maximum capacity of approximately 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. Subject to certain factors including the necessary government approvals, the school is expected to commence operation in the 2018/2019 school year.

b) Proposed new schools in the pipeline — Expected commencement after the 2018/2019 school year

Chaozhou, Guangdong province

On 30 November 2017, the Group entered into a cooperation agreement with the local government of Chaozhou city in Guangdong province to establish a boarding school in Chaozhou city, providing, among other things, primary, middle and high school education, with a target maximum capacity of approximately 8,000 students. Pursuant to the cooperation agreement, the local government of Chaozhou city agreed to allocate a parcel of land of approximately 200 mu (畝) (equivalent to approximately 133,000 square metres) to the Group for educational purposes, classify the establishment of the proposed school as a key construction project in Chaozhou city (市級重點建設項目) 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. Subject to certain factors including the necessary government approvals, the proposed school is expected to commence operation after the 2018/2019 school year.

Jiangmen city, Guangdong province

To tie in with the development of the Greater Bay Area, the Group entered into a cooperation agreement with the local government of Kaiping, Jiangmen city, Guangdong province to establish a boarding school in Kaiping as a key construction project, providing, among other things, primary, middle and high school education, with a target maximum capacity of approximately 7,500 students. Pursuant to the cooperation agreement, the local government of Kaiping agreed to allocate a parcel of land of approximately 200 mu (畝) (equivalent to approximately 133,000 square metres) 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. Subject to certain factors including the necessary government approvals, the proposed school is expected to commence operation after the 2018/2019 school year.

c) *Exploring more opportunities in Guangdong province*

We are in the process of negotiating with certain local governments and independent third parties in the cooperation of the development of private primary and secondary schools in certain cities located in Guangdong province including Guangzhou city and Zhaoqing city. 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 campus land area of Dongguan Guangming Secondary and Primary Schools has 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 (excluding the Weizhou School's capacity) and its target capacity:

Existing Schools	**Student Capacity as at 1 September 2017**	**Estimated Student Capacity as at 1 September 2018**	**Target Student Capacity (Notes)**
Dongguan Guangming Secondary and Primary Schools	16,804	16,804	16,804
Dongguan Guangzheng Preparatory School	13,500	15,000	18,000[(1)]
Huizhou Guangzheng Preparatory School	8,000	8,500	9,464[(1)]
Panjin Guangzheng Preparatory School	2,500	4,000	6,200[(1)]
Weifang Guangzheng Preparatory School	4,000	4,000	8,000[(1)]
Jieyang School	5,000	7,000	18,000[(2)]
Sub-total	49,804	55,304	76,468
Greenfield Schools Under Construction — Expected commencement in 2018/2019 school year			
Guang'an Guangzheng Preparatory School	—	3,000	9,280[(3)]
Yunfu Guangzheng Preparatory School	—	2,000	10,680[(3)]
Sub-total	—	5,000	19,960
Proposed New Schools Under Planning			
Chaozhou city	—	—	8,000[(4)]
Kaiping, Jiangmen city	—	—	7,500[(4)]
Sub-total	—	—	15,500
Total	49,804	60,304	111,928

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 maximum capacity for each of Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School is estimated to be 9,280 students and 10,680 students respectively, 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 each of Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School's target student capacity is subject to adjustment, depending on the schools' actual student recruitment and capacity utilization.

(4) The maximum capacity for each of the proposed schools in Chaozhou city and Kaiping, Jiangmen city is estimated to be 8,000 students and 7,500 students respectively, which is based on the final total capacity for, among others, primary, middle and high school education as set forth in the relevant cooperation agreement. The expansion of each of the proposed schools target student capacity is subject to adjustment, depending on the proposed schools' actual student recruitment and capacity utilization.

Future Capital Expenditure and Financing

During the six months ended 28 February 2018, we raised borrowings from certain banks preparing for our potential acquisitions and the capital expenditure required for the development of certain greenfield schools for our future expansion. Certain bank borrowings raised were not utilized and, in order to have a better use of our financial resources, the Group purchased certain available-for-sale investments of approximately RMB550 million in aggregate during the six months ended 28 February 2018. These available-for-sale investments are wealth management products under which the Group is allowed to redeem such investments, in whole or in part, with one month's notice and the Group held these investments for short-term cash management purpose, though certain investments are classified as non-current assets by nature of the relevant products.

After the current interim period, the Group had applied for, and the relevant financial institution had accepted, our redemption of part of the available-for-sale investments in the amount of RMB50 million.

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

Teacher's Recruitment, Training and Retention

We realize that importance of our teachers' quality in our expansion. In this regard, we cooperate with a number of well-known normal universities in China where we recruit talent graduates as our trainee teachers. We have a teacher mentoring program in which we train our outstanding teachers to prepare for the role of principal of our schools in the future. We normally assign some of our experienced teachers from the existing schools to involve in the operation of any new greenfield school or newly acquired school.

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 out 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

With our proven expansion track record and our solid development 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, and increase our market share in other regions in 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	302.2	172.3
— 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	5.3	9.3
— 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	2.7	11.9
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	496.1	233.9

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 Impact of the Decision on Our Taxation

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. Our effective tax rate of the Group, being the income tax divided by profit before taxation, was reduced from 27.4% for the six months ended 28 February 2017 to 8.0% for the six months ended 28 February 2018 primarily because all our schools are classified as not-for-profit schools where tuition and boarding fees are entitled to the same EIT exemption as public schools. For details, please refer to note 6 to the condensed consolidated statements of profit or loss and other comprehensive income. 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

For the six months ended 28 February 2018, total revenue increased by 18.8% to RMB592.0 million and core net profit increased by 34.8% to RMB162.7 million as compared with the corresponding period in 2017.

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 RMB93.9 million, or 18.8%, from RMB498.1 million for the six months ended 28 February 2017 to RMB592.0 million for the six months ended 28 February 2018. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB81.4 million and the increase in revenue from ancillary services by RMB12.5 million.

Revenue from tuition and boarding fees increased by 24.3% from RMB335.8 million for the six months ended 28 February 2017 to RMB417.4 million for the six months ended 28 February 2018, largely due to the increase in total student enrolment. Total student enrolment increased by 29.5% from 31,788 for the six months ended 28 February 2017 to 41,180 for the six months ended 28 February 2018, primarily due to 15.4% organic growth in student enrolment and 14.1% growth in student number from the acquisition of Jieyang School where the average tuition and boarding fees per student was lower than those of our other schools.

Revenue from ancillary services increased by 7.5% from RMB162.3 million for the six months ended 28 February 2017 to RMB174.6 million for the six months ended 28 February 2018, primarily due to the acquisition of Jieyang School.

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.

Cost of revenue increased by 62.9 million, or 23.5%, from RMB267.3 million for the six months ended 28 February 2017 to RMB330.2 million for the six months ended 28 February 2018. The increase was largely due to the increases in teaching staff costs, depreciation and amortisation, and the acquisition of Jieyang School.

Staff costs increased mainly because the number of teachers increased by 31.6% from 1,960 as at 1 September 2016 to 2,580 as at 1 September 2017 primarily due to the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the Weifang Guangzheng Preparatory School, and the acquisition of Jieyang School. There were no material increase in the salary rate of our teachers for the six months ended 28 February 2018.

Increase in depreciation and amortisation was primarily to the enhancement and expansion of our Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School Panjin Guangzheng Preparatory School Weifang Guangzheng Preparatory School and Jieyang School.

Gross Profit

As a result of the foregoing, gross profit increased by 13.4% from RMB230.9 million for the six months ended 28 February 2017 to RMB261.8 million for the six months ended 28 February 2018. Our gross profit margin decreased from 46.3% for six months ended 28 February 2017 to 44.2% for the six months ended 28 February 2018, primarily due to the acquisition of Jieyang School where its gross profit margin is lower than certain gross profit margin of our schools.

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 income increased by 494.7% from RMB3.8 million for the six months ended 28 February 2017 to RMB22.6 million for the six months ended 28 February 2018, primarily due to the increase in government grants by RMB18.0 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gains on change in fair value of investment properties, and (ii) unrealised exchange loss resulting from the translation of bank deposits denominated in Hong Kong dollars (HK$).

Other gains and losses decreased from a gain of RMB0.2 million for the six months ended 28 February 2017 to a loss of RMB12.9 million for the six months ended 28 February 2018. The decrease was mainly attributable to the net exchange loss of RMB12.6 million primarily resulting from the translation of bank deposits denominated in Hong Kong dollars.

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 38.7% from RMB13.2 million for the six months ended 28 February 2017 to RMB18.3 million for the six months ended 28 February 2018, primarily as a result of increased advertising expenses in relation to the marketing and promotion of our Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and the acquisition of Jieyang School. Selling expenses as a percentage of revenue increased from 2.7% for the six months ended 28 February 2017 to 3.1% for the six months ended 28 February 2018.

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, and other administrative expenses.

Administrative expenses increased by 54.4% from RMB63.3 million for the six months ended 28 February 2017 to RMB97.8 million for the six months ended 28 February 2018, primarily as a result of the increase in salaries and other benefits, rental expenses, professional fees, office expenses and charitable donations in line with the Group's expansion plan and the acquisition of Jieyang School. Administrative expenses as a percentage of revenue increased from 12.7% for the six months ended 28 February 2017 to 16.5% for the six months ended 28 February 2018.

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) ("**Cinese Group**") and other related parties; and (ii) interest income from bank deposits and (iii) interest income from available-for-sale investments.

Finance income increased from RMB3.1 million for the six months ended 28 February 2017 to RMB13.6 million for the six months ended 28 February 2018 primarily due to the increase in interest income from bank deposits and available-for-sale investments.

As all advances to Cinese Group and other related parties have been settled, no imputed interest income was recognised for the six months ended 28 February 2018.

Finance Costs

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

Finance cost increased from RMB6.4 million for the six months ended 28 February 2017 to RMB10.6 million for the six months ended 28 February 2018 primarily due to the increase in bank borrowings during the current interim period.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB147.8 million for the six months ended 28 February 2017 to RMB158.3 million for the six months ended 28 February 2018. Profit before taxation as a percentage of revenue of the Group was 26.7% for the six months ended 28 February 2018 compared with 29.7% for the six months ended 28 February 2017.

Taxation

Income tax expense of the Group decreased by 68.7% from RMB40.5 million for the six months ended 28 February 2017 to RMB12.7 million for the six months ended 28 February 2018. All of our schools were classified as private schools with the school sponsors requiring reasonable returns, which were subject to EIT of 25% before the Decision becomes effective on 1 September 2017. All of our primary and middle school sections are required to be classified as not-for-profit schools since 1 September 2017. We have decided not to classify our high school sections as for-profit schools. The effective tax rate of the Group for the six months ended 28 February 2018 and the six months ended 28 February 2017 was 8.0% and 27.4%, respectively. The decrease in the Group's effective tax rates was primarily due to the classification of all our schools as not-for-profit schools where tuition and boarding fees are entitled to the same EIT exemption as public schools since 1 September 2017. For details, Please refer to note 6 to the condensed consolidated statement of profit or loss and other comprehensive income.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 35.7% from RMB107.3 million for the six months ended 28 February 2017 to RMB145.6 million for the six months ended 28 February 2018.

Core Net Profit

The Group defines its core net profit (formerly known as adjusted net profit in the Prospectus) as its profit for the period 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 adjusted net profit for the periods presented below:

	Six months ended 28 February	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period *(Note)*	**145,620**	107,280
Less:		
Imputed interest income on advances to Cinese Group	—	3,029
Add:		
Finance costs in relation to advances to Cinese Group	—	6,353
Listing expenses	—	7,172
Share-based payments	**2,364**	2,886
Unrealised exchange loss	**12,555**	—
Amortisation of intangible assets arising from acquisition	**2,162**	—
Core net profit	**162,701**	120,662

Core net profit for the six months ended 28 February 2018 increased by RMB42.0 million or 34.8%. Core net profit margin increased from 24.2% for the six months ended 28 February 2017 to 27.5% for the six months ended 28 February 2018.

Note: Profit for the period for the six months ended 28 February 2018 has been arrived at after charging charitable donation of approximate RMB4.0 million for the improvement in educational facilities in poorer regions in China.

Capital Expenditure

During the six months ended 28 February 2018, the Group paid approximately RMB318.5 million for the acquisition of property, plant and equipment and paid approximately RMB101.1 million for the acquisition of prepaid lease for the further expansion of our schools.

Liquidity, Financial Resources and Capital Structure

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

	Six months ended 28 February	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**147,459**	165,854
Net cash from (used in) investing activities	**(1,136,457)**	349,935
Net cash from financing activities	**967,653**	150,355
Net (decrease)/increase in cash and cash equivalents	**(21,345)**	666,144
Cash and cash equivalents at beginning of the period	**378,051**	103,705
Effect of foreign exchange rate change	**(11,015)**	—
Cash and cash equivalents at end of the period	**345,691**	769,849

As at 28 February 2018, the Group's total pledged bank deposits, bank balances and cash amounted to RMB870.4 million, of which the majority were denominated in HK$ and RMB.

As at 28 February 2018, the Group's total bank borrowings amounted to RMB1,704.1 million comprising RMB326.6 million repayable within one year and RMB1,377.5 million repayable more than one year. Bank borrowings carried interest rates ranging from 4.4% to 7.3% per annum and all the bank borrowings were denominated in RMB. During the six months ended 28 February 2018, we raised borrowings from banks preparing for our potential acquisitions and the capital expenditure required for the development of certain greenfield schools for our future expansion.

As at 28 February 2018, certain bank borrowings raised were not utilized. In order to have a better use of our financial resources, the Group purchased certain available-for-sale investments of approximately RMB550 million in aggregate during the six month ended 28 February 2018. These available-for-sale investments are wealth management products under which the Group is allowed to redeem the investments, in whole or in part, with one month's notice and the Group held these investments is for short-term cash management purpose, though certain investments are classified as non-current assets by nature of the relevant products.

The Group recorded net current liabilities of RMB388.7 million as of 28 February 2018 (31 August 2017: RMB489.5 million) primarily as a result of the recognition of tuition and boarding fees received in advance as deferred revenue which was included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as interest-bearing bank borrowings less total pledged bank deposits, bank balances and cash divided by total equity at the end of the relevant year/period end. The Group's net gearing ratio at 28 February 2018 was 44.4% whereas the Group had a net cash of approximately RMB131.7 million as at 31 August 2017.

The increase in net gearing ratio was mainly due to the increase in bank borrowings raised during the six months ended 28 February 2018 for financing our potential acquisitions and the capital expenditure required for the development of certain greenfield schools for our future expansion.

As explained in the sections headed "Future Capital Expenditure and Financing" and Liquidity, Financial Resources and Capital Structure" above, as at 28 February 2018, certain bank borrowings raised were not utilized and, in order to have a better use of our financial resources, the Group purchased certain available-for-sale investments of approximately RMB550 million in aggregate. These available-for-sale investments are wealth management products under which the Group is allowed to redeem such investments, in whole or in part, with one month's notice and our intention of holding these investments is for short-term cash management purpose though certain investments are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these wealth management products for short-term cash management purpose and the possibility of early redemption, the Group's net gearing ratio as at 28 February 2018 would have been reduced to 14.9%.

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 income and expenditures are denominated in HK$. As at 28 February 2018, certain bank balances and cash and bank deposits were denominated in HK$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

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.

Pledge of Assets

As at 28 February 2018, the Group's bank borrowings were secured by the rights to receive the sale proceeds from disposal of certain prepaid lease payments and buildings, bank deposits and the rights to receive the tuition fees and boarding fees of certain schools of the Group.

Capital Commitment

	At 28 February 2018 *RMB'000* **(unaudited)**	At 31 August 2017 *RMB'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**346,793**	427,572

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the acquisition of Jieyang School and the Acquisition as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 28 February 2018.

SIGNIFICANT INVESTMENTS HELD

As at 28 February 2018, the Group held certain available-for-sale investments of approximately RMB554.1 million in aggregate. For the reasons for holding these available-for-sale investments, please refer to the sections headed "Future Capital Expenditure and Financing", "Liquidity, Financial Resources and Capital Structure" and "Net Gearing Ratio" above.

EMPLOYEE BENEFITS

As at 28 February 2018, the Group had approximately 4,710 employees (as at 28 February 2017: approximately 3,650). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme, a share option scheme and a 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.

Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2018 amounted to approximately RMB199.2 million (for the six months ended 28 February 2017: RMB152.6 million).

EVENTS AFTER THE REPORTING PERIOD

After the current interim period, in addition to the events set out in note 16 "Event after the reporting period" to the condensed consolidated financial statements, the Group had applied for, and the relevant financial institution had accepted, our redemption of part of the available-for-sale investments in the amount of RMB50 million.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of RMB0.032 (equivalent to HK$0.04) per share for the six months ended 28 February 2018 (six months ended 28 February 2017: RMB0.024 (equivalent to HK$0.027) per share) 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 May 2018. The interim dividend is expected to be paid on or about 31 May 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2018, the register of members of the Company will be closed from 17 May 2018 to 18 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim 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 16 May 2018.

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 28 February 2018, the Trustee has purchased a total of 10,834,000 Shares (31 August 2017: 1,588,000 Shares) on the Stock Exchange and no Shares under the Scheme has been granted at the date of this announcement.

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 six months ended 28 February 2018, 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 six months ended 28 February 2018.

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. 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 unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2018 and has met with the independent auditor, Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. 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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.wisdomeducationintl.com. The interim report of the Group for the six months ended 28 February 2018 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, 26 April 2018

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. Wang Yongchun; 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.

* *For identification purposes only*