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Wisdom Education International Holdings Company Limited
睿見教育國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6068)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

HIGHLIGHTS

The Board has resolved to recommend the payment of an interim dividend of RMB0.042 (equivalent to HK$0.049) per share for the six months ended 28 February 2019 (six months ended 28 February 2018: RMB0.032 (equivalent to HK$0.04) per share).

	Six months ended 28 February			
	2019	2018	**Change**	**Percentage Change**
Total number of students enrolled	**54,420**	41,180	**+13,240**	**+32.2%**

	Six months ended 28 February			
	2019	2018		
	RMB'000	*RMB'000*	**Change**	**Percentage**
	(unaudited)	(unaudited)	***RMB'000***	**Change**
Revenue	**835,553**	591,995	**+243,558**	**+41.1%**
Gross profit	**378,747**	261,785	**+116,962**	**+44.7%**
Adjusted gross profit *(Note 1)*	**389,789**	263,947	**+125,842**	**+47.7%**
Profit for the period	**189,462**	145,620	**+43,842**	**+30.1%**
Core net profit *(Note 2)*	**216,434**	162,701	**+53,733**	**+33.0%**

Note 1: Adjusted gross profit is based on the gross profit after adjusting for amortisation of intangible assets arising from the acquisition of schools.

Note 2: 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 2019

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 2019. 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 2019

		Six months ended	
		28 February 2019	28 February 2018
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**835,553**	591,995
Cost of revenue		**(456,806)**	(330,210)
Gross profit		**378,747**	261,785
Other income	4	**9,907**	22,567
Other gains and losses	5	**18,878**	(12,900)
Selling expenses		**(24,969)**	(18,329)
Administrative expenses		**(131,062)**	(97,828)
Finance income		**9,586**	13,648
Finance costs		**(38,680)**	(10,646)
Profit before taxation		**222,407**	158,297
Taxation	6	**(32,945)**	(12,677)
Profit and total comprehensive income for the period	7	**189,462**	145,620
Profit (loss) and total comprehensive income (expenses) attributable to:			
Owners of the Company		**192,971**	145,017
Non-controlling interests		**(3,509)**	603
		189,462	145,620
EARNINGS PER SHARE			
Basic (RMB)	9	**0.09**	0.07
Diluted (RMB)	9	**0.09**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2019

	Notes	**At 28 February 2019** ***RMB'000*** **(unaudited)**	At 31 August 2018 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,042,432**	2,492,447
Prepaid lease payments		**787,474**	502,116
Intangible assets		**41,019**	15,801
Goodwill		**149,592**	88,320
Investment properties		**20,600**	20,600
Deposits, prepayments and other receivables	10	**578,200**	519,532
Financial assets at fair value through profit or loss	11	**30,000**	—
Available-for-sale investments	12	**—**	364,500
		4,649,317	4,003,316
CURRENT ASSETS			
Inventories — goods for sale		**15,519**	5,489
Deposits, prepayments and other receivables	10	**131,400**	162,198
Prepaid lease payment		**21,781**	12,439
Financial assets at fair value through profit or loss	11	**223,678**	—
Available-for-sale investments	12	**—**	95,234
Pledged bank deposits		**549,804**	281,577
Bank balances and cash		**416,586**	911,410
		1,358,768	1,468,347
CURRENT LIABILITIES			
Contract liabilities	13	**707,767**	—
Deferred revenue	14	**2,365**	617,023
Trade and other payables and accrued expenses	15	**694,108**	616,226
Income tax payable		**107,875**	128,082
Borrowings	16	**625,860**	281,960
		2,137,975	1,643,291
NET CURRENT LIABILITIES		**(779,207)**	(174,944)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,870,110**	3,828,372

	Notes	At 28 February 2019 RMB'000 (unaudited)	At 31 August 2018 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	18	**18,085**	18,057
Reserves		**2,022,948**	1,893,008
Equity attributable to owners of the Company		**2,041,033**	1,911,065
Non-controlling interests		**62,767**	66,276
		2,103,800	1,977,341
NON-CURRENT LIABILITIES			
Borrowings	16	**1,322,580**	1,425,260
Convertible loan notes	17	**440,102**	422,143
Deferred tax liabilities		**3,628**	3,628
		1,766,310	1,851,031
		3,870,110	3,828,372

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 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.

As of 28 February 2019, the Group recorded net current liabilities of RMB779,207,000 (as of 31 August 2018: RMB174,944,000). 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.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2018.

In the current interim period, the Group has applied, the following new and amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after 1 September 2018 for the preparation of the Group's condensed consolidated financial instruments:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group recognises revenue from tuition and boarding fees and ancillary services.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 September 2018. In accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations. At the date of initial application, there is no difference recognised in the opening accumulated profits and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Revenue from tuition and boarding fees and ancillary services

Recognition

Tuition and boarding fees received from primary schools, middle schools and high schools are generally paid in advance at the beginning of school term, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised over time by reference to the relevant period of the applicable program.

Revenue from certain ancillary services, including the services provided at the on-campus canteens and medical rooms, sales of school uniform, arrangement of study tours and others, is recognised when the control of goods or services has been transferred to customers, at which time performance obligations are satisfied. Revenue from certain ancillary services including arrangement of school bus and others is recognised over time by refer to the relevant period of the applicable program.

Contract liability

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 September 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previous reported at 31 August 2018	**Reclassification**	**Carrying amounts under IFRS 15 at 1 September 2018**
	RMB'000	***RMB'000***	***RMB'000***
Current Liabilities			
Deferred revenue	**617,023**	**(617,023)**	**—**
Contract liabilities	**—**	**617,023**	**617,023**

Note: As at 1 September 2018, deferred revenue of RMB617,023,000, in respect of tuition and boarding fees and ancillary services, received in advance from customers previously included in deferred revenue are reclassified to contract liabilities.

The application of IFRS 15 had no material impact on the Group's accumulated profits as at 1 September 2018.

The following table summarises the impact of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 28 February 2019 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Reclassification	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Deferred revenue	2,365	707,767	710,132
Contract liabilities	707,767	(707,767)	—

Note: The impact on the Group's condensed consolidated statement of financial position at 28 February 2019, without application of IFRS 15, would be a reclassification of contract liabilities of RMB707,767,000 to deferred revenue.

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. There is no difference between carrying amounts of the Group's financial instruments recognised as at 31 August 2018 and 1 September 2018.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale investments** *RMB'000*	**Financial assets at FVTPL** *RMB'000*
Closing balance at 31 August 2018 — IAS39			
— non-current		**364,500**	**—**
— current		**95,234**	**—**
Effect arising from initial application of IFRS 9:	(a)		
Reclassification from available-for-sale investments			
— non-current		**(364,500)**	**364,500**
— current		**(95,234)**	**95,234**
Opening balance at 1 September 2018			
— non-current		**—**	**364,500**
— current		**—**	**95,234**

Note:

(a) Available-for-sale ("AFS") investments

From AFS debt investments to FVTPL

Financial assets with a fair value of RMB459,734,000 were reclassified from AFS investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 August 2018 *RMB'000* (Audited)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 September 2018 *RMB'000* (Restated)
Non-current assets				
AFS investments	**364,500**	**—**	**(364,500)**	**—**
Financial assets at FVTPL	**—**	**—**	**364,500**	**364,500**
Current assets				
AFS investments	**95,234**	**—**	**(95,234)**	**—**
Financial assets at FVTPL	**—**	**—**	**95,234**	**95,234**
Current liabilities				
Deferred revenue	**617,023**	**(617,023)**	**—**	**—**
Contract liabilities	**—**	**617,023**	**—**	**617,023**

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools 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 2019	28 February 2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tuition and boarding fees	**579,037**	417,409
Ancillary services	**256,516**	174,586
	835,553	591,995

4. OTHER INCOME

	Six months ended 28 February 2019 RMB'000 (unaudited)	28 February 2018 RMB'000 (unaudited)
Rental income from investment properties	**584**	558
Government grants *(Note)*	**6,272**	19,168
Donations	**14**	5
Staff quarter income	**1,816**	1,309
Others	**1,221**	1,527
	9,907	22,567

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 2019 RMB'000 (unaudited)	28 February 2018 RMB'000 (unaudited)
Exchange gain (loss)	**650**	(12,555)
Loss on disposal of property, plant and equipment	**(102)**	—
Loss on change in fair value of convertible loan notes — embedded derivatives component	**(376)**	—
Gain on change in fair value of financial assets at FVTPL *(Note)*	**19,961**	
Gain on change in fair value of investment properties	**—**	100
Others, net	**(1,255)**	(445)
	18,878	(12,900)

Note: The gain on change in fair value of financial assets at FVTPL is arising from the interest income from the investment products issued by financial institutions in the PRC upon adoption of IFRS 9. In previous interim period, the income earned from the investment products issued by financial institutions in the PRC which is classified as interest income under finance income in profit or loss.

6. TAXATION

	Six months ended	
	28 February 2019	28 February 2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The income tax expense comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**32,945**	14,987
Deferred tax	**—**	(2,310)
	32,945	12,677

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 (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學) (collectively called "**Guangming Schools**"), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校) ("**Dongguan School**"), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) ("**Huizhou School**"), Panjin Guangzheng Preparatory School (盤錦市光正實驗學校) ("**Panjin School**"), Weifang Guangzheng Preparatory School (濰坊光正實驗學校) ("**Weifang School**"), Jieyang Jiedong Guangzheng Preparatory School (formerly known as Huanan Shida Yuedong Preparatory School) (華南師大粵東實驗學校) ("**Jieyang School**"), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) ("**Weizhou School**") and Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively referred to as "**Zhang Pu Longcheng Schools**"), 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 and boarding fees. For the six months ended 28 February 2019, the non-taxable income amounted to RMB579,037,000 (2018: RMB417,409,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% (2018: 25%) for the six months ended 28 February 2019.

7. PROFIT FOR THE PERIOD

	Six months ended 28 February 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**265,937**	181,108
— retirement benefit scheme contributions	**29,018**	15,731
— share-based payments	**5,504**	2,364
Total staff costs	**300,459**	199,203
Depreciation of property, plant and equipment	**56,633**	33,208
Release of prepaid lease payments	**4,843**	4,855
Amortisation of intangible assets (included in cost of revenue)	**11,042**	2,162
Auditors' remuneration	**880**	880
Bank interest income	**(9,586)**	(7,652)
Interest income from AFS investments (included in "**Finance income**")	**—**	(5,996)

8. DIVIDENDS

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 28 February 2019 of RMB0.042 (equivalent to HK$0.049) per share (2018: RMB0.032 (equivalent to HK$0.04) per share) amounting to RMB85,938,000 (equivalent to HK$100,262,000) (2018: RMB67,971,000 (equivalent to HK$81,566,000), has been proposed by the Directors. During the six months ended 28 February 2019, a final dividend in respect of the year ended 31 August 2018 of RMB0.036 (equivalent to HK$0.04) per share amounting to RMB73,546,000 (equivalent to HK$81,718,000) 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 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**192,971**	145,017

	Six months ended	
	28 February	28 February
	2019	2018
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,072,880**	2,032,203
Effect of dilutive potential ordinary shares:		
Share options	**1,897**	6,116
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,074,777**	2,038,319

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share shown above have been arrived at after deducting shares held by a share award scheme trust and adding conversion of shares in relation to the mandatory conversion of convertible loan notes.

The computation of diluted earnings per share does not assume the discretionary conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2019	At 31 August 2018
	RMB'000	*RMB'000*
Deposits paid for the acquisitions of new private schools	**200,880**	220,975
Other deposits	**17,358**	22,033
Staff advances	**5,737**	5,651
Other receivables	**22,116**	19,053
Temporary payments to government	**47,995**	21,315
Prepayments for construction to related companies	**186,533**	220,765
Prepayments for construction of properties	**190,787**	160,675
Other prepayments	**38,194**	11,263
	709,600	681,730
Current	**131,400**	162,198
Non-current	**578,200**	519,532
	709,600	681,730

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 28 February 2019 *RMB'000*
Current	**223,678**
Non-current	**30,000**
	253,678

The financial assets were issued by financial institutions in the PRC as at 28 February 2019. The financial assets are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments. The Directors consider the fair values of the financial assets are measured by discounting the expected future cash flows using appropriate discount rates. According to the terms of the agreement, the Group has the rights to sell the financial assets to qualified investors.

12. AVAILABLE-FOR-SALE INVESTMENTS

The AFS investments were issued by financial institutions in the PRC as at 31 August 2018. The AFS investments are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments. The Directors consider the fair values of the AFS investments are measured by discounting the expected future cash flows using appropriate discount rates.

AFS investments amounting to RMB364,500,000 are classified as non-current, of which they have maturity over 12 months after the end of the reporting period. The remaining AFS investments amounting to RMB95,234,000 are classified as current, of which the Group has unconditional rights to redeem upon its request and the Directors expect the investments will be redeemed within 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 31 August 2018 *RMB'000*
Current	95,234
Non-current	364,500
	459,734

13. CONTRACT LIABILITIES

	At 28 February 2019 *RMB'000*	At 1 September 2018* *RMB'000*
Tuition and boarding fees	**551,981**	553,368
Ancillary services	**155,786**	63,655
	707,767	617,023

* The amounts in this column are after the adjustments from the application of IFRS 15.

Contract liabilities are classified as current based on the Group's earliest obligation to transfer goods/ services to the customers.

The contract liabilities at 1 September 2018 were fully recognised as revenue in the current year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Tuition and boarding fees

When the Group receives deposits from students, this will give rise to contract liabilities, until revenue is recognised when the students simultaneously receives and consumes the benefits provided by the Group's performance over the relevant period of the applicable program. The Group typically receives a 100% deposit at the beginning of each academic semester (two academic semesters each academic year).

— Ancillary services

Contract liability is recognised by the Group for the portion of fees that the Group collected from the customers in relation to performance obligations that have not been satisfied.

14. DEFERRED REVENUE

	At 28 February 2019 *RMB'000*	At 31 August 2018 *RMB'000*
Tuition and boarding fees	**—**	553,368
Ancillary services	**—**	63,655
Government grants	**2,365**	—
	2,365	617,023

	At 28 February 2019 *RMB'000*	At 31 August 2018 *RMB'000*
Current	**2,365**	617,023
Non-current	**—**	—
	2,365	617,023

15. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2019 *RMB'000*	At 31 August 2018 *RMB'000*
Trade and construction payables	**186,984**	104,574
Accruals for construction	**198,384**	238,884
Consideration payable for acquisitions of subsidiaries	**146,000**	120,000
Receipt in advance from a non-controlling shareholder	**60,000**	60,000
Accrued staff benefits and payroll	**35,085**	29,892
Payables for land use rights	**7,948**	7,948
Interest payables	**803**	7,841
Other tax payables	**11,604**	14,812
Discretionary government subsidies receipt in advance	**4,874**	5,635
Deposits received	**12,055**	5,645
Other payables	**30,371**	20,995
	694,108	616,226

16. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB452,000,000 (2018：RMB1,234,600,000). 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% (as at 31 August 2018：4.4% to 7.5%) as at 28 February 2019.

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Guangming Schools, Dongguan School, Panjin School, Weifang School and Huizhou School and pledged bank deposits.

17. CONVERTIBLE LOAN NOTES

The Company issued unsecured convertible loan notes with coupon rate of 6.8% at par value with principal amount of HK$500 million. The convertible loan notes are denominated in HK$ and matured in 2 years. Details of the terms of the convertible loan notes are set out in the annual financial statements for the year ended 31 August 2018.The movement of the convertible loan notes for the year is set out as below:

	Non-derivative debt component	Embedded derivatives component	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2017 (audited)	—	—	—
Initial recognition	401,611	6,242	407,853
Interest charged *(Note)*	5,555	—	5,555
Loss arising on changes in fair value	—	3,944	3,944
Exchange loss	4,791	—	4,791
At 31 August 2018 and 1 September 2018 (audited)	411,957	10,186	422,143
Interest charged *(Note)*	25,042	—	25,042
Loss arising on changes in fair value	—	376	376
Exchange gain	(7,459)	—	(7,459)
At 28 February 2019 (unaudited)	429,540	10,562	440,102

Note: The interest calculated based on the effective interest rate of 12.2% was charged in finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

18. SHARE CAPITAL

	Par value	Number of shares	Nominal amount	
			US$	*HK$*
Ordinary shares				
Authorised:				
At 1 September 2017 (audited), 31 August 2018 (audited) and 28 February 2019 (unaudited)	HK$0.01	10,000,000,000	—	100,000,000

	Par value	Number of shares	Nominal amount		Nominal amount equivalent to	Shown in the condensed consolidated financial statements as
			US$	*HK$*	*RMB*	*RMB'000*
Issued and fully paid:						
At 1 September 2017 (audited)	HK$0.01	2,039,154,000	—	20,391,540	18,026,191	18,026
Issuance of shares on exercise of share options	HK$0.01	3,800,000	—	38,000	31,033	31
At 31 August 2018 and 1 September 2018 (audited)	HK$0.01	2,042,954,000	—	20,429,540	18,057,224	18,057
Issuance of shares on exercise of share options *(Note i)*	HK$0.01	3,200,000	—	32,000	27,586	28
At 28 February 2019 (unaudited)	HK$0.01	2,046,154,000	—	20,461,540	18,084,810	18,085

Note:

i. Share options to subscribe for 3,200,000 ordinary shares of HK$0.01 were exercised at HK$0.51 per share. These shares rank pari passu with other shares in issue in all respect.

19. ACQUISITION OF A BUSINESS

On 20 August 2018, the Group entered into agreements with independent third parties to acquire 100% of the school sponsor's interest in Zhang Pu Longcheng Schools and a land parcel thereon currently occupied by Zhang Pu Longcheng Schools with an area of approximately 100 mu (equivalent to approximately 67,000 square metres) at a total consideration of RMB183,000,000 (the "**Acquisition**"). The transaction was completed in November 2018.

Zhang Pu Longcheng Schools are 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 Fujian province, close proximity to East Guangdong District where the Group is operating a private primary and secondary school in Jieyang, and to enhance the Group's influence in East Guangdong District.

The excess of the total consideration over the fair value of the net identifiable assets acquired resulted in goodwill of RMB61,272,000 which is tax deductible at the time 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.

20. EVENT AFTER THE REPORTING PERIOD

On 19 March, 2019, Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) ("**Guangdong Guangzheng**"), a subsidiary of the Company, entered into a strategic cooperation agreement with Guangdong Huiyin Haide Equity Investment Fund Management Company Limited (廣東匯垠海德股權投資基金管理有限公司) ("**Huiyin Haide**") in relation to the establishment of an education industry fund principally for the investment of schools in the Guangdong — Hong Kong — Macao Greater Bay Area for the term of seven years inclusive of a term of 5 years and extendable for further two one-year terms, with a target size of investment of approximately RMB2,500 million which will be raised by phases on a project basis, of which RMB1,000 million to be contributed by Guangdong Guangzhen as to RMB700 million and Huiyin Haide as to RMB300 million.

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 2018, total student enrolment increased by 32.2% to 54,420 students and total student capacity of our schools increased by approximately 26.5% to 63,000 for the six months ended 28 February 2019. After consolidation of a boarding school in Fujian province, China as detailed below, we currently operate eleven premium private schools in nine campuses in China.

Major Business Developments

i) Addition of a Boarding School in Fujian Province

Pursuant to an agreement entered into between the Group and independent third parties (the "**Sellers**"), on 20 August 2018, the Sellers conditionally agreed to transfer to the Group the entire equity interest in an investment holding company ("**Target Company**") established in China ("**Transfer**"). The Target Company owns the entire sponsor's interests in Zhang Pu Longcheng School* (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively, "**Zhang Pu Longcheng Schools**"), which are located in Zhangzhou, Fujian province, China, and the entire interest in a parcel of land with a site area of approximately 100 mu (畝) occupied by Zhang Pu Longcheng Schools.

Zhang Pu Longcheng Schools are private boarding schools established in accordance with the first-level of provincial standard, offering education for grade 1 to grade 12 students in China. Currently, Zhang Pu Longcheng Schools are operated in nearly full capacity with a total student enrolment of approximately 2,900.

In November 2018, the Group completed the necessary registration procedures and obtained the relevant licences in relation to the operation of Zhang Pu Longcheng Schools and the other conditions precedent of the Transfer have been completed. The financial statements of the Target Company and Zhang Pu Longcheng Schools have been consolidated in the financial statements of the Group from the date of completion of the Transfer.

ii) Acquisition of Land in Foshan for Building a Primary and Secondary School

In October 2018, the Group made a successful bid for the land use rights of a parcel of land of approximately 98,800 square meters (equivalent to approximately 148 mu (畝)) with a term of 50 years, which is situated at Shunde district, Foshan in Guangdong province for educational purposes. The Group has entered into an agreement with the Land Reserve Development Centre of Jun'an town, Shunde district in Foshan in respect of the acquisition of the land at the consideration of approximately RMB276 million, and the proposed development of a boarding school on the land.

Pursuant to the agreement, the Group is required to build a boarding school comprising, among other things, primary, middle and high school sections with a total capacity of no less than 4,440 students, subject to the relevant government approvals, and within 36 months from the transfer of the land, the Group is required to commence full operation of student recruitment and teaching activities which can be developed by phases according to the actual development status. However, the Group has to ensure that the first phase of student recruitment will commence before 1 September 2019. Please refer to the Company's announcement dated 8 October 2018 for further details of the transaction.

In March 2019, the Group obtained an approval from the Ministry of Education of Shunde District, Foshan for its planning to set up a private not-for-profit primary and secondary school for grade 1 to grade 12 students on a total land area of approximately 191,000 square meters (equivalent to approximately 286 mu (畝)). In addition to the original parcel of land of approximately 98,800 square meters acquired in October 2018 through bidding, the Group is allowed to rent additional parcels of land of approximately 92,200 square meters for educational purpose and the total maximum capacity of the school will be increased to 9,210 students with this approval. This demonstrates that the local government supports the Group to establish a private school in Shunde District, Foshan for the Group's maximum benefit.

Our Schools and Educational Curriculum

Three of our schools are located in two campuses in Dongguan, one school is located in Huizhou and one school is located in Jieyang in Guangdong province, one school is located in Panjin, Liaoning province, two schools are located in Weifang, Shandong province, one school is located in Guang'an, Sichuan province and two schools are located in Zhangzhou, Fujian 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 nine campuses:

	Primary School	Middle School	High School	International Programmes
1. Dongguan Guangming School together with Dongguan Guangming Primary School ("**Dongguan Guangming Secondary and Primary Schools**")	√	√	√	√
2. Dongguan Guangzheng Preparatory School	√	√	√	√
3. Huizhou Guangzheng Preparatory School	√	√	√	N/A
4. Panjin Guangzheng Preparatory School	√	√	√	N/A
5. Weifang Guangzheng Preparatory School	√	√	√	N/A
6. Jieyang Jiedong Guangzheng Preparatory School (formerly known as Huanan Shida Yuedong Preparatory School) ("**Jieyang School**")	√	√	√	N/A
7. Weifang Weizhou Foreign Language School ("**Weifang Weizhou School**")	√	N/A	N/A	N/A
8. Guang'an Guangzheng Preparatory School	√	√	√	N/A
9. Zhang Pu Longcheng Schools	√	√	√	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 who aim to take the local university entrance examinations.

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 all-rounded quality 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, the male basketball team of Dongguan Guangming Secondary School won various municipal and provincial championships in the past and has just been one of the top four teams who will be competing for the championship in the 2019 national secondary school basketball competition.

Student Placement

For the 2017/2018 school year, over 90% of our high school graduates were admitted to universities in China, and over 40% of the high school graduates of Dongguan Guangming Secondary School 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.

Total Revenue

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

As all the ancillary services are currently provided by the Company's indirect wholly-owned subsidiaries and the management evaluated the performance of ancillary services based on service category, total revenue by school has not been presented accordingly.

	For the six months ended 28 February			
	2019	**% of**	2018	% of
Total Revenue by Service	***RMB'000***	**Total**	*RMB'000*	Total
Tuition and boarding fees	**579,037**	**69.3**	417,409	70.5
Ancillary services	**256,516**	**30.7**	174,586	29.5
Total revenue	**835,553**	**100**	591,995	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 2018, tuition and boarding fees for the six months ended 28 February 2019 increased by 38.7% primarily due to the increase in overall student enrolment and the increase in average tuition and boarding fees.

Ancillary services

In order to enhance the quality of student life in our schools where our students normally live in our dormitories from Monday to Friday during school terms, our wholly-owned service companies provide our students with ancillary services, including various on-campus services and daily necessities for students.

Comparing with that for the six months ended 28 February 2018, revenue from ancillary services for the six months ended 28 February 2019 increased by 46.9% primarily due to the increase in overall student enrolment and the increase in average selling prices of certain service items.

Student Enrolment

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective six-month period and no average student enrolment is presented accordingly. The following tables set forth the student enrolment for the six months ended 28 February 2019 and 28 February 2018:

Student Enrolment by School	For the six months ended 28 February **2019**	2018	**Change**	**Percentage Change**
Dongguan Guangming Secondary and Primary Schools	**17,358**	16,477	**881**	**5.3%**
Dongguan Guangzheng Preparatory School	**12,645**	10,620	**2,025**	**19.1%**
Huizhou Guangzheng Preparatory School	**8,413**	6,011	**2,402**	**40.0%**
Panjin Guangzheng Preparatory School	**3,119**	2,170	**949**	**43.7%**
Weifang Guangzheng Preparatory School	**2,133**	1,401	**732**	**52.2%**
Jieyang School	**5,375**	4,501	**874**	**19.4%**
Weifang Weizhou School — Consolidated with effect from June 2018	**2,318**	N/A	**2,318**	**N/A**
Guang'an Guangzheng Preparatory School — Opened in September 2018	**159**	N/A	**159**	**N/A**
At the beginning of the relevant school year	**51,520**	41,180	**10,340**	**25.1%**
Addition of schools during the period				
Zhang Pu Longcheng Schools — Consolidated with effect from Nov 2018	**2,900**	N/A	**2,900**	**N/A**
Total number of students	**54,420**	41,180	**13,240**	**32.2%**

Total student number increased by 32.2%, primarily due to the increase in student enrolment primarily in Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools.

As the student enrolment of Zhang Pu Longcheng Schools was consolidated to the Group's student enrolment with effect from November 2018, the normalised annual growth rate of the total student enrolment would have been adjusted to approximately 29.2%.

Student Enrolment by Section	**For the six months ended 28 February 2019**	**% of Total**	For the six months ended 28 February 2018	% of Total
High school	**11,555**	**21.3**	9,037	21.9
Middle school	**23,680**	**43.5**	18,217	44.2
Primary school	**18,943**	**34.8**	13,619	33.1
International programmes	**242**	**0.4**	307	0.8
Total number of students	**54,420**	**100**	41,180	100

Comparing with the percentage of total students for the six months ended 28 February 2018, the percentage of primary school student for the six months ended 28 February 2019 increased primarily due to the acquisition of Weifang Weizhou School which is a primary school.

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 2017/2018 school year, approximately 88% of our primary school graduates enroled in our middle schools, and approximately 50% of our middle school graduates enroled in our high schools.

Average Tuition and Boarding Fees Per Student

Average Tuition and Boarding Fees per student by School	For the six months ended 28 February **2019** ***RMB*** *(Note)*	2018 *RMB* *(Note)*	**Percentage Change**
Dongguan Guangming Secondary and Primary Schools	**13,398**	11,397	**+17.5%**
Dongguan Guangzheng Preparatory School	**12,952**	11,388	**+13.7%**
Huizhou Guangzheng Preparatory School	**9,878**	9,838	**+0.4%**
Panjin Guangzheng Preparatory School	**8,960**	7,555	**+18.6%**
Weifang Guangzheng Preparatory School	**8,004**	7,093	**+12.8%**
Jieyang School	**5,779**	5,156	**+12.1%**
Weifang Weizhou School — Consolidated with effect from June 2018	**5,260**	N/A	**N/A**
Guang'an Guangzheng Preparatory School — Opened in September 2018	**7,333**	N/A	**N/A**
Before addition of schools	**11,042**	10,136	**+8.9%**
Addition of schools during the period			
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**3,503#**	N/A	**N/A**
Overall	**10,640**	10,136	**+5.0%**

\# Since the acquisition of Zhang Pu Longcheng Schools was completed in November 2018, the financial statements of Zhang Pu Longcheng Schools have been consolidated in the Group's financial statements with effect from November 2018. Accordingly, only tuition and boarding fees of Weifang Weizhou School for the period from November 2018 to February 2019 were consolidated in the Group's total tuition and boarding fees, whereas the student enrolment of Zhang Pu Longcheng School has been fully consolidated in the Group's total student enrolment. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 assuming that there was no material change in student enrolment during the same period, the normalised average tuition and boarding fees per student of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 would have been adjusted to approximately RMB6,005.

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 at the beginning of the respective school year. As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective six-month period and 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 2019, the average tuition and boarding fees per student before taking into consideration of the consolidation of Zhang Pu Longcheng Schools increased by 8.9% to RMB11,042 primarily due to the increase in tuition and boarding fees for the new students in Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School.

The overall average tuition and boarding fees per student of the Group for the six months ended 28 February 2019 increased by 5.0% to RMB10,640 primarily due to the consolidation of Zhang Pu Longcheng Schools where the average tuition and boarding fee per student of each is lower than the average of other schools of the Group. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 assuming that there was no material change in student enrolment during the same period, the normalised overall average tuition and boarding fees of the Group for the six months ended 28 February 2019 would have been adjusted to approximately RMB10,773, representing a year-on-year increase of 6.3%.

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 for the respective six-month period. The following tables set forth the capacity for students and utilization of our schools for the six months ended 28 February 2019 and 28 February 2018:

	Six months ended 28 February			
	2019		2018	
Student Capacity and Utilization by School	**Student Capacity**	**Utilization**	Student Capacity	Utilization
Dongguan Guangming Secondary and Primary Schools	**18,300**	**94.9%**	16,804	98.1%
Dongguan Guangzheng Preparatory School	**15,000**	**84.3%**	13,500	78.7%
Huizhou Guangzheng Preparatory School	**8,500**	**99.0%**	8,000	75.1%
Panjin Guangzheng Preparatory School	**4,000**	**78.0%**	2,500	86.8%
Weifang Guangzheng Preparatory School	**4,000**	**53.3%**	4,000	35.0%
Jieyang School	**7,000**	**76.8%**	5,000	90.0%
Weifang Weizhou School — Consolidated with effect from June 2018	**2,200**	**105.4%***	N/A	N/A
Guang'an Guangzheng Preparatory School — Opened in September 2018	**1,000**	**15.9%**	N/A	N/A
Sub-total	**60,000**	**85.9%**	49,804	82.7%
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**3,000**	**96.7%**	N/A	N/A
Overall	**63,000**	**86.4%**	49,804	82.7%

* The utilization rate exceeded 100% as Weifang Weizhou School is a primary school which recruited certain day students of lower grades.

Total student capacity increased from 49,804 for the six months ended 28 February 2018 to 63,000 for the six months ended 28 February 2019 primarily due to the expansion of capacity of Dongguan Guangming Secondary and Primary Schools (after the acquisition of an adjacent campus), Dongguan Guangzheng Preparatory School, the opening of Guang'an Guangzheng Preparatory School in September 2018 and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools.

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

Teachers

For the six months ended 28 February 2019, over 80% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from approximately 2,580 for the six months ended 28 February 2018 to 3,410 for the six months ended 28 February 2019 primarily due to the recruitment of additional teachers for the opening of Guang'an Guangzheng Preparatory School, the expansion of other schools and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools. 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 six months ended 28 February 2019, the turnover rate of our teachers, including our termination, was approximately 6.9%.

RECENT BUSINESS UPDATE

In March 2019, the Group entered into a strategic cooperation agreement ("**Strategic Cooperation**") with Guangdong Huiyin Haide Equity Investment Fund Management Company Limited (廣東匯垠海德股權投資基金管理有限公司) ("**Huiyin Haide**") in relation to the establishment of an education industry fund principally for the investment of schools in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") (the "**Industry Fund**") with a target size of investment of approximately RMB2,500 million, which will be raised by phases on a project basis, of which RMB1,000 million to be contributed by the Group as to RMB700 million and Huiyin Haide as to RMB300 million. Guangzhou Huiyintianyue Equity Investment Fund Management Co. Ltd (廣州匯垠天粵股權投資基金管理有限公司), a wholly-owned subsidiary of Guangzhou Industrial Investment Fund Management Co. Ltd (廣州產業投資基金管理有限公司) ("**Guangzhou Fund**"), is the largest shareholder of Huiyin Haide.

The Industry Fund will set up a platform company and different project companies for holding interests in different schools. The platform company will apply the fund raised from the Industry Fund towards financing, among other things, the expenditures in establishing new schools and the operation expenses of schools. Huiyin Haide will be the fund manager of the Industry Fund and the Group will provide management services to such schools held by the project companies in return for a service fee. The Group will be entitled to a right of first refusal for acquiring any investment project proposed to be disposed of by the Industry Fund on the same conditions offered to third party purchasers. For details of the Industry Fund and the reasons of the Strategic Cooperation, please refer to the Company's announcement dated 20 March 2019.

MARKET REVIEW

Market potentials for private primary and secondary schools in the Greater Bay Area

China has planned to promote in-depth integration of resources and coordinated economic development in the Greater Bay Area which comprises nine cities in Guangdong province and the two administrative regions of Hong Kong and Macao. The eleven cities, which include Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing, generated a combined United States Dollar 1.51 trillion in gross domestic product ("**GDP**") and host a population of 69.6 million in 2017, accounting for 12% and 5% of the national total respectively, according to the data compiled by the National Bureau of Statistics.

The development of the Greater Bay Area is also marked with significantly increased transport connectivity, which would facilitate the flow of people and goods, and thus foster robust economic growth. As the Chinese government continues to develop the transport network, multiple infrastructure projects such as the Shenzhen-Zhongshan Bridge and Liantang/Heung Yuen Wai Boundary Control Point are scheduled to launch in the near future, following the openings of the Nansha Bridge in April this year as well as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in 2018. With the development of transport infrastructure in the Greater Bay Area, together with other favorable policies, we expect the number of children accompanying parents who come to do business or work in the Greater Bay Area from other regions in China will increase, creating a promising environment for the growth of private primary and secondary education in Guangdong province.

OUTLOOK

Favorable Environment for The Group's Business

i) The Outline Development Plan for The Greater Bay Area

On 18 February 2019, the central government of China issued an Outline Development Plan ("**Outline Development Plan**") for the Greater Bay Area in which a road map to further transform the Greater Bay Area into a world-class city cluster and an international hub for technology and innovation has been drawn. Particularly, one of the objectives set out in Chapter 8 of the Outline Development Plan is to create an education and talent hub in the Greater Bay Area and there are several initiatives, among other things, for promoting fundamental education in the Greater Bay Area, such as:

- to enhance exchange and cooperation in fundamental education;
- to encourage primary and secondary schools in Guangdong, Hong Kong and Macao to link up as "sister schools";

- to establish schools or provide classes with boarding services in Guangdong for the admission of Hong Kong and Macao children;
- to enhance school constructions and expand the supply of student places;
- to further improve the schooling policies for children accompanying parents who are under cross-region employments;
- to ensure eligible children who accompany parents residing in the places where they work will be able to take the university entrance examinations smoothly at their places of residence; and
- to consider allowing eligible children of Hong Kong and Macao residents who are working and living in the nine cities of the Pearl River Delta to enjoy the same rights as mainland residents on compulsory education and senior secondary education.

In order to attract more professionals to the nine cities in Guangdong, in March 2019, the Chinese government launched a subsidy scheme for foreign talent to make up for the difference in individual income tax between mainland China and Hong Kong.

We expect that the above initiatives, together with more convenient transportation and comprehensive facilities, will enhance the inflow of talent to the Greater Bay Area which will, in turn, drive up the demand for quality private primary and secondary schools as these people would generally have higher income level and put emphasis on the quality of their children's education.

ii) China's Education Modernization 2035 and its Implementation Plan (2018–2022)

With our proven track record in providing all-rounded quality private primary and secondary school education, we believe our schools will be one of the beneficiaries under China's Education Modernization 2035.

In February 2019, the central government of China issued a plan for China's Education Modernization 2035《中國教育現代化2035》and the Implementation Plan to Accelerate the Modernization of Education (2018–2022)《加快推進教育現代化實施方案 (2018–2022年) 》("**Implementation Plan**") which, among other things, promote to achieve quality and balanced compulsory education and popularize senior secondary education. There are ten key tasks in the Implementation Plan, of which certain objectives have positive signals on primary and secondary education. For instance, the second task puts emphasis on, among other things, the development of quality and characteristic ordinary high schools and supporting the launch of after-school services in primary and secondary schools. The final task intends to, among other things, implement the promotion law for private education, revise its implementation rules, and proactively encourage social resources to set up schools with a view to developing private education in a sustainable and healthy manner.

Increasing Our Brand Influence

We believe that maintaining a good reputation and a strong brand awareness are critical success factors for running private primary and secondary education in China. Thanks to our educational quality, we have a proven track record in replicating our business leveraging our school brands. We will continue to put emphasis on our all-rounded quality education and expand our school network in order to enhance our reputation.

With our increasing brand influence, we believe our school properties are quality assets for running our visible and promising primary and secondary business in future decades and we prefer to own our school properties for large-scale schools. In the future, however, we will explore any asset-light business opportunity for running small-scale schools.

Our Growth Strategies

Geographic Focus in Greater Bay Area

Given the favorable environment of Guangdong province in terms of GDP, population and the Outline Development Plan for Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area.

Apart from the existing schools in Dongguan and Huizhou, we have entered into cooperation or framework agreements with the local governments of Foshan, Jiangmen, Guangzhou and Zhaoqing, respectively, in respect of the proposed establishment of a private boarding school in each of these cities, making up to the potential coverage of six Guangdong cities in the Greater Bay Area in the future.

However, we will also consider any attractive expansion opportunities outside Guangdong province, such as Sichuan province and Fujian province.

Expansion Plan

I) Building More Greenfield Schools

We will build more greenfield schools through more cooperation with local governments in respect of the allocation of land use rights for educational purposes or through bidding more land use rights for educational use in order to sustain our future growth. We expect more greenfield school projects will be added in the pipeline and we will adjust our development plan from time to time according to the local governments' needs and requirements.

a) New schools under development — Expected commencement in the 2019/2020 school year

Yunfu, Guangdong province

Subject to certain factors including the necessary government approvals, it is expected that the first phase of a boarding school in each of the following cities will commence operation from 2019/2020 school year. Each of these schools will be built by the Group by phases and is expected to have, among other things, primary, middle and high school sections.

City and province	**Approximate land area for educational purposes**	**Estimated maximum student capacity**
Yunfu, Guangdong	355 mu (畝) or 237,000 square metres	10,680
Foshan, Guangdong *(Note)*	286 mu (畝) or 191,000 square metres	9,210

Note: In March 2019, the Group obtained an approval from the Ministry of Education of Shunde District, Foshan for its planning to set up a private not-for-profit primary and secondary school for grade 1 to grade 12 students on a total land area of approximately 191,000 square meters (equivalent to approximately 286 mu (畝)). In addition to the original parcel of land of approximately 98,800 square meters acquired in October 2018 through bidding, the Group is allowed to rent additional parcels of land of approximately 92,200 square meters for educational purpose and the total maximum capacity of the school will be increased to 9,210 students with this approval. This demonstrates that the local government supports the Group to establish a private school in Shunde District, Foshan for the Group's maximum benefit.

b) Proposed new schools under planning

Pursuant to the cooperation agreements entered into between the Group and the local governments of Jiangmen and Chaozhou in Guangdong province respectively, each of the local governments agreed to allocate a parcel of land to the Group for the proposed establishment of a boarding school comprising, among other things, primary, middle and high school sections, in each of the cities respectively. Each of these proposed boarding schools will be developed by phases and the commencement date of the first phase operation will be determined later, subject to certain conditions including the necessary government approvals.

City and province	Approximate land area for educational purposes	Estimated maximum student capacity
Chaozhou,Guangdong	200 mu (畝) or 133,000 square metres	8,000
Jiangmen, Guangdong	200 mu (畝) or 133,000 square metres	7,500

c) Proposed new schools under negotiation

The Group has signed framework agreements with the local governments of Guangzhou and Zhaoqing in Guangdong province respectively, in respect of the proposed cooperation of the development of a boarding school in each of these cities.

We are still in the process of negotiating with these local governments on the terms of proposed cooperation including the provision of a parcel of land in each of these cities to the Group for educational purposes and the expected maximum student capacity. As at the date of this announcement, we have not signed any formal or legal-binding agreement in relation to the proposed cooperation.

II) Expanding Capacity of Our Schools

We will also evaluate our schools' student capacity from time to time in order to cope with our future growth in student enrolment. The expansion of our schools' capacity is subject to adjustment, depending on their actual student recruitment and capacity utilization.

The following table sets out the expansion of each school's capacity and its target capacity:

Existing Schools	**2018/2019 school year student capacity**	**2019/2020 school year estimated student capacity**	**Estimated Maximum Student Capacity** *(Notes)*
Dongguan Guangming Secondary and Primary Schools	18,300	18,300	18,300
Dongguan Guangzheng Preparatory School	15,000	15,000	18,000[(1)]
Huizhou Guangzheng Preparatory School	8,500	10,500	10,500[(4)]
Panjin Guangzheng Preparatory School	4,000	4,500	6,200[(1)]
Weifang Guangzheng Preparatory School	4,000	4,000	8,000[(1)]
Jieyang School	7,000	7,000	18,000[(2)]
Weifang Weizhou School	2,200	2,200	2,200
Guang'an Guangzheng Preparatory School	1,000	2,000	9,280[(3)]
Zhang Pu Longcheng Schools	3,000	3,500	3,500[(4)]
Sub-total	63,000	67,000	93,980
Greenfield Schools Under Development — Expected commencement in 2019/2020 school year			
Yunfu Guangming School	—	2,500	10,680[(5)]
A boarding school in Shunde district, Foshan	—	1,500	9,210[(6)]
Sub-total	—	4,000	19,890
Proposed New Schools Under Planning			
A boarding school in Chaozhou	—	—	8,000[(5)]
A boarding school in Jiangmen	—	—	7,500[(5)]
Sub-total	—	—	15,500
Total	63,000	71,000	129,370

Notes:

(1) The estimated maximum 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 estimated maximum capacity for Guang'an Guangzheng Preparatory School 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 Guang'an Guangzheng Preparatory School's target student capacity is subject to adjustment, depending on the schools' actual student recruitment and capacity utilization.

(4) The estimated maximum capacities for each of Huizhou Guangzheng Preparatory School and Zhang Pu Longcheng Schools have been increased due to the increase in the number of beds in student dormitories after reconstruction of certain school buildings.

(5) The estimated maximum capacity for Yunfu Guangming School and each of the proposed schools in Chaozhou city and Jiangmen is based on the final total capacity for, among others, primary, middle and high school education as set forth in the relevant cooperation agreements. 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.

(6) The estimated maximum capacity is approved by the local government authority based on the total capacity for, among others, primary, middle and high school education. The expansion of the proposed school's target student capacity is subject to adjustment, depending on the proposed school's actual student recruitment and capacity utilization.

Future Capital Expenditure and Financing

During the six months ended 28 February 2019, certain bank and other borrowings raised for the future expansion of the Group's business were not utilized. In order to have a better use of our financial resources, the Group purchased certain available-for-sale investments. These available-for-sale investments are wealth management products under which the Group is allowed to early redeem such investments, in whole or in part, 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.

We expect that the Group's future capital expenditure will primarily be financed by bank and other 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 the Outline Development Plan for the Greater Bay Area and our proven expansion track record and 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	474.5	—
— 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	14.6	—
— Acquisition of schools to supplement our school network	18%	131.4	131.4	—
— Provision of scholarships and subsidies to our students	2%	14.6	7.5	7.1
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	722.9	7.1

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

REGULATORY UPDATE

Our Schools under The Law for Promoting Private Education

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

The Decision on Amending the Law for Promoting Private Education

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

The Decision Has No Material Impact on Our 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.

Foreign Investment Law

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and stipulate that foreign capital may just operate high schools by way of Sino-foreign cooperation (where the domestic party shall play a dominant role). Accordingly we conduct our private education business in the PRC through a VIE structure, through which we obtain control over and derive the economic benefits from our consolidated affiliated entities.

On 15 March 2019, the National People's Congress passed the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**Foreign Investment Law**") after deliberation, which will come into force on 1 January 2020. It will replace the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law on Sino-Foreign Contractual Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》). The Foreign Investment Law stipulates that the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in the sectors or industries prohibited by the negative list for the market entry of foreign investment.

The Foreign Investment Law adopts a more moderate stance than the draft Foreign Investment Law on the definition of foreign investment, and does not expressly impose restrictive requirements on the business operated in the PRC through contractual arrangement. Therefore, the Foreign Investment Law will not have a material impact on the overall contractual arrangement and each of the agreements which constitutes the contractual arrangement. The contractual arrangement and the relevant agreements will remain legal, valid and binding on the parties thereto. Notwithstanding the above, the Foreign Investment Law stipulates that "foreign investment includes the investment made in the PRC by foreign investors through any other ways under the laws, administrative regulations and provisions required by the State Council". If the future laws, administrative regulations and provisions of the State Council state contractual arrangement as one of the ways of foreign investment, our contractual arrangement may be deemed as foreign investment.

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. We will also take reasonable measures in good faith with reference to the circumstances. As at 28 February 2019, our Company was not aware of any non-compliance with the Foreign Investment Law.

Draft Amendments to the Implementation Rules for the Law for Promoting Private Education

On 10 August 2018, the Ministry of Justice of the PRC published the draft amendments to the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**Draft Amendments**"). Given that the Draft Amendments are only in draft form, which may remain subject to further revisions, the Company is of the view that it is still premature to assess the impact (if any) on the Group by virtue of the Draft Amendments, according to the provisions as contemplated or otherwise. The Group has not been affected by the Draft Amendments in any material respect as at the date of this announcement, and the Company currently does not expect that the Draft Amendments will have any material negative impact on the Group based on its preliminary assessment.

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 2019, total revenue increased by 41.1% to RMB835.6 million and core net profit increased by 33.0% to RMB216.4 million as compared with those of the corresponding period in 2018.

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 RMB243.6 million, or 41.1%, from RMB592.0 million for the six months ended 28 February 2018 to RMB835.6 million for the six months ended 28 February 2019. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB161.6 million and the increase in revenue from ancillary services by RMB82.0 million.

Revenue from tuition and boarding fees increased by 38.7% from RMB417.4 million for the six months ended 28 February 2018 to RMB579.0 million for the six months ended 28 February 2019, largely due to the increase in total student enrolment and increase in average tuition and boarding fees per student. Total student enrolment increased by 32.2% from 41,180 for the six months ended 28 February 2018 to 54,420 for the six months ended 28 February 2019, primarily due to increase in student enrolment of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools. The increase in average tuition and boarding fees per student was mainly due to the increase in tuition and boarding fees for the new students of Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School.

Revenue from ancillary services increased by 46.9% from RMB174.6 million for the six months ended 28 February 2018 to RMB256.5 million for the six months ended 28 February 2019, primarily due to the increase in overall student enrolment and increase in average selling price of certain ancillary services items.

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 provision of ancillary services, (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 RMB126.6 million, or 38.3%, from RMB330.2 million for the six months ended 28 February 2018 to RMB456.8 million for the six months ended 28 February 2019. The increase was largely due to the increases in teaching staff costs, depreciation and amortisation, and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools.

Staff costs increased mainly because the number of teachers increased from 2,580 for the six months ended 28 February 2018 to 3,410 for the six months ended 28 February 2019, 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 consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools and the increase in average salaries of teachers.

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, and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools.

Gross Profit

As a result of the foregoing, gross profit increased by 44.7% from RMB261.8 million for the six months ended 28 February 2018 to RMB378.7 million for the six months ended 28 February 2019. Our gross profit margin increased from 44.2% for six months ended 28 February 2018 to 45.3% for the six months ended 28 February 2019, primarily due to the increase in tuition and boarding fees for the new students of Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School. The adjusted gross profit margin for the six months ended 28 February 2019 was 46.7% after adjusting for amortization of intangible assets arising from the acquisition of schools, as compared to that of 44.6% for the corresponding period in 2018.

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, (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other income decreased by 56.2% from RMB22.6 million for the six months ended 28 February 2018 to RMB9.9 million for the six months ended 28 February 2019, primarily due to the decrease in government grants by RMB12.9 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gains and loss on change in fair value of financial assets at FVTPL, i.e. interest income from investment products, and (ii) unrealised exchange gain and loss resulting from the translation of bank deposits denominated in Hong Kong dollars (HK$).

Other gains for the six months ended 28 February 2019 primarily consist of the interest income from investment products of RMB20.0 million and other net losses of RMB1.3 million. Please refer to note 5 to the condensed consolidated financial statements for details.

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 36.2% from RMB18.3 million for the six months ended 28 February 2018 to RMB25.0 million for the six months ended 28 February 2019, 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 consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools. Selling expenses as a percentage of revenue decreased from 3.1% for the six months ended 28 February 2018 to 3.0% for the six months ended 28 February 2019.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) tax expenses in relation to the corporate management and educational management consultancy services, intellectual property licensing services and technical and business support services provided by the Group' subsidiaries to consolidated affiliated entities, (iii) depreciation of office buildings and equipment, (iv) rental expenses, (v) travel expenses, (vi) entertainment expenses, and (vii) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses increased by 34.0% from RMB97.8 million for the six months ended 28 February 2018 to RMB131.1 million for the six months ended 28 February 2019, primarily as a result of the increase in salaries and other benefits and office expenses in line with the Group's expansion plan and the consolidation of Weifang Weizhou School and Zhang Pu Longcheng Schools. Administrative expenses as a percentage of revenue decreased from 16.5% for the six months ended 28 February 2018 to 15.7% for the six months ended 28 February 2019.

Finance Income

Finance income consists of (i) interest income from bank deposits, and (ii) interest income from available-for-sale investments.

Finance income decreased from RMB13.6 million for the six months ended 28 February 2018 to RMB9.6 million for the six months ended 28 February 2019 primarily due to the classification of interest income from investment products of RMB20.0 million as "Gain on change in fair value of financial asset at FVTPL" in other gains and losses for the six months ended 28 February 2019 due to the adoption of IFRS 9.

Finance Costs

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

Finance cost increased from RMB10.6 million for the six months ended 28 February 2018 to RMB38.7 million for the six months ended 28 February 2019, primarily due to the increase in bank borrowings and interest expenses on convertible loan notes charged to the profit and loss during the six months ended 28 February 2019. Adjusted finance costs for the six months ended 28 February 2019 was RMB28.0 million, after adjusting for the difference of actual interest payable for the convertible loan notes and the interest charged to the profit and loss based on the theoretical effective interest rate as disclosed in note 17 to the condensed consolidated financial statements (see also note to reconciliation of Core Net Profit). Adjusted net finance income (interest income from investment products and bank interest income less adjusted finance costs) as a percentage of revenue was 0.2% (for the six months ended 28 February 2018: 0.5%).

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB158.3 million for the six months ended 28 February 2018 to RMB222.4 million for the six months ended 28 February 2019. Profit before taxation as a percentage of revenue of the Group was 26.6% for the six months ended 28 February 2019 compared with 26.7% for the six months ended 28 February 2018.

Taxation

Income tax expense of the Group increased by 159.1% from RMB12.7 million for the six months ended 28 February 2018 to RMB32.9 million for the six months ended 28 February 2019. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same EIT exemption as public 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 2019 and the six months ended 28 February 2018 was 14.8% and 8.0%, respectively. The increase in the Group's effective tax rates was primarily due to the increase in profit generated from our wholly-owned services companies. 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 30.2% from RMB145.6 million for the six months ended 28 February 2018 to RMB189.5 million for the six months ended 28 February 2019.

Core Net Profit

The Group defines its core net profit 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 for the period to core net profit for the two financial periods presented below:

	Six months ended 28 February	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**189,462**	145,620
Less:		
Exchange gain	**(650)**	—
Add:		
Exchange loss	**—**	12,555
Loss on change in fair value of convertible loan notes	**376**	—
Share-based payments	**5,504**	2,364
Amortisation of intangible assets arising from the acquisition of schools	**11,042**	2,162
Adjusted interest expenses on convertible loan notes based on actual coupon rate *(Note)*	**10,700**	—
	216,434	162,701

Note: The adjustment represented the difference of (a) the actual interest payable by the Group for the HK$500 million convertible loan notes with coupon rate of 6.8% of approximately RMB14.3 million, and (b) the interest charged to "Finance costs" in profit and loss of approximately RMB25.0 million based on the theoretical effective interest rate of 12.2% and the amortised cost under the effective interest method as disclosed in notes 17 to the condensed consolidated financial statements.

Capital Expenditure

During the six months ended 28 February 2019, the Group paid approximately RMB458.2 million for the acquisition of property, plant and equipment and schools, and paid approximately RMB285.1 million for the acquisition of prepaid lease for the further expansion of our schools.

Liquidity, Financial Resources and Capital Structure

The Group recorded a significant increase in net cash inflow from operating activities for the six months ended 28 February 2019 as compared to that for the six months ended 28 February 2018, which was mainly driven by the increase in deferred revenue of tuition and boarding fees received in advance, and the operating cash flows before movements in working capital.

During the six months ended 28 February 2019, the capital expenditures for the acquisition of property, plant and equipment, prepaid lease payments and the deposits for the acquisition of new schools were partly financed by the net proceeds from the Company's global offering in January 2017, and the net proceeds from bank borrowings and convertible loan note.

The combined effect of the above resulted a net decrease in cash and cash equivalents of RMB482.7 million for the six months ended 28 February 2019 (For the six months ended 28 February 2018: RMB21.3 million).

As at 28 February 2019, the Group's total pledged bank deposits, bank balances and cash amounted to RMB966.4 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2018: RMB1,193.0 million).

As at 28 February 2019, the Group's total of bank and other borrowings amounted to RMB2,388.5 million comprising RMB625.9 million repayable within one year and RMB1,762.6 million repayable more than one year. Bank and other borrowings carried interest rates ranging from 4.4% to 7.3% per annum. All the bank borrowings were denominated in RMB and other borrowings were denominated in HK$. During the six months ended 28 February 2019, the Group raised certain borrowings from banks for the capital expenditure required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.

As at 28 February 2019, certain bank and other borrowings raised for the expansion of the Group's business were not utilized. In order to have a better use of our financial resources, the Group purchased certain investment products during the six months ended 28 February 2019. These investments products were short-term wealth management products under which the Group is allowed to early redeem, and the Group held these investments for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. These investment products were classified as "Available-for-sale investments" as at 31 August 2018.

Subsequent to 31 August 2018, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS. As a result, these investment products were classified as "Financial assets at fair value through profit and loss" as at 28 February 2019. Please refer to the note 2.2 to the condensed consolidated financial statements for details.

The Group recorded net current liabilities of RMB779.2 million as at 28 February 2019 (as at 31 August 2018: 174.9 million) primarily as a result of the recognition of tuition and boarding fees received in advance as "contract liabilities" (previously classified as "deferred revenue") which was included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year. The Group's net gearing ratio as at 28 February 2019 was 67.6% (as at 31 August 2018: 47.4%).

As explained in the sections headed "Future Capital Expenditure and Financing" and Liquidity, Financial Resources and Capital Structure" above, as at 28 February 2019, certain bank and other borrowings raised for the Group's business expansion were not utilized. In order to have a better use of our financial resources, the Group purchased certain investment products. These investment products are wealth management products under which the Group is allowed to redeem, in whole or in part, with one month's notice and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these Investments of RMB253.7 million as at 28 February 2019 for short-term cash management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 28 February 2019 would have been reduced to 55.5% (as at 31 August 2018: 24.1%).

The increase in net gearing ratio was mainly due to the increase in bank borrowings as at 28 February 2019 for the construction of new schools and the acquisition of land in Foshan for building a primary and secondary school.

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$. As at 28 February 2019, certain bank balances and cash, pledged bank deposits and other borrowings were denominated in HK$. 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 2019, the Group's bank borrowings were secured by the bank deposits and the rights to receive the tuition and boarding fees of certain schools of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the acquisition of Zhang Pu Longcheng Schools 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 2019.

SIGNIFICANT INVESTMENTS HELD

As at 28 February 2019, the Group held certain investment products of approximately RMB253.7 million in aggregate. For the reasons for holding these Investments, please refer to the sections headed "Future Capital Expenditure and Financing" and "Liquidity, Financial Resources and Capital Structure" above.

EMPLOYEE BENEFITS

As at 28 February 2019, the Group had approximately 5,830 employees (as at 28 February 2018: approximately 4,710). 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 2019 amounted to approximately RMB300.5 million (for the six months ended 28 February 2018: RMB199.2 million).

EVENTS AFTER THE REPORTING PERIOD

Save as the disclosure in note 20 headed "Event after the reporting period" to the condensed consolidated financial statements, the Group has no other significant event after the reporting period.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of RMB0.042 (equivalent to HK$0.049) per share for the six months ended 28 February 2019 (six months ended 28 February 2018: RMB0.32 (equivalent to HK$0.04) 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 17 May 2019. The interim dividend is expected to be paid on or about 30 May 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2019, the register of members of the Company will be closed from 16 May 2019 to 17 May 2019, 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 15 May 2019.

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 2019, the Trustee has purchased a total of 11,534,000 Shares (31 August 2018: 11,534,000 Shares) on the Stock Exchange.

On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Shares ("**Awarded Shares**") to 12 Selected Participants. The Awarded Shares represent approximately 0.4% of the total issued shares of the Company as at the date of this announcement. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant.

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 2019, 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 2019.

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, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive ("**CEO**") should not be performed by the same individual.

Ms. Li Suwen ("**Ms. Li**") was appointed as the chairperson of the Board ("**Chairperson**") following the step down of Mr. Liu Xubin from the position of chairman of the Board on 28 September 2018. Ms. Li performs the dual roles of both Chairperson and CEO. The Board believes that it is in the interest of the Company and its Shareholders for Ms. Li to assume the responsibilities of such positions, given that Ms. Li is one of the co-founders of the Group and has extensive experience in the operation and management of the Group as an executive Director and CEO. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including three other executive Directors and three independent non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and 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. Huang Weiguo, 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 2019 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the six months ended 28 February 2019.

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 2019 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
Li Suwen
Chairperson

Hong Kong, 24 April 2019

As at the date of this announcement, the executive Directors of the Company are Ms. Li Suwen, Mr. Liu Xuebin, 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. Huang Weiguo.

* *For identification purposes only*