

## **Hailiang Education Reports Full Year Fiscal 2016 Financial Results**

HANGZHOU, China, Oct. 25, 2016 /PRNewswire/ -- Hailiang Education Group Inc. (Nasdaq: HLG) ("Hailiang Education" or the "Company"), a provider of private K-12 educational services in China, today announced its financial results for the fiscal year 2016 ended June 30, 2016. As of this period, the Company has changed its financial reporting schedule from quarterly to semiannual.

"Fiscal 2016 marks the first full fiscal year following our successful IPO in July 2015. With the significant marketing opportunities created by our public listing, we have strengthened our brand leadership position in China and have further enhanced our ability to deliver exceptional educational services," commented Mr. Ming Wang, Chairman and Chief Executive Officer of Hailiang Education. "We are pleased to complete the year with a 27.1% increase in total revenue, led by a 22.8% increase in revenue from the basic educational program and a 49.8% increase in revenue from the international program. In addition, total student enrollments continued to grow in fiscal 2016, particularly in our international program, which recorded a 39.5% year-over-year growth."

"Going forward, we will continue to focus on growing our overall student enrollments, pursuing strategic cross-region expansion opportunities and expanding and upgrading our existing facilities. We have built a strong foundation and believe our growth initiatives along with our high quality course offerings and superior learning experience will enable us to achieve sustainable future growth," Mr. Wang concluded.

Mr. Hancheng Lee, Chief Financial Officer of Hailiang Education, added, "Our strong revenue growth in both our basic educational and international programs for fiscal 2016 reflects the successful execution of our growth strategy and our continued focus on providing high quality educational services in a unique learning environment. While our margins and bottom line for fiscal 2016 were impacted by the increased expenses related to our new Hailiang Education Park which opened in last September, we remain confident in the long-term profitability in our overall business."

### **Fiscal 2016 Highlights**

- Revenue was RMB654.1 million (US\$98.4 million), an increase of 27.1% from RMB514.8 million for fiscal 2015.
- Gross profit was RMB162.7 million (US\$24.5 million), a decrease of 9.7% from RMB180.3 million for fiscal 2015.
- Gross margin was 24.9% compared with 35.0% for fiscal 2015.
- Net profit was RMB99.4 million (US\$15.0 million), a decrease of 29.5% from RMB141.0 million for fiscal 2015.
- Basic and diluted earnings per ADS were RMB3.8 (US\$0.6) compared with RMB6.2 for fiscal 2015.
- The number of students enrolled in the basic educational program was 16,760, an increase of 3.9% from 16,135 for fiscal 2015.
- The number of students enrolled in the international program was 1,913, an increase of 39.5% from 1,371 for fiscal 2015.

### **Fiscal 2016 Financial Results**

#### **Revenue**

Revenue was RMB654.1 million (US\$98.4 million), an increase of 27.1% from RMB514.8 million for fiscal 2015. The increase was attributed to higher average tuition and an increase in total number of

enrolled students. The revenue increase was also attributable to having a greater proportion of our students enrolled in the international program, which has a higher tuition than the basic educational program.

Revenue from the basic educational program was RMB531.7 million (US\$80.0 million), an increase of 22.8% from RMB433.1 million for fiscal 2015, driven primarily by the increase in average tuition and total number of enrolled students.

Revenue from the international program was RMB122.4 million (US\$18.4 million), an increase of 49.8% from RMB81.7 million for fiscal 2015, primarily due to the increase of number of students enrolled in this program and an increase in this program's tuition.

### **Cost of Revenue**

Cost of revenue was RMB491.4 million (US\$73.9 million), an increase of 46.9% from RMB334.5 million for fiscal 2015. The increase was primarily due to higher labor costs associated with the increased headcount and compensation levels of employees, higher student-related costs, and increased depreciation.

### **Gross Profit and Gross Margin**

Gross profit was RMB162.7 million (US\$24.5 million), a decrease of 9.7% from RMB180.3 million for fiscal 2015.

Gross margin was 24.9% compared with 35.0% for fiscal 2015.

### **Operating Expenses**

Operating expenses were RMB70.8 million (US\$10.7 million), an increase of 44.8% from RMB48.9 million for fiscal 2015.

Selling expenses were RMB16.8 million (US\$2.5 million), compared with RMB15.5 million for fiscal 2015. The increase was primarily due to increased student enrollment rewards on recruitment.

Administrative expenses were RMB43.7 million (US\$6.6 million), an increase of 31.2% from RMB33.3 million for fiscal 2015. The increase was primarily due to increased salary costs associated with the increased number of employees at the new campus, Hailiang Education Park.

### **Net Finance Income**

Net finance income was RMB5.8 million (US\$0.9 million), a decrease of 19.5% from RMB7.1 million for fiscal 2015. The decrease was primarily due to a reduced amount of funds deposited with certain related parties.

### **Net Profit**

Net profit was RMB99.4 million (US\$15.0 million), a decrease of 29.5% from RMB141.0 million for fiscal 2015.

### **Basic and Diluted Earnings per ADS**

Basic and diluted earnings per ADS were RMB3.8 (US\$0.6) compared with basic and diluted earnings per ADS of RMB6.2 for fiscal 2015.

## **Cash Flow**

Net cash provided by operating activities was RMB216.2 million (US\$32.5 million), a decrease of 8.4% from RMB236.1 million in fiscal 2015. Capital expenditures in fiscal 2016 were RMB346.6 million (US\$52.2 million), compared with RMB115.6 million in fiscal 2015. The increase in capital expenditures primarily related to furniture, equipment, and leasehold improvement for the new campus, Hailing Education Park.

## **Balance Sheet**

As of June 30, 2016, the Company had cash and cash equivalents of RMB291.0 million (US\$43.8 million), compared with RMB233.4 million as of June 30, 2015.

## **Recent Event**

On June 27, 2016, the Company's board of directors announced a change of the Company's financial reporting schedule from quarterly to semiannual. The nature of the Company's business is highly seasonal, revolving around the typical school year schedule. After such change, the Company will issue earnings releases and host conference calls for the six-month period ending December 31 and the full-year period ending June 30 after the close of such periods, respectively. Through the implementation of semiannual financial reporting, the Company aims to improve its communication with investors by focusing its resources on those reporting periods, while maintaining rigorous compliance with SEC and Nasdaq disclosure and financial reporting requirements.

## **Conference Call Information**

Hailiang Education's management will host an earnings conference call at 8:00 AM on October 25, 2016, U.S. Eastern Time (8:00 PM on October 25, 2016, Beijing/Hong Kong Time).

Dial-in details for the earnings conference call are as follows:

International:	1-412-902-4272
US Toll Free:	1-888-346-8982
Hong Kong Toll Free:	800-905945
China Toll Free:	4001-201203

Participants should call in at least 5 minutes before the scheduled start time and ask to be connected to the "Hailiang Education Group call."

A replay of the conference call may be accessed by dialing either of the telephone numbers below through November 1, 2016:

International:	1-412-317-0088
US Toll Free:	1-877-344-7529
Passcode:	10095421

Additionally, a live and archived webcast of the conference call will be available at <http://ir.hailiangedu.com>.

## **Exchange Rate**

This announcement contains translations of certain Renminbi (RMB) amounts into U.S. dollars (US\$) at a specified rate solely for the convenience of the reader. Unless otherwise noted, the translation of RMB into

US\$ has been made at RMB6.6459 to US\$1.00, the noon buying rate in effect on June 30, 2016 as set forth in the H.10 Statistical Release of the Federal Reserve Board.

### **About Hailiang Education**

Founded in 1995, Hailiang Education operates three centrally managed schools in Zhuji city, Zhejiang province: Hailiang Foreign Language School, Zhuji Private High School and Tianma Experimental School. Hailiang Education Park, the Company's newest campus, was opened in September 2015 and represents Hailiang Education's commitment in delivering comprehensive and high-quality educational programs. Hailiang Education offers a variety of educational programs, including basic educational programs and international programs at the kindergarten, primary school, middle school, and high school levels, as well as preparatory courses designed for university-bound students studying for A-level courses in the United Kingdom and the SAT examination in the United States. For more information, please visit <http://ir.hailiangedu.com/>.

### **Safe Harbor Statement**

This announcement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact in this announcement are forward-looking statements, including but not limited to, the Company's business strategies and initiatives as well as the Company's business plans; the Company's future business development, results of operations and financial condition; expected changes in the Company's revenue and certain cost or expense items; trends and competition in the education industry in China; general economic and business conditions in China; and other risks detailed in the Company's filings with the Securities and Exchange Commission. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations and projections about future events and financial trends that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. Investors can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results.

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**HAILIANG EDUCATION GROUP INC.**  
**consolidated STATEMENTS OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED JUNE 30, 2014, 2015 AND 2016**  
**(Amounts in thousands except per ADS data)**

	2014 RMB	2015 RMB	2016 RMB	2016 USD
Revenue	462,754	514,787	654,060	98,416
Cost of revenue	(299,683)	(334,528)	(491,356)	(73,934)
<b>Gross profit</b>	<b>163,071</b>	<b>180,259</b>	<b>162,704</b>	<b>24,482</b>
Other income	1,792	2,460	1,756	264
Operating expenses				
Selling expenses	(15,635)	(15,540)	(16,753)	(2,521)
Administrative expenses	(28,622)	(33,334)	(43,741)	(6,582)
Disposal loss of leasehold improvement	-	-	(10,286)	(1,548)
Total operating expenses	(44,257)	(48,874)	(70,780)	(10,651)
<b>Operating profit</b>	<b>120,606</b>	<b>133,845</b>	<b>93,680</b>	<b>14,095</b>
Net finance income	20,066	7,149	5,752	865
<b>Profit before tax</b>	<b>140,672</b>	<b>140,994</b>	<b>99,432</b>	<b>14,960</b>
Income tax expense	-	-	-	-
<b>Profit</b>	<b>140,672</b>	<b>140,994</b>	<b>99,432</b>	<b>14,960</b>
Other comprehensive income	-	29	8,437	1,270
<b>Total comprehensive income</b>	<b>140,672</b>	<b>141,023</b>	<b>107,869</b>	<b>16,230</b>
<b>Earnings per ADS</b>				
Basic and diluted earnings per ADS	6.24	6.24	3.84	0.58

**HAILIANG EDUCATION GROUP INC.**  
**consolidated STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015 AND 2016**  
**(Amounts in thousands)**

	2015 RMB	2016 RMB	2016 USD
<b>Assets</b>			
Property and equipment, net	181,677	740,375	111,403
Intangible assets and goodwill, net	81,209	80,261	12,077
Prepayments to third party suppliers	29,905	8,749	1,316
Prepayments to a related party supplier	268,000	-	-
<b>Non-current assets</b>	<b>560,791</b>	<b>829,385</b>	<b>124,796</b>
Other receivables due from related parties	224	11,570	1,741
Other current assets	3,122	996	150
Term deposits held at a related party finance entity	60,000	-	-
Cash and cash equivalents	233,379	291,011	43,788
<b>Current assets</b>	<b>296,725</b>	<b>303,577</b>	<b>45,679</b>
<b>Total assets</b>	<b>857,516</b>	<b>1,132,962</b>	<b>170,475</b>
<b>Shareholder's Equity</b>			
Share capital	239	267	40
Share premium	18,628	134,584	20,251
Contributed capital	225,895	225,895	33,990
Translation reserve	47	8,484	1,277
Retained earnings	453,006	552,438	83,124
<b>Total equity</b>	<b>697,815</b>	<b>921,668</b>	<b>138,682</b>
<b>Liabilities</b>			
Trade and other payables due to third parties	89,595	117,403	17,665
Other payables due to related parties	28,637	52,911	7,962
Deferred revenue	41,469	40,980	6,166
<b>Current liabilities</b>	<b>159,701</b>	<b>211,294</b>	<b>31,793</b>

<b>Total liabilities</b>	<u>159,701</u>	<u>211,294</u>	<u>31,793</u>
<b>Total equity and liabilities</b>	<u>857,516</u>	<u>1,132,962</u>	<u>170,475</u>