



**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 Report 2017



以誠心服務社會

以愛心培育人才



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liu Xuebin (*Chairman of the Board*)  
Ms. Li Suwen  
Mr. Li Jiuchang  
Mr. Ng Cheuk Him

### Independent Non-executive Directors

Mr. Sun Kai Lit Cliff  
Mr. Tam King Ching Kenny  
Mr. Yau Sze Ka

## AUDIT COMMITTEE

Mr. Tam King Ching Kenny (*Chairman*)  
Mr. Sun Kai Lit Cliff  
Mr. Yau Sze Ka

## REMUNERATION COMMITTEE

Mr. Sun Kai Lit Cliff (*Chairman*)  
Mr. Yau Sze Ka  
Mr. Liu Xuebin

## NOMINATION COMMITTEE

Mr. Yau Sze Ka (*Chairman*)  
Mr. Tam King Ching Kenny  
Ms. Li Suwen

## COMPANY SECRETARY

Mr. Ng Cheuk Him

## AUTHORIZED REPRESENTATIVES

Mr. Liu Xuebin  
Mr. Ng Cheuk Him

## AUDITORS

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

## LEGAL ADVISERS

As to Hong Kong law  
**Allen & Overy**

As to PRC law  
**Commerce & Finance Law Offices**

As to Cayman Islands law  
**Conyers Dill & Pearman**

## COMPLIANCE ADVISER

**First Shanghai Capital Limited**

## PRINCIPAL BANKERS

**Bank of China**  
**China Construction Bank**  
**China Merchants Bank**  
**Dongguan Rural Commercial Bank Co., Ltd.**  
**Bank of China (Hong Kong) Limited**  
**BNP Paribas Hong Kong Branch**  
**Wing Lung Bank Limited**



## REGISTERED OFFICE

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 68 Guangming Da Dao  
Dongcheng District  
Dongguan  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F., Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Conyers Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

**Computershare Hong Kong Investor Services Limited**  
Shops 1712–1716, 17/F.  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## STOCK CODE

6068

## COMPANY WEBSITE

[www.wisdomeducationintl.com](http://www.wisdomeducationintl.com)

## INVESTOR RELATIONS

Mr. Derek Lau  
Vice President & Chief Investor Relations Officer  
Email: [ir@wisdomeducationintl.com](mailto:ir@wisdomeducationintl.com)





# OPERATIONAL AND FINANCIAL HIGHLIGHTS

	As at		Change	Percentage Change
	1 September 2016 (unaudited)	1 September 2015 (unaudited)		
<b>Operational Information</b>				
Total number of students enrolled	31,788	27,644	+4,144	+15.0%
Total student capacity	33,152	30,552	+2,600	+8.5%
Overall school utilization	95.9%	90.5%	+5.4 pp	+6.0%
Total number of teachers	1,960	1,666	+294	+17.6%

	Six months ended		Change	Percentage Change
	28 February 2017 (unaudited)	29 February 2016 (unaudited)		
<b>Selected Financial Information</b>				
<b>RMB'000 (unless otherwise stated)</b>				
Revenue	498,142	354,283	+143,859	+40.6%
Gross profit	230,861	166,184	+64,677	+38.9%
Profit for the period	107,280	85,620	+21,660	+25.3%
Core net profit (Note)	120,662	92,603	+28,059	+30.3%
Gross profit margin	46.3%	46.9%	-0.6 pp	-1.3%
Interim dividend per share (HK\$)	0.027	—	+0.027	N/A

Note: Core net profit is defined as the profit for the period of the Group after adjusting for those items which are not indicative of the Group's operating performance. The reconciliation of the profit for the period to the core net profit of the Group is presented as follows:

	Six months ended	
	28 February 2017 (unaudited)	29 February 2016 (unaudited)
Profit for the period	107,280	85,620
Less: Imputed interest income on advances to Cinese Group and related parties	3,029	51,788
Add: Finance costs in relation to advances to Cinese Group and related parties	6,353	43,551
Listing expenses	7,172	12,867
Loss on disposal of subsidiaries	—	2,353
Share-based payments	2,886	—
Core profit for the period	120,662	92,603



## OPERATIONAL AND FINANCIAL HIGHLIGHTS

<b>Selected Financial Information</b> <b>RMB'000 (unless otherwise stated)</b>	<b>As at</b>		<b>Change</b>	<b>Percentage Change</b>
	<b>28 February 2017 (unaudited)</b>	31 August 2016 (audited)		
Bank balances and cash	<b>769,849</b>	103,705	+666,144	+642.3%
Total bank borrowings	<b>325,200</b>	607,700	-282,500	-46.5%
Gearing ratio*	<b>19.1%</b>	73.1%	-54.0 pp	-73.9%

\* Gearing ratio is calculated as total interest-bearing and other borrowings divided by total equity at the end of the relevant year/period end.

<b>Selected Financial Information</b> <b>RMB'000 (unless otherwise stated)</b>	<b>Six months ended</b>		<b>Change</b>	<b>Percentage Change</b>
	<b>28 February 2017 (unaudited)</b>	29 February 2016 (unaudited)		
Net cash from operating activities	<b>165,854</b>	145,459	+20,395	+14.0%
Capital expenditure	<b>203,978</b>	53,475	+150,503	+281.4%



# CORPORATE PROFILE

Established in 2003, we were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as at 1 September 2015, according to the report commissioned by Frost & Sullivan (“**Frost & Sullivan Report**”) for the purpose of the Company’s prospectus dated 16 January 2017 (“**Prospectus**”). As at 1 September 2016, we operated 6 premium private schools in 5 campuses with a total student enrolment of 31,788 students.

## Our Schools and Educational Curriculum

Currently, 4 of our schools are located in Guangdong province, 1 school is located in Liaoning province and 1 school is located in Shandong province. All of our schools are boarding schools with student dormitories. The following table sets forth the types of education that we provide in each of our schools:

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

Our primary and middle schools provide PRC curriculum education to students from grade 1 to 6 and students from grade 7 to 9 respectively. Our high schools mainly provide PRC curriculum education to students from grade 10 to 12. Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School commenced operations in 2014 and 2016 respectively and accordingly, we have not yet operated high schools in these schools.

We also offer international programmes to certain high school 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 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).





### **Well-rounded Quality Education**

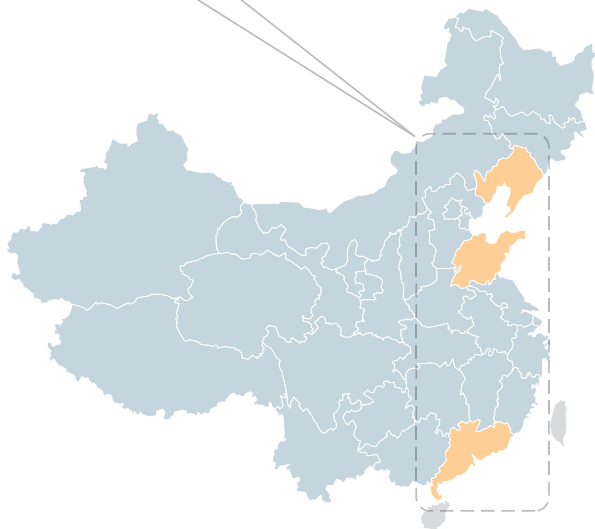
To promote the well-rounded development of our students, we offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture. Our students have made significant achievements in areas such as basketball, track and field, martial arts, music, dance and Chinese calligraphy. For instance, our Dongguan Guangming School high school male basketball team has won various national, provincial and municipal championships. Our Dongguan Guangming School high school male basketball team has recently become one of the top four teams in the 2017 national Chinese high school basketball competition and will compete for the championship in October 2017.

### **Student Placement**

For the 2015/2016 school year, approximately 95% of our high school graduates were admitted to universities in China, and 23% of our high school graduates were admitted to first-tier universities in China identified in the “University Application and Enrolment Guidelines for Guangdong Province” issued by the Education Examinations Authority of Guangdong Province. In the 2016 PRC national higher education entrance examination, one of our high school graduates was ranked in the top 10 and one was ranked in the top 20 in Guangdong province in terms of the total exam scores achieved, and 10 of our high school graduates were admitted to Peking University and Tsinghua University.



OUR SCHOOL NETWORK IN THE PRC



Panjin Guangzheng Preparatory School



- Established in 2014
- Primary and middle PRC curriculum
- **1,590 students**
- 136 teachers
- School utilization: 85.2%

Weifang Guangzheng Preparatory School



- **Commenced operation in September 2016**
- Primary and middle PRC curriculum
- **718 students**
- 62 teachers
- School utilization: 95.5%

Huizhou Guangzheng Preparatory School



- Established in 2014
- Primary, middle and high school PRC curriculum
- **3,903 students**
- 299 teachers
- School utilization: 97.0%

Dongguan Guangming School



- Established in 2003
- Middle and high school PRC curriculum focus
- **10,510 students** (74 in international programmes)
- 602 teachers
- School utilization: 97.8%

Dongguan Guangming Primary School



- Established in 2004,
- Primary school PRC curriculum
- **5,973 students**
- 311 teachers
- School utilization: 98.6%

Dongguan Guangzheng Preparatory School



- Acquired in 2013
- Primary, middle and high school PRC curriculum focus
- **9,094 students** (273 in international programmes)
- 550 teachers
- School utilization: 93.7%

Note: Figures shown in the table above are stated as at 1 September 2016.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Revenue

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

	For the six months ended			
	28 February 2017 RMB'000	% of Total	29 February 2016 RMB'000	% of Total
<b>Revenue by Service</b>				
Tuition fees	<b>298,168</b>	<b>59.9</b>	242,737	68.5
Boarding fees	<b>37,626</b>	<b>7.5</b>	32,088	9.1
Ancillary services	<b>162,348</b>	<b>32.6</b>	79,458	22.4
Total revenue	<b>498,142</b>	<b>100</b>	354,283	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 29 February 2016, tuition and boarding fees for the six months ended 28 February 2017 increased mainly because our overall student enrolment increased and we increased the rates of tuition and boarding fees for certain of our schools where the newly admitted students are subject to the increased fee rates with effect from the 2015/2016 school year.

### *Ancillary services*

In order to enhance the quality of student life on campus where our students normally live in our dormitories from Monday to Friday during school terms, we provide our students with ancillary services, including on-campus canteens, supermarkets and medical rooms, for which we charge separately in addition to tuition and boarding fees. During the six months ended 28 February 2017, we commenced to provide additional services to our students, including the arrangement of school bus and the provision of school uniform and study tours.



## MANAGEMENT DISCUSSION AND ANALYSIS

Comparing with that for the six months ended 29 February 2016, revenue from ancillary services for the six months ended 28 February 2017 increased significantly, primarily due to the provision of additional services to our students and the increase in the number of students who spent for the relevant services at our schools.

Revenue by School	For the six months ended			
	28 February	% of Total	29 February	% of Total
	2017		2016	
	RMB'000		RMB'000	
Dongguan Guangming School	199,466	40.0	161,428	45.6
Dongguan Guangming Primary School	75,033	15.1	57,189	16.1
Dongguan Guangzheng Preparatory School	145,283	29.2	98,242	27.7
Huizhou Guangzheng Preparatory School	54,034	10.8	29,012	8.2
Panjin Guangzheng Preparatory School	16,972	3.4	8,412	2.4
Weifang Guangzheng Preparatory School	7,354	1.5	—	—
<b>Total</b>	<b>498,142</b>	<b>100.0</b>	<b>354,283</b>	<b>100.0</b>

Revenue by Province	For the six months ended			
	28 February	% of Total	29 February	% of Total
	2017		2016	
	RMB'000		RMB'000	
Guangdong	473,816	95.1	345,871	97.6
Liaoning	16,972	3.4	8,412	2.4
Shandong	7,354	1.5	—	—
<b>Total</b>	<b>498,142</b>	<b>100.0</b>	<b>354,283</b>	<b>100.0</b>

For the six months ended 28 February 2017, revenue from all of our schools increased primarily due to the increase in student enrolment of the respective school. In addition, with effect from the 2016/2017 school year, we increased the tuition and boarding fees for Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School where the newly admitted students are subject to the increased fee rates.

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

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



## Student Enrolment

For each of the past three school years 2013/2014, 2014/2015 and 2015/2016, the number of students withdrawn from our schools was less than 0.9% of the total student enrolment as at the beginning of the respective school year. The following tables set forth the student enrolment as at the beginning of each of the 2016/2017 and 2015/2016 school years:

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

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

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

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





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2015/2016 school year, approximately 83% of our primary school graduates enrolled in our middle schools, and approximately 59% of our middle school graduates enrolled in our high schools.

## Average Tuition and Boarding Fees Per Student

	For the six months ended			
	28 February 2017		29 February 2016	
	Tuition and boarding fees RMB'000	Average per student RMB (Note)	Tuition and boarding fees RMB'000	Average per student RMB (Note)
<b>Tuition and Boarding Fees by School</b>				
Dongguan Guangming School	123,486	11,749	109,724	10,533
Dongguan Guangming Primary School	60,227	10,083	57,189	9,597
Dongguan Guangzheng Preparatory School	99,023	10,889	77,830	10,019
Huizhou Guangzheng Preparatory School	37,456	9,597	23,176	9,270
Panjin Guangzheng Preparatory School	11,183	7,033	6,906	6,906
Weifang Guangzheng Preparatory School	4,419	6,155	—	—
Overall	335,794	10,564	274,825	9,942



# MANAGEMENT DISCUSSION AND ANALYSIS

Tuition and Boarding Fees by Category	For the six months ended			
	28 February 2017		29 February 2016	
	Tuition and boarding fees	Average per student	Tuition and boarding fees	Average per student
	RMB'000	RMB (Note)	RMB'000	RMB (Note)
High school	86,434	11,177	68,727	10,057
Middle school	132,239	10,572	106,846	9,941
Primary school	105,562	9,426	88,973	9,117

Note: The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective six-month period by the number of student enrolment as at the beginning of the respective school year. As the number of students withdrawn from our schools was less than 0.9% of the total student enrolment as at the beginning of each of the past three school years 2013/2014, 2014/2015 and 2015/2016, no average student enrolment for the respective six-month period is presented for the calculation of the average tuition and boarding fees per student.

The average tuition and boarding fees per student for each of Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School increased for the six months ended 28 February 2017, primarily due to the increase in the tuition and boarding fees for the newly admitted students in these schools with effect from the 2016/2017 school year.

## School Capacity and Utilization

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

For details of the Group's expansion plan of its school capacity, please refer to the section headed "Outlook" in this interim report.

## Teachers

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

## Teacher turnover rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low cost accommodation on campus or close to our schools. For the 2015/2016 school year, the turnover rate of our teachers was approximately 12%.

## MARKET REVIEW

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



## **Student Enrolment of Overall Primary and Secondary Education in China**

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

## **Student Enrolment of Private Primary and Secondary Education in China**

According to the Frost & Sullivan Report, the total number of private primary and secondary schools' students in China is expected to increase from 15.3 million students in 2016 to 18.5 million students in 2020. Accordingly, the penetration rate of private primary and secondary schools, in terms of student enrolment, is expected to increase from 9.3% in 2016 to 10.8% to 2020.

## **Our Market Position in South China**

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

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

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

## **OUTLOOK**

### **Growth Drivers of Premium Private Education in China**

It is expected that the growth in the number of middle class families and the rise in their corresponding disposable income may drive their spending on premium private fundamental education, as parents from these families normally consider that good education background could benefit their children in the long run and premium private schools generally pay more attention to develop quality all- rounded education curriculum for students, helping students to gain better access to top universities. Accordingly, they usually treat premium private education as a preferred choice of their children's study.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

As the Chinese government has cancelled the long-established one-child policy and unveils two-child policy, it is expected that this policy change will benefit premium private fundamental education in the medium and long term and the student enrolment of premium primary and secondary school education will continue to increase rapidly.

## **Development Strategies**

We intend to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province and intend to expand into the West Delta economic zone, while our schools are currently located in three of the five major economic zones, namely, the Pearl River Delta economic zone, the Northeast Three Provinces economic zone and the Bohai Economic Rim economic zone.

Given that the demand for premium private primary and secondary education is expected to continue to grow in China, we intend to (i) increase the capacity of certain existing schools, (ii) expand our school network through acquisition of local private schools, and (iii) establish more of our own schools, in order to sustain our growth. We are in discussions with the government authorities of various cities in Guangdong and Sichuan provinces to explore the possibility of establishing new schools in the relevant cities. We plan to establish new schools primarily through constructing our own schools with government support. When selecting the location for our new schools, we consider various factors including geographic location, economic development, social and cultural environment, population, number of school-aged children, birth rate, average household income, government support and competition. Moreover, we generally choose to establish new schools in regions that we believe to have high growth potential and relatively less competition in the premium private education market.

### ***I) Expansion of Capacity of Existing Schools***

We plan to continue to increase the capacity of each of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School campus. Please refer to the section headed "Estimated Student Capacity" below.

### ***II) Acquisition of Local Private Schools***

We are in the process of negotiating with an independent third party to acquire a school providing compulsory education, with approximately 3,200 students, in Guangdong province. We target to complete the proposed acquisition before September 2017 but, as at the date of this interim report, the Group has not entered into any formal or legal-binding agreement in relation to the proposed acquisition. The proposed acquisition may or may not proceed and further announcement will be made if necessary.





### **III) Establishment of Own New Schools with Local Government**

#### *a) New School under Construction — Expected Date of Commencement in September 2017*

##### *Guang'an, Sichuan province*

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

#### *b) Major New Schools in the Pipeline — Expected Date of Commencement in September 2018*

##### *Yunfu, Guangdong province*

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Ziyang, Sichuan province

On 10 April 2017, the Group entered into a cooperation agreement (as supplemented) with the People's Government of Anyue County (安岳縣人民政府) (the "**Anyue Government**") in relation to the establishment, operation and management of a boarding school in Anyue County, Ziyang, Sichuan province. Pursuant to the cooperation agreement (as supplemented), the Anyue Government agreed to (i) allocate a parcel of land with a total site area of approximately 250–300 mu (equivalent to approximately 166,700–200,000 square metres) to the Group for educational purposes; and (ii) provide certain preferential treatment and assistance to facilitate the operation of the proposed school. The development and operation of the proposed school is subject to the Anyue Government's assistance in obtaining the necessary approvals and completion of the preparatory process and the proposed school is expected to commence operations in September 2018. It is expected that the Group will develop the proposed school in several phases, with a target capacity of approximately 10,000 students for, among other things, high school, middle school and primary school education. Please refer to the Company's announcement dated 10 April 2017 for further details of the agreement.

## c) *Major New Schools under Planning — Framework Agreement with Local Government Authority*

### Zhaoqing, Guangdong province

On 15 December 2016, the Group entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of Zhaoqing Guangming Preparatory School, which will offer, among other things, primary and middle school education. Under the framework agreement, we will obtain the land use right for the construction of the proposed school pursuant to the relevant laws and regulations, and the local government will provide us with certain preferential policies and assistance to facilitate the construction and operations of the proposed school. We are in the process of negotiating with the local government and we will enter into further agreement(s) with the local government as and when appropriate.

### Guangzhou, Guangdong province

On 28 March 2017, the Group entered into a framework cooperation agreement with the People's Government of Zengcheng, Guangzhou (廣州市增城區人民政府) ("**Zengcheng Government**") in relation to their proposed cooperation in the establishment of an educational and cultural industry park (教育文化產業園) in Zengcheng, Guangzhou ("**Project**"). The Project will involve the construction of (i) a campus proposed to be established by the Group providing, among others, high school, middle school and primary school education and international programmes; and (ii) certain buildings, comprising, among other things, an office tower, a research centre for fundamental education and a training centre for teachers.



Pursuant to the agreement, the Group will be responsible for the planning and construction work under the Project, and the Zengcheng Government will provide full support for the Project and provide the Group with the preferential treatment in the provision of land for the Project. The progress of the Project is subject to further agreement(s) and investment proposal(s) to be made between the Group and the Zengcheng Government. Please refer to the Company's announcement dated 28 March 2017 for further details regarding the agreement.

## Estimated Student Capacity

	Existing Student Capacity	Estimated Student Capacity in the 2017/2018 school year	Target Student Capacity
<b>Existing Schools</b>			
Dongguan Guangming School	10,744	10,744	10,744
Dongguan Guangming Primary School	6,060	6,060	6,060
Dongguan Guangzheng Preparatory School	9,706	13,500 <sup>(1)</sup>	15,226 <sup>(1)</sup>
Huizhou Guangzheng Preparatory School	4,024	8,000 <sup>(1)</sup>	9,464 <sup>(1)</sup>
Panjin Guangzheng Preparatory School	1,866	2,500 <sup>(2)</sup>	5,100 <sup>(2)</sup>
Weifang Guangzheng Preparatory School	752	4,000 <sup>(2)</sup>	7,200 <sup>(2)</sup>
Sub-total	33,152	44,804	53,794
<b>New School under Construction</b>			
Guang'an Guangzheng Preparatory School	—	1,000 <sup>(3)</sup>	7,860 <sup>(3)</sup>
<b>New Schools in The Pipeline</b>			
Yunfu Guangzheng Preparatory School	—	— <sup>(4)</sup>	7,000 <sup>(4)</sup>
Anyue Guangzheng Preparatory School	—	—	6,800 <sup>(5)</sup>
Sub-total	—	—	13,800
<b>Total</b>	<b>33,152</b>	<b>45,804</b>	<b>75,454</b>

Notes:

- (1) The estimated student capacity for each of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School in the 2017/2018 school year is calculated based on the estimated number of beds in the student dormitories of the respective school according to the current construction plan which is subject to adjustment. The target student capacity for each of Dongguan Guangzheng Preparatory School and Huizhou 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 in the next few years.



# MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The estimated student capacity for each of Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School in the 2017/2018 school year is calculated based on the estimated number of beds in the student dormitories of the respective school according to the current construction plan which is subject to adjustment. The target student capacity for each of 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 in the next few years.
- (3) The estimated student capacity for Guang'an Guangzheng Preparatory School is calculated based on the estimated number of beds in the student dormitories on-campus according to the current development plan which is subject to adjustment. The target student capacity for Guang'an Guangzheng Preparatory School is based on the target capacity for primary school, middle schools and international programme students as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Guang'an Guangzheng Preparatory School is estimated to be 9,280 students, which is based on the target total capacity for primary, middle and high school education, and international programme as set forth in the relevant cooperation agreement.
- (4) It is originally expected that Yunfu Guangzheng Preparatory School will commence operation in September 2017. However, since that the local government of Yunfu has recently identified another parcel of land with a larger site area and a better location than the original one allocated to the Group, the Group and the local government of Yunfu, in view of its future expansion, have agreed to reschedule the commencement date of Yunfu Guangzheng Preparatory School to September 2018. The target student capacity for Yunfu Preparatory School is based on the target capacity for primary school, middle schools and international programme students as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Yunfu Preparatory School is estimated to be 10,680 students, which is based on the target total capacity for primary, middle and high school education, and international programme as set forth in the relevant cooperation agreement.
- (5) The target student capacity of Anyue Guangzheng Preparatory School is based on the target capacity within five years from the opening of the school as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Anyue Guangzheng Preparatory School is estimated to be 10,000 students.

## Future Capital Expenditure and Financing

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

## Teacher's Recruitment, Training and Retention

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

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



## Conclusion

With our successful expansion track record and our solid development strategies, we are confident to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China, and increase our market share in other regions including West Delta economic zone.

## 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 as currently estimated 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 Prospectus.

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

<b>Use of Proceeds</b>	<b>% of the Net Proceeds</b>	<b>Proceeds Allocated</b> RMB'000	<b>Amount Utilized</b> RMB'000	<b>Unutilized Balance</b> RMB'000
— 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	5.4	53.0
— 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	—	14.6
— Working capital and general corporate purpose	5%	36.5	36.5	—
<b>Total</b>	<b>100%</b>	<b>730.0</b>	<b>41.9</b>	<b>688.1</b>

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





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 are private schools with the school sponsors requiring reasonable returns classified under the Law for Promoting Private Education, our schools are subject to EIT of 25%.

### The Decision on Amending the Law for Promoting Private Education

On 7 November 2016, 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》), was approved by the Standing Committee of the National People’s Congress (“Decision”). The Decision has made certain amendments to the Law for Promoting Private Education of the PRC and will become effective on 1 September 2017. The Decision removed the article that school sponsors of private schools may choose to require reasonable returns. According to the Decision, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, except that schools which provide compulsory education (i.e. primary and middle schools offering PRC curriculum) can only be established as not-for-profit entities, and sponsors of not-for-profit schools are not entitled to any distribution of profits from the schools they operate. All operation surplus of not-for-profit schools shall be used for the operation of the schools. Not-for-profit schools are entitled to enjoy EIT exemption as public schools.

### The Decision Has No Material Impact on Our Business and Operation

When the Decision becomes effective on 1 September 2017, all of our primary and middle schools providing compulsory education will be classified as not-for-profit schools under the Decision. Currently, we have no definitive plan to change our high schools to for-profit schools when the Decision becomes effective mainly because implementation regulations in relation to the Decision have not been promulgated. Whether we will change our high schools to for-profit schools all depends on the cost and benefit considerations if all the details of the Decision become clear. However, we expect our effective tax rate of the Group, being the income tax divided by profit before taxation, will be reduced after the Decision becomes effective if all our schools are not-for-profit schools which are entitled to same EIT exemption as public schools. Other than those mentioned above, we do not expect the Decision will have material impact on our business and operation.

According to Implementation Rules of Private School Classification Registration 《民辦學校分類登記實施細則》, which was promulgated On 30 December, 2016, stipulates that private schools may registered with Civil Affairs Department, Institutions Management Department, Industry and Commerce Bureau according to its classification. On 30 December, 2016, “Implementing Rules for the Supervision and Management of Profit Private Schools” 《營

利性民辦學校監督管理實施細則》were promulgated, which stipulates the requirements for establishment, organization, education and teaching, financial assets, information disclosure, change and termination, supervision and punishment of for-profit private school.

## 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 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.

Please refer to the sections headed “Business” and “Regulations” in the Prospectus for further details relating to the Decision.

## Draft Foreign Investment Law

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

## 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 report, we had established a subsidiary in Canada, which is a joint venture company 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. As the Prospectus was only published recently in January 2017, there is no material update on our plan to comply with the Qualification Requirement since the date of the Prospectus.

## FINANCIAL REVIEW

### Revenue

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

The Group’s total revenue increased by RMB143.9 million, or 40.6%, from RMB354.3 million for the six months ended 29 February 2016 to RMB498.1 million for the six months ended 28 February 2017. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB61.0 million and the increase in revenue from ancillary services by RMB82.9 million.

Revenue from tuition and boarding fees increased by 22.2% from RMB274.8 million for the six months ended 29 February 2016 to RMB335.8 million for the six months ended 28 February 2017, largely due to the increase in total student enrolment by 15.0% from 27,644 as at 1 September 2015 to 31,788 as at 1 September 2016 and the increase in tuition and boarding fee rates of Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School with effect from the 2016/2017 school year.

Revenue from ancillary services increased by 104.3% from RMB79.5 million for the six months ended 29 February 2016 to RMB162.3 million for the six months ended 28 February 2017, primarily due to the provision of additional services to our students and the increase in the total student enrolment.



## Cost of Revenue

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

Cost of revenue increased by 79.2 million, or 42.1%, from RMB188.1 million for the six months ended 29 February 2016 to RMB267.3 million for the six months ended 28 February 2017. The increase was largely due to increases in teaching staff costs and depreciation and amortisation.

Increase in staff costs was mainly because the number of teachers increased by 17.6% from 1,666 as at 1 September 2015 to 1,960 as at 1 September 2016 primarily attributable to the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the new opening of Weifang Guangzheng Preparatory School. There were no material increase in the salary rate of our teachers for the six months ended 28 February 2017.

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

## Gross Profit

As a result of the foregoing, gross profit increased by 38.9% from RMB166.2 million for the six months ended 29 February 2016 to RMB230.9 million for the six months ended 28 February 2017. Our gross margin decreased slightly from 46.9% for six months ended 29 February 2016 to 46.3% for the six months ended 28 February 2017, primarily due to the change in revenue mix in which the proportion of our revenue from ancillary services increased.

## Other Income

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

Other income increased by 21.1% from RMB3.1 million for the six months ended 29 February 2016 to RMB3.8 million for the six months ended 28 February 2017, primarily due to the increase in government grants by RMB0.6 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Gains and Losses

Other gains and losses primarily consist of (i) net losses recognised upon the disposal of property, plant and equipment, (ii) gains arising from change in fair value of investment properties, (iii) penalties and late surcharges, which consist of the late payment surcharge imposed by tax authorities and a penalty imposed by a government authority, (v) losses recognised upon the disposal of subsidiaries.

Other gains and losses increased from a loss of RMB4.6 million for the six months ended 29 February 2016 to a gain of RMB0.2 million for the six months ended 28 February 2017. The increase was mainly attributable to there was a loss on disposal of subsidiaries of RMB2.4 million recorded for the six months ended 29 February 2016.

## 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 80.4% from RMB7.3 million for the six months ended 29 February 2016 to RMB13.2 million for the six months ended 28 February 2017, primarily as a result of increased advertising expenses in relation to the marketing and promotion of our Panjin Guangzheng Preparatory School, as well as our Weifang Guangzheng Preparatory School, which commenced operations in September 2016. Selling expenses as a percentage of revenue increased from 2.1% for the six months ended 29 February 2016 to 2.7% for the six months ended 28 February 2017.

## Administrative Expenses

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

Administrative expenses increased by 36.9% from RMB46.3 million for the six months ended 29 February 2016 to RMB63.3 million for the six months ended 28 February 2017, primarily as a result of the increase in salaries and other benefits in line with the Group's expansion plan. Administrative expenses as a percentage of revenue, however, decreased from 13.1% for the six months ended 29 February 2016 to 12.7% for the six months ended 28 February 2017.





## Finance Income

Finance income consists of (i) imputed interest income on advances to Cinese Group; (ii) imputed interest income on advances to other related parties; (iii) interest income from deposits paid to a local government to secure a school building project; and (iv) interest income from bank deposits.

Finance income decreased from RMB51.8 million for the six months ended 29 February 2016 to RMB3.1 million primarily due to the decrease in imputed interest income on advances to Cinese Group and related parties as a result of the decrease in advances to these parties during the current interim period.

## 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 decreased from RMB45.0 million for the six months ended 29 February 2016 to RMB6.4 million for the six months ended 28 February 2017 primarily due to the decrease in bank borrowings during the current interim period.

## Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 40.7% from RMB105.0 million for the six months ended 29 February 2016 to RMB147.8 million for the six months ended 28 February 2017. Profit before taxation as a percentage of revenue of the Group was 29.7% for the six months ended 28 February 2017 compared with 29.6% for the six months ended 29 February 2016.

## Taxation

Income tax expense of the Group increased from RMB19.4 million for the six months ended 29 February 2016 to RMB40.5 million for the six months ended 28 February 2017, mainly due to the increase in assessable profit of certain subsidiaries of the Company. All of our schools are classified as private schools with the school sponsors requiring reasonable returns before the Decision becomes effective on 1 September 2017. The effective tax rate of the Group for the six months ended 28 February 2017 and the six months ended 26 February 2016 was 27.4% and 18.5%, respectively. The increase in the Group's effective tax rates was primarily due to the decrease in imputed interest income on advances to Cinese Group and related parties which is non-taxable.

## Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 25.3% from RMB85.6 million for the six months ended 29 February 2016 to RMB107.3 million for the six months ended 28 February 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Core Net Profit

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

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Profit for the period	107,280	85,620
Less: Imputed interest income on advances to Cinese Group	3,029	51,788
Add: Finance costs in relation to advances to Cinese Group	6,353	43,551
Listing expenses	7,172	12,867
Loss on disposal of subsidiaries	—	2,353
Share-based payments	2,886	—
Core net profit	120,662	92,603

Core net profit for the six months ended 28 February 2017 increased by RMB28.1 million or 30.3%. Core net profit margin decreased from 26.1% for the six months ended 29 February 2016 to 24.2% for the six months ended 28 February 2017.

## Capital Expenditure

During the six months ended 28 February 2017, the Group paid RMB195.4 million for the acquisition of property, plant and equipment and paid RMB8.6 million for the acquisition of prepaid lease for the further expansion of our existing schools.



## Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Net cash from operating activities	165,854	145,459
Net cash from (used in) investing activities	349,935	(299,546)
Net cash from financing activities	150,355	165,646
Net increase in cash and cash equivalents	666,144	11,559
Cash and cash equivalents at beginning of the period	103,705	12,229
Cash and cash equivalents at end of the period	769,849	23,788

As at 28 February 2017, the Group's total bank balances and cash amounted to RMB769.8 million, of which the majority were denominated in HK\$. Bank balances and cash increased primarily due to the net proceeds from the Listing.

As at 28 February 2017, the Group's total bank borrowings amounted to RMB325.2 million comprising RMB63.5 million repayable within one year and RMB261.7 million repayable more than one year but not more than five years. Bank borrowings carried interest rates ranging from 5.2% to 6.65% per annum and all the bank borrowings were denominated in RMB.

## Gearing Ratio

The Group's gearing ratio is calculated as total interest-bearing and other borrowings divided by total equity at the end of the relevant year/period end. The Group's gearing ratio decreased from 73.1% as at 31 August 2016 to 19.1% as at 28 February 2017 mainly because the Group repaid certain bank loans subsequent to 31 August 2016 and its total equity increased primarily due to the issue of new shares of the Company in relation to the Listing.

## Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK\$. As at 28 February 2017, certain bank balances and cash were denominated in HK\$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 million and the interests thereon. As at the date of this interim report, 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 2017, the Group's bank borrowings were secured by the rights to receive the tuition fees and boarding fees of certain schools of the Group.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 28 February 2017, the Group had no material acquisition and disposal of subsidiaries, associates or joint ventures.

## SIGNIFICANT INVESTMENTS HELD

As at 28 February 2017, there was no significant investment held by the Group.

## EMPLOYEE BENEFITS

As at 28 February 2017, the Group had approximately 3,650 employees (as at 29 February 2016: approximately 3,260). 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 and a share option 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 2017 amounted to approximately RMB152.6 million (for the six months ended 29 February 2016: RMB133.5 million).

## EVENTS AFTER THE REPORTING PERIOD

On 14 March 2017, the Company granted share options to an employee of the Company to subscribe for a total of 3,000,000 ordinary shares of HK\$0.01 each in the capital of the Company under the share option scheme adopted by the Company on 3 January 2017. One third of the share options will be vested on the first, second and third anniversary of the date of grant respectively and the exercise price of the share options is HK\$1.96 per share. The estimated fair value of these share options as at grant date was approximately RMB2,000,000 based on the management's best estimation.

The Group entered into a framework cooperation agreement with the Zengcheng Government on 28 March 2017 and a cooperation agreement with the Anyue Government on 10 April 2017. For details, please refer to the above section headed "Outlook".



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF  
**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)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wisdom Education International Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 51, which comprise the condensed consolidated statement of financial position as of 28 February 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 29 February 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 April 2017





# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2017

	NOTES	Six months ended	
		28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Revenue	3	498,142	354,283
Cost of revenue		(267,281)	(188,099)
Gross profit		230,861	166,184
Other income	4	3,797	3,135
Other gains and losses		157	(4,649)
Selling expenses		(13,212)	(7,323)
Administrative expenses		(63,343)	(46,255)
Listing expenses		(7,172)	(12,867)
Finance income		3,094	51,797
Finance costs		(6,372)	(44,985)
Profit before taxation		147,810	105,037
Taxation	5	(40,530)	(19,417)
Profit and total comprehensive income for the period	6	107,280	85,620
Attributable to:			
Owners of the Company		107,304	85,624
Non-controlling interests		(24)	(4)
		107,280	85,620
<b>EARNINGS PER SHARE</b>			
Basic (RMB)	8	0.07	0.06
Diluted (RMB)	8	0.07	0.06



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2017

	NOTES	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	9	1,511,800	1,344,405
Prepaid lease payments		231,557	226,324
Investment properties		20,000	19,700
Deferred tax assets		3,832	2,775
Prepayments for construction to a related company		197,075	170,000
		<b>1,964,264</b>	1,763,204
<b>Current Assets</b>			
Inventories — goods for sale		8,350	4,522
Deposits, prepayments and other receivables		32,872	30,416
Amounts due from related parties	13	—	550,830
Prepaid lease payments		6,010	5,698
Bank balances and cash		769,849	103,705
		<b>817,081</b>	695,171
<b>Current Liabilities</b>			
Deferred revenue	10	365,639	365,005
Trade payables	11	61,803	39,936
Other payables and accrued expenses	12	233,710	207,549
Amounts due to related parties	13	—	339,788
Income tax payable		81,316	58,218
Borrowings	14	63,500	142,279
		<b>805,968</b>	1,152,775
<b>Net Current Assets (Liabilities)</b>		<b>11,113</b>	(457,604)
<b>Total Assets Less Current Liabilities</b>		<b>1,975,377</b>	1,305,600
<b>Capital and Reserves</b>			
Share capital	15	18,008	—
Reserves		1,684,964	830,775
Equity attributable to owners of the Company		1,702,972	830,775
Non-controlling interests		(24)	—
		<b>1,702,948</b>	830,775
<b>Non-Current Liabilities</b>			
Borrowings	14	261,700	465,421
Deferred tax liabilities		10,729	9,404
		<b>272,429</b>	474,825
		<b>1,975,377</b>	1,305,600

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2017

	Attributable to owners of the Company										
	Share capital/ paid-up capital	Share premium	Capital reserve	Merger reserve	Share option reserve	Discretionary special reserve	Statutory surplus reserve	Accumulated profits	Total	Non- controlling interest	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000 (note iii)	RMB'000 (note iv)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 September 2015	83,400	—	85,000	—	—	—	206,503	300,573	675,476	(225)	675,251
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	85,624	85,624	(4)	85,620
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	229	229
Deemed contribution from equity holders (note ii)	—	—	—	—	—	—	—	932	932	—	932
Transfer	—	—	—	—	—	—	16,541	(16,541)	—	—	—
At 29 February 2016 (unaudited)	83,400	—	85,000	—	—	—	223,044	370,588	762,032	—	762,032
At 1 September 2016	—	—	85,000	83,400	—	182,519	241,907	237,949	830,775	—	830,775
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	107,304	107,304	(24)	107,280
Transfer	—	—	—	—	—	32,255	17,880	(50,135)	—	—	—
Share-based payment (note 16)	—	—	—	—	2,886	—	—	—	2,886	—	2,886
Issuance of ordinary shares (note 15(ii))	1	—	—	—	—	—	—	—	1	—	1
Capitalisation issue (note 15(iii))	13,259	(13,259)	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares upon listing and exercise of over-allotment (note 15(iv) & (v))	4,748	802,486	—	—	—	—	—	—	807,234	—	807,234
Expenses incurred in connection with the issuance of ordinary shares	—	(45,228)	—	—	—	—	—	—	(45,228)	—	(45,228)
At 28 February 2017 (unaudited)	18,008	743,999	85,000	83,400	2,886	214,774	259,787	295,118	1,702,972	(24)	1,702,948

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2017

## Notes:

- i. Pursuant to the trust financing arrangement between the Group, 惠州市光正投資有限公司 (“Huizhou Guangzheng”), a subsidiary of the Company and 東莞信託有限公司 (“Dongguan Trust”), 75% of equity interest of Huizhou Guangzheng was transferred to 富盈集團有限公司 (“Cinese Group”), a company controlled by Mr. Liu Xuebin (“Mr. Liu”), chairman and executive director of the Company, from Dongguan Trust upon the full repayment of RMB100,000,000 by Cinese Group in May 2013. The repayment by Cinese Group was settled with the Group’s current accounts. In September 2013, the 75% equity interest in Huizhou Guangzheng was subsequent transferred from Cinese Group to the Group at a consideration of RMB15,000,000 and settled by the current accounts with Cinese Group. The difference of RMB85,000,000 between the consideration and the investment in Huizhou Guangzheng by Cinese Group of RMB100,000,000 is accounted for as a deemed contribution from equity holders.
- ii. For the six months ended 29 February 2016, the deemed contribution included the gain on disposal of 江蘇省南通市光正投資有限公司 (“Nantong Guangzheng”), a subsidiary of the Company, amounted to RMB932,000, which represented the differences between the consideration received and the carrying amount of the assets and liabilities disposed of at the date of disposal.
- iii. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets and liabilities of the special reserve would be treated similar to other assets and liabilities of the schools pursuant to 《中華人民共和國國民辦教育促進法》 and 《中華人民共和國企業破產法》. Upon the establishment of a special reserve committee in May 2016, the Group has transferred all the retained earnings of its on-campus canteens since the operation thereof to the discretionary special reserve. During the six months ended 28 February 2017, surplus in the school campus canteen operations amounted to RMB32,255,000 had been transferred to the discretionary special reserve.
- iv. Pursuant to the relevant laws in the People’s Republic of China (the “PRC”), the Company’s subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (a) general reserve of the limited liabilities companies and (b) the development fund of schools.
  - (a) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity’s registered capital.
  - (b) According to the relevant PRC laws and regulations, for private school that requires for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2017

	NOTE	Six months ended	
		28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Net cash from operating activities		165,854	145,459
INVESTING ACTIVITIES			
Repayment from Cinese Group		500,200	206,800
Repayments from related parties		53,659	51,268
Interest received		54	80
Payments for acquisition of prepaid lease		(8,560)	—
Payments for acquisition of property, plant and equipment		(195,418)	(53,475)
Advances to related parties		—	(596,569)
Disposal of subsidiaries		—	(30)
Payment for acquisition of a subsidiary		—	(3,000)
Refund of deposits paid for a school building project		—	95,380
NET CASH FROM (USED IN) INVESTING ACTIVITIES		349,935	(299,546)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		807,234	—
Proceeds from bank borrowings		217,700	—
Receipt in advance from a non-controlling shareholder of a subsidiary	12(i)	60,000	—
Interest paid		(11,861)	(55,585)
Listing expenses paid		(32,730)	(4,611)
Repayments to related parties		(389,788)	(191,554)
Repayment of bank borrowings		(500,200)	(206,800)
Advances from related parties		—	624,196
NET CASH FROM FINANCING ACTIVITIES		150,355	165,646
NET INCREASE IN CASH AND CASH EQUIVALENTS		666,144	11,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		103,705	12,229
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		769,849	23,788

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 August 2016.

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

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

### Share-based payment arrangements

#### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Tuition fees	298,168	242,737
Boarding fees	37,626	32,088
Ancillary services	162,348	79,458
	498,142	354,283

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 4. OTHER INCOME

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Rental income from investment properties	558	392
Government grants	1,185	606
Donations	37	40
Staff quarter income	1,220	1,410
Others	797	687
	<b>3,797</b>	3,135

## 5. TAXATION

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
The income tax expense comprises		
Current tax:		
PRC Enterprise Income Tax ("EIT")	40,262	18,042
Deferred tax	268	1,375
	<b>40,530</b>	19,417

The Company was incorporated in the Cayman Islands and Bright Education Co. Limited was incorporated in the British Virgin Islands ("BVI") that are tax exempted as no business has been 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.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 5. TAXATION (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 6. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	138,195	123,869
— retirement benefit scheme contributions	11,519	9,673
— share-based payments	2,886	—
Total staff costs	152,600	133,542
Depreciation of property, plant and equipment	26,710	22,496
Release of prepaid lease payments	3,015	2,842
Imputed interest income on advances to Cinese Group (included in "finance income")	(3,029)	(51,788)
Net exchange (gain) loss	(738)	98

## 7. DIVIDENDS

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.024 per share (equivalent to HK\$0.027 per share) amounting to RMB48,940,000 (equivalent to HK\$55,057,000) will be paid to the owners of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 8. 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 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>107,304</b>	85,624

	Six months ended	
	28 February 2017 '000 (unaudited)	29 February 2016 '000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,595,360</b>	1,500,000
Effect of dilutive potential ordinary shares:		
Share options	<b>606</b>	—
Over-allotment option	<b>89</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,596,055</b>	1,500,000

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 29 February 2016 has been retrospectively adjusted for the effect of the issuance of ordinary shares and capitalisation issue as described more fully in note 15.

No diluted earnings per share is presented for the six months ended 29 February 2016 as the Group had no dilutive potential ordinary shares in issue during the period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2016, the Group disposed of certain equipment with an aggregate carrying amount of RMB942,000 with no cash proceeds, resulting in a loss on disposal of RMB942,000. No disposal was made during the six months ended 28 February 2017.

Additions of property, plant and equipment amounted to approximately RMB189,106,000 was recognised for the six months ended 28 February 2017 (six months ended 29 February 2016: RMB57,830,000) in which RMB23,169,000 was transferred from prepayments from construction to construction in progress with reference to the progress of the construction of school premises in Weifang under the agreements with 東莞市富盈房地產開發有限公司 (Dongguan Chinese Real Estate Development Co. Ltd.) (“Dongguan Chinese Real Estate”), a related company controlled by Mr. Liu (six months ended 29 February 2016: nil).

## 10. DEFERRED REVENUE

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Tuition fees	299,234	297,690
Boarding fees	37,330	37,804
Ancillary services	29,075	29,511
	<b>365,639</b>	365,005

## 11. TRADE PAYABLES

The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit time frame. As at 28 February 2017 and 31 August 2016, the trade payables were aged within 180 days.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 12. OTHER PAYABLES AND ACCRUED EXPENSES

	<b>At 28 February 2017 RMB'000 (unaudited)</b>	At 31 August 2016 RMB'000 (audited)
Accruals for construction	<b>85,732</b>	115,213
Receipt in advance (note i)	<b>60,000</b>	—
Accrued listing expenses	<b>22,092</b>	20,037
Accrued staff benefits and payroll	<b>21,047</b>	24,044
Payables for land use right (note ii)	<b>12,448</b>	12,448
Other payables	<b>10,504</b>	8,597
Other tax payables	<b>7,891</b>	6,304
Consideration payable for the acquisition of a subsidiary in previous years (note ii)	<b>4,000</b>	4,000
Accrued operating expenses	<b>3,653</b>	4,751
Receipt on behalf of ancillary services providers	<b>2,639</b>	1,958
Deposits received	<b>1,295</b>	2,693
Payables to an independent third party relating to international programmes	<b>1,033</b>	1,285
Discretionary government subsidies receipt in advance	<b>871</b>	5,224
Interest payable	<b>505</b>	995
	<b>233,710</b>	207,549

Notes:

- i. In August 2016, a subsidiary of the Company has entered into an investment agreement with a non-controlling shareholder of a subsidiary to set up a new subsidiary which will engage in provision of middle school and primary school full time education. In January 2017, the Group received an advance payment of RMB60,000,000 from the non-controlling shareholder of a subsidiary. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. The advance payment received by the Group will be used partially as the capital injection and the working capital for the potential joint development of the new subsidiary of the Company.
- ii. The amounts were interest free, unsecured and repayable on demand.

## 13. AMOUNTS DUE FROM (TO) RELATED PARTIES

Included in the amounts due from (to) related parties are (i) amounts due from (to) directors, (ii) borrowings provided by the Group to Cinese Group and amounts due from (to) Cinese Group, (iii) amounts due from (to) other related parties in non-trade nature and (iv) amounts due from (to) other related parties in trade nature. The balances of amounts due from (to) related parties has been fully settled during the six months ended 28 February 2017.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 14. BORROWINGS

During the current interim period, the Group obtained a new unsecured and variable rate borrowing amounting to RMB217,700,000 (31 August 2016: RMB50,000,000). The borrowing carries interest with reference to the Benchmark Borrowing Rate of The People's Bank of China is 5.9% and are repayable in instalments over a period of 10 years.

## 15. SHARE CAPITAL

	Number of shares	Amount US\$
<b>Ordinary shares of US\$1 each</b>		
Authorised:		
At 1 September 2015 (audited), 29 February 2016 (unaudited) and 31 August 2016 (audited)	50,000	50,000
Cancellation (note i)	(50,000)	(50,000)
<hr/>		
At 28 February 2017	—	—

	Number of shares '000	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At 1 September 2016 (audited)	—	—
Increase (note i)	10,000,000	100,000
<hr/>		
At 28 February 2017 (unaudited)	10,000,000	100,000



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 15. SHARE CAPITAL (continued)

	Number of shares	Amount US\$	Amount RMB	Shown in the condensed consolidated financial statements as RMB'000
<b>Ordinary shares of US\$1 each</b>				
Issued and fully paid:				
At 1 September 2015 (audited) and 29 February 2016 (unaudited)	10	10	60	—
Issue of shares to shareholders (note ii)	90	90	590	—
At 31 August 2016 (audited)	100	100	650	—
Share repurchased and cancelled (note i)	(100)	(100)	(650)	—
At 28 February 2017 (unaudited)	—	—	—	—

	Number of shares '000	Amount HK\$'000	Shown in the condensed consolidated financial statements as RMB'000
<b>Ordinary shares of HK\$0.01 each</b>			
Issued and fully paid:			
At 1 September 2016 (audited)	—	—	—
Issuance of ordinary shares (note i)	78	1	1
Capitalisation issue (note iii)	1,499,922	14,999	13,259
Issuance of ordinary shares upon listing (note iv)	500,000	5,000	4,420
Exercise of over-allotment (note v)	37,154	372	328
At 28 February 2017 (unaudited)	2,037,154	20,372	18,008



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

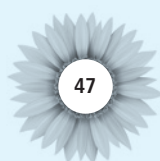
## 15. SHARE CAPITAL (continued)

Notes:

- i. On 3 January 2017, the authorised share capital of the Company was increased by HK\$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK\$0.01 each, following which the Company issued fully paid (i) 48,360 shares of a nominal value of HK\$0.01 each to Bright Education (Holdings) Co. Limited (“Bright Education Holdings”), a company wholly owned by Mr. Liu, and (ii) 29,640 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Investment Co. Limited (“Bright Education Investment”), a company wholly owned by Ms. Li Suwen, chief executive officer and executive director of the Company. On the same date, the Company repurchased and cancelled (i) 62 shares of a nominal value of US\$1.00 each registered in the name of Bright Education Holdings, and (ii) 38 shares of a nominal value of US\$1.00 each registered in the name of Bright Education Investment. Following the repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US\$1.00 each in the capital of the Company.
- ii. On 24 June 2016, the Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment, respectively at nominal value of US\$1 each. Bright Education Holdings then transferred eight shares in the Company to Bright Education Investment, upon which 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of the Company.
- iii. On 25 January 2017, the Company capitalised the sum of HK\$14,999,000 (equivalent to RMB13,259,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 1,499,922,000 shares of nominal value of HK\$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company immediately before the listing of the shares of the Company on The Stock Exchange of Hong Kong.
- iv. On 26 January 2017, the Company issued 500,000,000 ordinary shares of nominal value of HK\$0.01 each pursuant to the global offering at the price of HK\$1.70 per share (equivalent to RMB1.50 per share) and the Company’s shares were listed on The Stock Exchange of Hong Kong on the same date.
- v. On 22 February 2017, the Company issued an additional 37,154,000 ordinary shares of nominal value of HK\$0.01 each at the price of HK\$1.70 per share (equivalent to RMB1.50 per share) by means of exercise of the over-allotment option as set out in the prospectus issued by the Company dated 16 January 2017.

## 16. SHARE-BASED PAYMENTS

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 3 January 2017 and valid and effective for a period of ten years commencing on 26 January 2017 (being the date of listing of the shares of the Company on the Stock Exchange). The purpose of the Scheme is to incentivise and reward eligible persons for their contributions to the Group and to align their interest with that of the Company. Under the Scheme, the directors of the Company may grant options to eligible participants, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 16. SHARE-BASED PAYMENTS (continued)

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 26 January 2017, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. Options granted to substantial shareholders or independent non-executive directors of the Company in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 at the date of grant must be approved in advance by the Company's shareholders in general meeting.

Options granted must be taken up within 28 days after the date of grant, upon payment of subscription price and relevant fees and charges. Options may be exercised at any time during the period as determined by the directors of the Company. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's share.

Details of share of options are as follows:

Date of grant	Number of options	Vesting date	Exercise period	Exercise price
3.1.2017	2,400,000	Immediately vested	27.1.2017 to 25.1.2026	HK\$0.51
	2,400,000	26.1.2018	27.1.2018 to 25.1.2026	HK\$0.51
	3,200,000	26.1.2019	27.1.2019 to 25.1.2026	HK\$0.51
	8,000,000			

The following table discloses movements of the Company's share options held by an executive director during the period ended 28 February 2017:

Share options grant date	Granted during the period and outstanding at 28.2.2017
3.1.2017	8,000,000
Exercisable at the end of the period	2,400,000
Weighted average exercise price	HK\$0.51

No share options were exercised or lapsed during the period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 16. SHARE-BASED PAYMENTS (continued)

The following assumptions were used to calculate the fair values of share options granted at date of grant:

Grant date share price (HK\$)	1.70
Exercise price (HK\$)	0.51
Risk-free rate	1.919%
Expected volatility	52.59%
Expected dividend yield	2.50%
Expected life	9.05 years
Exercise multiples	2.8

The Binomial option pricing model has been used to estimate the fair value of the options granted. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share option expense amounted to RMB2,886,000 was recognised for the six months period ended 28 February 2017 in relation to share options granted by the Company.

## 17. CAPITAL COMMITMENTS

	<b>At 28 February 2017 RMB'000 (unaudited)</b>	At 31 August 2016 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	<b>237,065</b>	231,756

## 18. CONTINGENT LIABILITY

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 a subsidiary of the Group during its establishment for a total amount of RMB5,000,000 and the interests thereof. As of the date of issuance of these condensed consolidated financial statements, the outcome of this legal proceeding was yet to be finalised. In the opinion of the directors of the Company, after consultation of the external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision is made in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 19. RELATED PARTY TRANSACTIONS

During the periods, in addition to the balances disclosed in the condensed consolidated statement of financial position and note 13, the Group entered into the following significant transactions with related parties:

Related party	Relationship	Nature of transactions	Six months ended	
			28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Dongguan Chinese Real Estate	Controlled by Mr. Liu	Service fees for constructions	23,169	—
東莞市盈威食品配送中心	Controlled by Mr. Liu Shoupeng ("Mr. SP Liu"), father of Mr. Liu	Purchase of goods	—	6,953
東莞市厚街長盈食品經營店	Controlled by Mr. SP Liu	Purchase of goods	—	2,925
東莞市厚街盈發副食店	Controlled by Mr. SP Liu	Purchase of goods	—	1,906
東莞市富盈酒店有限公司	Controlled by Mr. Liu	Hospitality expenses	452	228
東莞市文峰建築工程有限公司	Controlled by a close family member of Mr. Liu	Construction expenses	18,614	—
Mr. Liu	Controlling equity holder and director	Acquisition of subsidiary	—	10
Mr. Liu Jiefeng	Close family member of Mr. Liu	Disposal of subsidiaries	—	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	—	80

During the six months period ended 29 February 2017 and 28 February 2016, the Group entered into the following construction contracts with a related party, which is controlled by Mr. Liu:

Contract amounts entered (RMB'000)			
Dongguan Chinese Real Estate	Controlled by Mr. Liu	50,000 (note)	—

Note: The amount was settled by the current accounts with Chinese Group during the six months period ended 28 February 2017.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

## 19. RELATED PARTY TRANSACTIONS (continued)

### Compensation of key management personnel

The remuneration of directors and other members of key management during the periods are as follows:

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Salaries and other allowances	1,835	1,155
Retirement benefits scheme contributions	76	76
Share-based payments	2,886	—
	<b>4,797</b>	1,231

## 20. EVENTS AFTER THE REPORTING PERIOD

On 14 March 2017, the Company granted share options to an employee of the Company to subscribe for a total of 3,000,000 ordinary shares of HK\$0.01 each in the capital of the Company under the share option scheme adopted by the Company on 3 January 2017. One third of the share options will be vested on the first, second and third anniversary of the date of grant respectively and the exercise price of the share options is HK\$1.96 per share. The estimated fair value of these share options as at grant date was approximately RMB2,000,000 based on the management's best estimation.

On 28 March 2017, the Group entered into a framework cooperation agreement with 廣州市增城區人民政府 (the People's Government of Zengcheng, Guangzhou) (the "Zengcheng Government") in relation to their proposed cooperation in the establishment of an educational and cultural industry park in Zengcheng, Guangzhou (the "Project"). The Project will involve the construction of (i) a campus proposed to be established by the Group providing, among others, high school, middle school and primary school education and international programmes; and (ii) certain buildings, comprising, among other things, an office tower, a research centre for fundamental education and a training centre for teachers. Pursuant to the agreement, the Group will be responsible for the planning and construction work under the Project, and the Zengcheng Government will provide full support for the Project and provide the Group with the preferential treatment in the provision of land for the Project.

On 10 April 2017, the Group entered into a cooperation agreement with 安岳縣人民政府 (the People's Government of Anyue County (the "Anyue Government") in relation to the establishment, operation and management of a boarding school in Anyue County, Ziyang, Sichuan province. Pursuant to the cooperation agreement, the Anyue Government agreed to (i) allocate a parcel of land with a total site area of approximately 166,700–200,000 square metres to the Group for educational purposes; and (ii) provide certain preferential treatment and assistance to facilitate the operation of the proposed school. Subject to the Anyue Government's assistance in obtaining the necessary approvals and completion of the preparatory process, the proposed school is expected to commence operations in September 2018. It is expected that the Group will develop the proposed school in several phases, with a target capacity of approximately 10,000 students.

# OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of RMB0.024 (equivalent to HK\$0.027) per share for the six months ended 28 February 2017 (six months ended 29 February 2016: Nil) to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on 16 May 2017 (Tuesday). The interim dividend are expected to be paid on or about 25 May 2017 (Thursday).

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2017, the register of members of the Company will be closed from 15 May 2017 (Monday) to 16 May 2017 (Tuesday), 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 12 May 2017 (Friday).

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

During the period from the Listing Date to 28 February 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the period from the Listing Date to 28 February 2017.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 28 February 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long positions in Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Mr. Liu Xuebin (“Mr. Liu”) (Note 1)	Interest of controlled corporation	930,000,000 (Note 2)	—	930,000,000	45.65%
Ms. Li Suwen (“Ms. Li”) (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	27.98%
Mr. Ng Cheuk Him	Beneficial interest	—	8,000,000 (Note 4)	8,000,000	0.39%

Notes:

- Mr. Liu and Ms. Li are co-founders of the Group and are parties acting in concert with each other.
- Mr. Liu holds the entire issued capital of Bright Education (Holdings) Co. Limited (“Bright Education Holdings”), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.
- Ms. Li holds the entire issued capital of Bright Education Investment Co. Limited (“Bright Education Investment”), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.
- The interest in underlying Shares represents the interest in options granted to subscribe for the relevant number of Shares pursuant to the share option scheme adopted by the Company on 3 January 2017 (“Pre-IPO Share Option Scheme”).



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 28 February 2017, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Bright Education Holdings (Note 1)	Beneficial Interest	930,000,000	45.65%
Bright Education Investment (Note 2)	Beneficial Interest	570,000,000	27.98%

Notes:

- (1) Bright Education Holdings is wholly-owned by Mr. Liu, and has a direct beneficial interest of 45.65% in the Company.
- (2) Bright Education Investment is wholly-owned by Ms. Li and has a direct beneficial interest of 27.89% in the Company.

Save as disclosed above, as at 28 February 2017, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEMES

In order to provide incentives to our Directors, senior management, employees and other eligible persons for their contribution to the Group and to attract and retain suitable personnel of our Group, we adopted the Pre-IPO Share Option Scheme and a share option scheme ("**Share Option Scheme**") on 3 January 2017.

For details of the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to Appendix V to the Prospectus.



### Pre-IPO Share Option Scheme

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme.

Name of Director	Date of Grant	Outstanding Share Options as at 28 February 2017	Vesting Date(s)	Exercisable Period	Exercise Price
Mr. Ng Cheuk Him	3 January 2017	8,000,000	(i) 30% of the share options were vested on 26 January 2017 (ii) 30% of the share options shall be vested on 26 January 2018 (iii) 40% of the share options shall be vested on 26 January 2019	From the relevant vesting date to 25 January 2026	HK\$0.51
Total		8,000,000			

Since the date of grant of the above share options up to 28 February 2017, no share options were exercised, cancelled or lapsed under the Pre-IPO Option Scheme.

### Share Option Scheme

Since the adoption of the Share Option Scheme on 3 January 2017 and up to 28 February 2017, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

## CHANGES IN INFORMATION OF DIRECTORS

During the six months ended 28 February 2017, there were no changes to information which is required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

## CORPORATE GOVERNANCE

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



## OTHER INFORMATION

### AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2017 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.

### OTHERS

As disclosed in the Prospectus, we did not make full contributions to the social insurance plans and the housing provident fund for our employees in previous years. We are already making such contributions for all of our employees in the PRC and have started to make full contributions to the social insurance plans and the housing provident fund for some of our employees since 1 June 2016. Also, we had not obtained the land use right certificates for the seven parcels of land used by our Dongguan Guangming Primary School and the construction permits for the buildings built on such land. Please refer to the section headed "Business" in the Prospectus for further details of such historical non-compliance matters.

We are making steady progress in rectifying such matters since the date of the Prospectus. We intend to continue rectifying the above matters as soon as reasonably practicable.

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

Hong Kong, 26 April 2017

