

HAILIANG EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2015, 2016 AND 2017
(Amounts in thousands except per share data)

	Note	2015 RMB	2016 RMB	2017 RMB
Revenue		514,787	654,060	853,295
Cost of revenue	6(ii)	(334,528)	(497,086)	(645,757)
Gross profit		<u>180,259</u>	<u>156,974</u>	<u>207,538</u>
Other income, net	4	2,460	1,756	6,325
Selling expenses	6(ii)	(15,540)	(16,753)	(21,902)
Administrative expenses	6(ii)	(33,334)	(38,011)	(31,110)
Disposal loss of leasehold improvement	9	—	(10,286)	—
Operating profit		<u>133,845</u>	<u>93,680</u>	<u>160,851</u>
Net finance income	6(i)	7,149	5,752	6,892
Profit before tax		<u>140,994</u>	<u>99,432</u>	<u>167,743</u>
Income tax expense	7	—	—	—
Profit		<u>140,994</u>	<u>99,432</u>	<u>167,743</u>
Other comprehensive income		29	8,437	2,202
Total comprehensive income		<u>141,023</u>	<u>107,869</u>	<u>169,945</u>
Earnings per share				
Basic and diluted earnings per share	8	0.39	0.24	0.41

The accompanying notes are an integral part of these consolidated financial statements.

HAILIANG EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2017
(Amounts in thousands)

	Note	2016 RMB	2017 RMB
Assets			
Property and equipment, net	9	740,375	720,619
Intangible assets and goodwill, net	10	80,261	79,599
Prepayments to third party suppliers	11	8,749	5,692
Non-current assets		<u>829,385</u>	<u>805,910</u>
Other receivables due from related parties	18(a)(ii)(iv)(viii)	11,570	112,773
Other current assets	12	996	1,526
Term deposits held at a related party finance entity	18(a)(iii)	—	401,000
Cash and cash equivalents	13/18(a)(iii)	291,011	77,801
Current assets		<u>303,577</u>	<u>593,100</u>
Total assets		<u>1,132,962</u>	<u>1,399,010</u>
Equity			
Share capital	15	267	267
Share premium	15	134,584	134,584
Contributed capital	15	225,895	235,895
Translation reserve	15	8,484	10,686
Retained earnings		552,438	720,181
Total equity		<u>921,668</u>	<u>1,101,613</u>
Liabilities			
Trade and other payables due to third parties	16	117,403	113,863
Other payables due to related parties	16/18(a)(i)(ii)(iv)(vi) (vii)(viii)	52,911	124,841
Deferred revenue		40,980	58,693
Current liabilities		<u>211,294</u>	<u>297,397</u>
Total liabilities		<u>211,294</u>	<u>297,397</u>
Total equity and liabilities		<u>1,132,962</u>	<u>1,399,010</u>

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HAILIANG EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2015, 2016 AND 2017
(Amounts in thousands)

	Share capital RMB Note 15	Share premium RMB Note 15	Contributed capital RMB Note 15	Translation reserve RMB Note 15	Retained earnings RMB	Total equity RMB
Balance at June 30, 2014	239	18,628	225,895	18	312,012	556,792
Total comprehensive income						
Profit	—	—	—	—	140,994	140,994
Other comprehensive income	—	—	—	29	—	29
Total comprehensive income	—	—	—	29	140,994	141,023
Balance at June 30, 2015	239	18,628	225,895	47	453,006	697,815
Total comprehensive income						
Profit	—	—	—	—	99,432	99,432
Other comprehensive income	—	—	—	8,437	—	8,437
Total comprehensive income	—	—	—	8,437	99,432	107,869
Initial public offering (“IPO”)	28	122,341	—	—	—	122,369
Shares issuance cost	—	(9,551)	—	—	—	(9,551)
Share based payment (Note 14)	—	3,166	—	—	—	3,166
Balance at June 30, 2016	267	134,584	225,895	8,484	552,438	921,668
Total comprehensive income						
Profit	—	—	—	—	167,743	167,743
Other comprehensive income	—	—	—	2,202	—	2,202
Total comprehensive income	—	—	—	2,202	167,743	169,945
Contributed capital	—	—	10,000	—	—	10,000
Balance at June 30, 2017	267	134,584	235,895	10,686	720,181	1,101,613

The accompanying notes are an integral part of these consolidated financial statements.

HAILIANG EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015, 2016 AND 2017
(Amounts in thousands)

	Note	2015 RMB	2016 RMB	2017 RMB
Cash flows from operating activities				
Profit for the year		140,994	99,432	167,743
Adjustments for:				
Depreciation	6(iii)	24,462	65,038	110,485
Disposal loss of leasehold improvement	6(iii)	—	10,286	—
Loss/(gain) on sale of other property and equipment		124	(157)	(41)
Amortization of intangible assets	6(iii)	1,725	948	662
Share based payment		—	1,459	—
Net foreign exchange loss/(gain)	6(i)	75	(1,049)	(282)
Interest income	6(i)	(7,234)	(4,906)	(6,709)
		160,146	171,051	271,858
Change in other current assets		(77)	2,126	(530)
Change in prepayment to third party suppliers		—	(4,424)	2,235
Change in trade and other payables due to third parties		41,478	21,789	23,313
Change in amount due to related parties		23,444	26,136	(27,636)
Change in deferred revenue		11,141	(489)	17,713
Net cash from operating activities		<u>236,132</u>	<u>216,189</u>	<u>286,953</u>
Cash flows from investing activities				
Interest received		8,267	3,265	5,873
Proceeds from sale of property and equipment		668	762	64
Purchase of property and equipment		(115,583)	(346,595)	(108,959)
Payments made to a related party supplier	18(a)(vi)	(268,000)	—	—
Prepayments made to third party for property and equipment		(29,905)	—	—
Advances made to a related party	18(a)(i)	(10,114)	—	—
Repayment of advances made to a related party	18(a)(i)	10,021	—	—
Term deposits placed with a related party finance entity	18(a)(iii)	(1,051,173)	(1,212,430)	(1,953,600)
Maturity of term deposits placed with a related party finance entity	18(a)(iii)	1,411,173	1,272,430	1,552,600
Purchase of financial product from bank		(858,000)	—	—
Maturity of financial product from bank		858,000	—	—
Loans made to a related party	18(a)(ii)	—	—	(98,229)
Net cash used in investing activities		<u>(44,646)</u>	<u>(282,568)</u>	<u>(602,251)</u>
Cash flows from financing activities				
Advances/proceeds from a related party		238	—	—
Proceeds from issue of ordinary shares		—	122,369	—
Payment of new shares issuance cost		(238)	(7,844)	—
Loan made from a related party	18(a)(ii)	—	—	99,603
Net cash from financing activities		<u>—</u>	<u>114,525</u>	<u>99,603</u>
Net increase/(decreased) in cash and cash equivalent		191,486	48,146	(215,695)
Cash and cash equivalents at beginning of the year		42,003	233,379	291,011
Effect of movements in exchange rates on cash held		(110)	9,486	2,485
Cash and cash equivalents at the end of the year		<u>233,379</u>	<u>291,011</u>	<u>77,801</u>
Non cash transaction:				
Share based payment	14	—	3,166	—
Capital transaction	15(a)(iii)	—	—	10,000

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