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KINGSLEY EDUGROUP LIMITED
皇岦國際教育企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8105)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

CHARACTERISTIC OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Kingsley Edugroup Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein on this announcement misleading.*

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately RM30.0 million for the year ended 30 June 2018, representing an increase of approximately 0.7% from approximately RM29.8 million for the year ended 30 June 2017. The increase was mainly contributed by the increase in number of students during the year ended 30 June 2018;

- Gross profit for the year ended 30 June 2018 amounted to approximately RM15.5 million (2017: RM17.5 million), representing a decrease of approximately RM2.0 million or approximately 11.4% as compared to the year ended 30 June 2017;

- Profit for the year ended 30 June 2018 amounted to approximately RM1.2 million (2017: RM11.3 million), representing a decrease of approximately RM10.1 million or approximately 89.4% as compared to the year ended 30 June 2017;

- Basic earnings per share for the year ended 30 June 2018 was approximately RM0.24 sen (2017: RM1.84 sen); and

- The board of directors (the "**Board**") does not recommend the payment of any final dividend for the year ended 30 June 2018 (2017: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 30 June 2018 together with the comparative figures for the year ended 30 June 2017 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 RM	2017 RM
Revenue	4	**30,007,241**	29,794,992
Cost of revenue		**(14,493,570)**	(12,336,340)
Gross profit		**15,513,671**	17,458,652
Other revenue and gains	5	**6,284,399**	5,995,609
Selling and distribution expenses		**(350,088)**	(275,381)
Administrative expenses		**(16,805,108)**	(7,181,335)
Operating profit		**4,642,874**	15,997,545
Finance costs		**(3,354,767)**	(4,635,592)
Profit before income tax	6	**1,288,107**	11,361,953
Income tax expense	7	**(107,881)**	(70,384)
Profit and total comprehensive income for the year		**1,180,226**	11,291,569
Attributable to:			
Owners of the Company		**1,510,013**	11,021,974
Non-controlling interests		**(329,787)**	269,595
		1,180,226	11,291,569
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted *(RM sen)*	8	**0.24**	1.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	2018 RM	2017 RM
Non-current assets			
Property, plant and equipment		**136,297,771**	119,807,276
Prepayments for property, plant and equipment		**120,000**	–
Total non-current assets		**136,417,771**	119,807,276
Current assets			
Accounts receivable	*9*	**39,313**	871,418
Prepayments, deposits and other receivables	*10*	**1,769,141**	636,992
Amount due from a shareholder		**–**	2,209
Amounts due from related companies		**3,639,545**	5,130,456
Tax recoverable		**168,307**	76,662
Pledged bank deposits		**533,032**	518,245
Cash and cash equivalents		**35,211,376**	6,705,098
Total current assets		**41,360,714**	13,941,080
Current liabilities			
Accounts payable	*11*	**663,961**	581,959
Other payables and accruals	*12*	**6,284,054**	5,906,907
Amount due to a related company		**735**	66,000
Bank borrowings, secured		**23,169,450**	1,704,950
Obligations under finance leases		**–**	35,425
Total current liabilities		**30,118,200**	8,295,241
Net current assets		**11,242,514**	5,645,839
Total assets less current liabilities		**147,660,285**	125,453,115
Non-current liabilities			
Amount due to a related company		**14,792,113**	25,592,113
Bank borrowings, secured		**64,338,888**	67,878,338
Deferred tax liabilities		**10,196**	8,209
Obligations under finance leases		**–**	84,642
Total non-current liabilities		**79,141,197**	93,563,302
Net assets		**68,519,088**	31,889,813
Equity			
Share capital	*13*	**4,039,181**	45
Share premium		**31,409,986**	–
Reserves		**33,160,932**	31,650,992
Equity attributable to owners of the Company		**68,610,099**	31,651,037
Non-controlling interests		**(91,011)**	238,776
Total equity		**68,519,088**	31,889,813

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company's headquarters and principal place of business are located at LG5, Kingsley International School, Persiaran Kingsley, Kingsley Hills, Putra Heights, 47650 Subang Jaya, Selangor, Malaysia.

The Company's shares had been listed on the GEM of the Stock Exchange on 16 May 2018 (the "**Listing**").

The Company is an investment holding company while its subsidiaries are principally engaged in provision of education and related services in Malaysia.

The consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is also the functional currency of the Company.

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a group reorganisation (the "**Reorganisation**") in connection with the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 30 August 2017.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Company's prospectus dated 30 April 2018. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The consolidated financial statements have been prepared under the historical cost basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The followings new/revised HKFRSs, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Share-Based Payment[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 17	Insurance contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

Amendment to HKFRS 2 – Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected credit loss model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company preliminarily assess that the adoption of HKFRS 9 in the future will not have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities. The directors of the Company have performed a preliminary assessment and expect that the application of the expected credit loss model will not have significant impact on the Group's consolidated financial statements.

HKFRS 15 – Revenue from contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

HKFRS 15 – Revenue from contracts with customers (continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company have performed a preliminary assessment and expect that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Amendments HKFRS 15 – Clarifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RM431,401. These arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In the consolidated statement of profit or loss and other comprehensive income, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis. Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised by the Group over the entire lease period and the total net profit over the lease period is not expected to be materially affected. The adoption of HKFRS 16 would not affect the total cash flows in respect of the leases. The Group is continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 July 2019.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Except for those stated as above, the directors of the Company anticipate that the application of the other new or amendments to HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the future.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of education and related services in Malaysia.

Information reported to the Executive Directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided.

The following is an analysis of the Group's revenue by segment:

(a) Revenue by business segment

	2018	2017
	RM	*RM*
International school	**29,864,791**	26,802,388
Tertiary education	**142,450**	2,992,604
	30,007,241	29,794,992

(b) Geographical information

For the geographical information, revenue from external customers are based on the location of operations. Since the Group solely operates business in Malaysia and all of the non-current assets of the Group are located in Malaysia, no geographical segment information is presented in accordance with HKFRS 8 "Operating Segments".

(c) Information about major customers

No revenue from a single customer contributes 10% or more of total revenue of the Group during the year ended 30 June 2018.

5. OTHER REVENUE AND GAINS

	2018	2017
	RM	*RM*
Interest income	**31,090**	83,202
Liquidated and ascertained damages *(Note)*	**5,475,000**	5,475,000
Others	**778,309**	437,407
	6,284,399	5,995,609

Note:

The Group is entitled to the liquidated and ascertained damages as a result of the delay in completion of the construction of the annex building under a contractual contract with Kingsley Hills Sdn. Bhd. ("**KHSB**"), a related company controlled by Dato' Goh Meng Keong, one of the Controlling Shareholders, under normal commercial terms. Judgement has been made by the directors of the Company to recognise the liquidated and ascertained damages received from KHSB as other revenue as, in the opinion of the directors of the Company, KHSB entered into the construction contract with the Group was not in its capacity as a shareholder.

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018	2017
	RM	*RM*
Auditor's remuneration	**417,427**	62,110
Employee costs	**10,977,330**	8,348,217
Impairment of accounts receivable	**–**	32,900
Written off of accounts receivable	**19,514**	16,200
Written off of property, plant and equipment	**–**	41,734
Depreciation of property, plant and equipment:		
– Owned	**2,308,868**	2,330,392
– Held under finance leases	**8,717**	42,888
Minimum lease payments received under operating leases from leasing of properties less outgoings in the year	**(21,121)**	(26,900)
Minimum lease payments under operating leases recognised as expense in the year	**409,392**	387,806
Listing expenses (including professional fees and other expenses)	**7,399,013**	491,273

7. INCOME TAX EXPENSE

	2018	2017
	RM	*RM*
Current Tax – Malaysian profits tax:		
– Charge for the year	**85,084**	52,314
– Under provision in respect of prior years	**20,810**	9,861
	105,894	62,175
Deferred tax	**1,987**	8,209
Income tax expense	**107,881**	70,384

8. EARNINGS PER SHARE

	2018	2017
	RM	*RM*
Basic and diluted *(RM sen)*	**0.24**	1.84

Basic and diluted

The calculation of the basic earnings per share is based on the following data:

Earnings

	2018	2017
	RM	*RM*
Profit for the year attributable to the owners of the Company	**1,510,013**	11,021,974

Number of share

	2018	2017
	RM	*RM*
Weighted average number of ordinary shares in issue during the year	**625,205,479**	600,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 July 2016.

There is no diluted earnings per shares as there is no potential dilutive share during both years.

9. ACCOUNTS RECEIVABLE

	2018	2017
	RM	*RM*
Accounts receivable	**39,313**	904,318
Less: impairment of accounts receivable	**–**	(32,900)
	39,313	871,418

The following is an ageing analysis of accounts receivable presented based on the invoice date as at the end of each reporting year.

	2018	2017
	RM	*RM*
Within 1 month	**6,253**	24,281
1 to 2 months	**7,476**	368,218
2 to 3 months	**16,934**	87,854
Over 3 months	**8,650**	391,065
	39,313	871,418

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RM	*RM*
Prepayments	**1,582,073**	197,591
Deposits	**153,700**	174,329
Other receivables	**33,368**	265,072
	1,769,141	636,992

11. ACCOUNTS PAYABLE

	2018	2017
	RM	*RM*
Accounts payable	**663,961**	581,959

The following is an ageing analysis of accounts payable presented based on the invoice date as at the end of each reporting year.

	2018	2017
	RM	*RM*
Within 1 month	**106,161**	574,794
1 to 2 months	**538,842**	6,733
2 to 3 months	**12,526**	–
Over 3 months	**6,432**	432
	663,961	581,959

12. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RM	*RM*
Accruals	**1,063,370**	1,009,914
Deposit refundable to students	**3,519,926**	3,400,012
Other payables	**1,100,079**	368,665
Receipt in advance	**601,479**	1,128,316
	6,284,054	5,906,907

13. SHARE CAPITAL

The share capital as at 30 June 2018 represented the share capital of the Company following the completion of the Reorganisation on 30 August 2017 with details as follows:

	Par value	Number of shares	Nominal amount	Nominal amount
			US$	*HK$*
Authorised:				
Upon incorporation	US$0.01	5,000,000	50,000	–
At 30 June 2017 and 1 July 2017	US$0.01	5,000,000	50,000	–
Increase in authorised share capital *(Note (b) and Note (c))*	HK$0.01	1,000,000,000	–	10,000,000
Cancellation *(Note (b))*	US$0.01	(5,000,000)	(50,000)	–
At 30 June 2018	HK$0.01	1,000,000,000	–	10,000,000

	Par value	Number of shares	Nominal amount	Nominal amount	Nominal amount equivalent to
			US$	*HK$*	*RM*
Issued and fully paid:					
Issuance of shares upon incorporation	US$0.01	1,000	10	–	45
At 30 June 2017 and 1 July 2017	US$0.01	1,000	10	–	45
Issuance of ordinary shares *(Note (a))*	US$0.01	1,000	10	–	42
Issuance of ordinary shares *(Note (b))*	HK$0.01	2,000	–	20	11
Shares repurchased and cancelled *(Note (b))*	US$0.01	(2,000)	(20)	–	(87)
Capitalisation issue *(Note (d))*	HK$0.01	599,998,000	–	5,999,980	3,029,375
Issuance of ordinary shares upon listing *(Note (e))*	HK$0.01	200,000,000	–	2,000,000	1,009,795
At 30 June 2018	HK$0.01	800,000,000	–	8,000,000	4,039,181

13. SHARE CAPITAL (continued)

Notes:

(a) On 13 September 2017, another 1,000 new ordinary shares of the Company of par value US$0.01 each were issued and fully paid-up to the then existing shareholders.

(b) Pursuant to respective written resolution of all the directors of the Company and all the shareholders of the Company on 13 September 2017, the authorised share capital of the Company was increased to the aggregate of US$50,000 and HK$380,000 by the creation of an additional 38,000,000 shares with a par value of HK$0.01 each. On the same date, 2,000 shares of par value HK$0.01 each (the "**HKD Shares**") were issued to the then existing shareholders in proportion to their existing number of shares with a par value of US$0.01 each (the "**USD Shares**") owned. Subsequent to the issue of the HKD Shares, the USD shares were repurchased by the Company and cancelled immediately. Upon completion of the repurchase, 5,000,000 unissued USD Shares of the Company were cancelled so that the authorised share capital of the Company be reduced to HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

(c) On 19 April 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by the creation of additional 962,000,000 shares of HK$0.01 each.

(d) Pursuant to the written resolutions of the shareholders passed on 19 April 2018, the directors were authorised to capitalise the amount of HK$5,999,980 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 599,998,000 shares for allotment and issue to the then existing shareholders of the Company, each rank pari passu in all respects with the then existing issued shares. On 16 May 2018, the Company allotted and issued such shares as aforesaid and gave effect to the capitalisation issue.

(e) On 16 April 2018, the Company issued a total of 200,000,000 ordinary shares of HK$0.01 each at a price of HK$0.40 per share as a result of the completion of the Global Offering. The gross proceeds from Global Offering of HK$80,000,000 representing the par value of HK$2,000,000 credited to the Company's share capital and share premium of HK$78,000,000 which can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the Global Offering, HK$5,999,980 was capitalised from the share premium account and applied in paying up full 599,998,000 shares which was allotted and issued to the then shareholders. The Company's total number of issued shares was increased to 800,000,000 shares upon completion of Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the year ended 30 June 2018, the Group's principal business remained the provision of education and related services in Malaysia. Revenue generated from international school segment remained as the main driver of our Group's revenue.

PROSPECTS AND STRATEGIES

Looking ahead, the education environment is continuing to be challenging. The Group's profitability in education business is facing with pressure from rising costs and driven competition. Our management team will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions. The management expects that the global education market is still volatile. The Group will continue to look for suitable investment opportunities both locally and in overseas markets in order to diversify and broaden its revenue base over the longer term.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 30 June 2018 was approximately RM30.0 million, representing a slight increase of approximately 0.7% from approximately RM29.8 million for the year ended 30 June 2017. Our revenue generated from tuition fee collected from our students and from ancillary services provided to our students of our (i) international school, and (ii) tertiary education. Such increase was predominantly contributed by our international school segment.

	2018	2017
	RM	*RM*
International school	**29,864,791**	26,802,388
Tertiary education	**142,450**	2,992,604
	30,007,241	29,794,992

	2018		2017	
	RM	***% of revenue***	*RM*	*% of revenue*
Tuition fee	**21,201,271**	**70.7%**	21,850,083	73.3%
Ancillary services	**8,805,970**	**29.3%**	7,944,909	26.7%
Total	**30,007,241**	**100.0%**	29,794,992	100.0%

FINANCIAL REVIEW (continued)

Revenue (continued)

The Group's revenue from tuition fee represented approximately 70.7% of its total revenue for the year ended 30 June 2018 as compared to that of approximately 73.3% for the year ended 30 June 2017. The slight decrease in revenue from tuition fee was mainly attributable to the decrease in tuition fee from the tertiary education component.

The Group's revenue from ancillary services represented approximately 29.3% of its total revenue for the year ended 30 June 2018 as compared to that of approximately 26.7% for the year ended 30 June 2017. The increase in revenue from ancillary services was mainly attributable to the increase in student enrolment at KIS which led to revenue growth from ancillary services such as extra-curricular activities, meal plans and resources fee.

Cost of revenue and gross profit margin

The majority of the Group's cost of revenue primarily consists of teaching staff cost, depreciation of property, plant and equipment and other operational expenses. The cost of revenue increased by approximately 17.9% from approximately RM12.3 million for the year ended 30 June 2017 to approximately RM14.5 million for the year ended 30 June 2018 was mainly due to increase in teaching staff costs which is in line with increase in student enrollment in international school.

The Group's gross profit decreased from approximately RM17.5 million for the year ended 30 June 2017 to approximately RM15.5 million for the year ended 30 June 2018. The Group's gross profit margin decrease from approximately 58.6% for the year ended 30 June 2017 to approximately 51.7% for the year ended 30 June 2018 mainly attributable to lower revenue generated from tertiary education, due to decrease in number of sign up for training conducted.

Other revenue and gains

The Group's other income increased from approximately RM6.0 million for the year ended 30 June 2017 to approximately RM6.3 million for the year ended 30 June 2018, representing an increase of approximately RM0.3 million or approximately 5.0%. The increase was mainly due to one-off other revenue generated from Learning Management System ("LMS").

Selling and distribution expenses

The Group's selling and distribution expenses increased from approximately RM0.3 million for the year ended 30 June 2017 to approximately RM0.4 million for the year ended 30 June 2018. The increase was attributable to additional advertising during the year ended 30 June 2018.

Administrative expenses

Administrative expenses of our Group had been increased from approximately RM7.2 million for the year ended 30 June 2017 to approximately RM16.8 million for the year ended 30 June 2018. The increase was mainly due to non-recurring listing expenses recognised during the year ended 30 June 2018 and increase in staff costs during the year.

FINANCIAL REVIEW (continued)

Finance costs

Finance costs decreased from approximately RM4.6 million for the year ended 30 June 2017 to approximately RM3.4 million for the year ended 30 June 2018. The decrease in finance costs was mainly due to the interest capitalisation of loan as a result of the resumption on the construction of the KIS Annex Building.

Income Tax

Effective income tax for the year ended 30 June 2018 was approximately 8.4% compared with 0.6% for the year ended 30 June 2017. Effective income tax rate for the year ended 30 June 2018 is lower as compared to statutory tax rate mainly due to the depreciation allowance and business losses bought forward used to set-off the taxable profit for the year.

Profit attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from approximately RM11.0 million for the year ended 30 June 2017 to approximately RM1.5 million for the year ended 30 June 2018. The decrease was mainly contributed by (i) increase in teaching staff cost, and (ii) non-recurring listing expenses recognised during the year ended 30 June 2018.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity for the year ended 30 June 2018 and capital requirements primarily through internally generated fund from operating activities and proceeds from the Listing.

As at 30 June 2018, the Group has total cash and bank balances of approximately RM35.2 million compared to approximately RM6.7 million as at 30 June 2017. The increase was mainly due to the net proceeds received from the Listing. The borrowings of our Group as at 30 June 2018 was approximately RM87.5 million as compared to approximately RM69.6 million as at 30 June 2017, representing an increase of approximately RM17.9 million. This increase was due to an additional new banking facility secured by the Group.

The gearing ratio of the Group as at 30 June 2018 was approximately 128.3% as compared to approximately 219.9% as at 30 June 2017. As a result of the increased equity following the Listing, our Group's gearing ratio had decreased.

TREASURY POLICIES

The Group employed a prudent treasury policies and generally financed its operations and businesses with internally generated funds, equity and debt financing denominated in RM and arranged on a floating-rate basis. It is the Group's policy not to enter into any derivative transactions for speculative purposes.

CAPITAL COMMITMENTS

Our capital commitments primarily relate to the construction of KIS Annex Building. The following table sets out a summary of our capital commitments as at 30 June 2018 and 30 June 2017.

	2018	2017
	RM	*RM*
Commitments for the acquisition of property, plant and equipment	**10,649,557**	26,025,887

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2018 (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

The functional currencies of our operations, assets and liabilities are mostly denominated in RM. Therefore, we are not exposed to any significant foreign exchange risk, except for our HKD denominated bank balances. The Group did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 30 June 2018.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a work force of 173 employees as compared with 147 employees as at 30 June 2017. Total staff costs for the year ended 30 June 2017 and 30 June 2018 were approximately RM8.3 million and RM11.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of each individual employee.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were neither significant investments held as at 30 June 2018 nor material acquisitions and disposals of subsidiaries during the year ended 30 June 2018. There was no plan for material investment or capital assets as at 30 June 2018.

EVENTS AFTER THE FINANCIAL YEAR ENDED 30 JUNE 2018

The Board is not aware of any significant event subsequent to 30 June 2018 and up to the date of this announcement.

USE OF NET PROCEEDS FROM THE LISTING

The issued ordinary shares of the Company were successfully listed on GEM of the Stock Exchange on 16 May 2018 ("**Listing Date**") at HK$0.40 per share. The proceeds (net of listing expenses) were approximately RM31.4 million. As stated in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 30 April 2018, the Company intends to continue to apply the net proceeds in accordance with the proposed allocations set out below.

Since the Listing Date to year ended 30 June 2018 was relatively short, the net proceeds had yet to be utilised as follows:

Use of net proceeds	**Amount of net proceeds allocated upon listing** *(RM million)*	**Amount utilised up to 30 June 2018** *(RM million)*	**Balance as at 30 June 2018** *(RM million)*
Settlement of fees for constructing the KIS Annex Building	12.0	–	12.0
Renovation of the KIS Annex Building	15.0	–	15.0
Purchase of facilities for KIS Annex Building	4.4	–	4.4
Total	31.4	–	31.4

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Board of the Company is committed to achieving high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Group's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM Listing Rules**").

CORPORATE GOVERNANCE (continued)

As the shares of the Company were listed on the GEM of the Stock Exchange on the Listing Date, the Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement (the "**Relevant Period**").

Further information on the Company's corporate governance practices will be set out in the corporate governance report contained in the Company's annual report for the year ended 30 June 2018, which will be dispatched to the shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "required standard of dealings" as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code regarding securities transactions by the Directors in respect of the shares of the Company (the "**Model Code**"). The Company has made specific enquiry to all the Directors, and all Directors have confirmed that, they have fully complied with the Model Code throughout the Relevant Period.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed China Everbright Capital Limited ("**CECL**") to be the compliance adviser. CECL, being the sponsor to the listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as the above, neither CECL nor any of its associates and none of the directors or employees of CECL who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group. The compliance adviser agreement was entered between the Company and our compliance adviser dated 8 September 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25%.

COMPETING INTEREST

During the year and up to the date of this announcement, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 November 2018 to Wednesday, 21 November 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 November 2018.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Wednesday, 21 November 2018. A notice of convening the meeting will be issued and sent to the shareholders in due course.

REVIEW OF ANNOUNCEMENT

The figure in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 June 2018 as set out in the results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C.3.3 and C.3.7 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Prof. Dr. Rozainun Binti Abdul Aziz (Chairlady), Prof. Emeritus Tan Sri Dato' Mohamed Salleh Bin Mohamed Yasin and Tan Sri Dato' Hj Abd Karim Bin Shaikh Munisar.

The audit committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal auditors.

The audit committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS (continued)

During the year, the audit committee had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The audit committee of the Board and the management of the Company have reviewed the accounting principles and practices adopted by our Group and the financial statements for the year ended 30 June 2018. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosure have been made.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the GEM website at www.hkgem.com and the Company's website at www.kingsley.edu.my. The Company's annual report for the year ended 30 June 2018 will be despatched to the Shareholders of the Company and will also be published on the aforesaid GEM website and the Company's website in due course.

By order of the Board
Kingsley Edugroup Limited
Tan Sri Dato' Sri Goh Ming Choon
Chairman and Executive Director

Subang Jaya, Malaysia, 12 September 2018

As at the date of this announcement, the executive Directors are Tan Sri Dato' Sri Goh Ming Choon, Dato' Danny Goh Meng Keong, Dr. Chua Ping Yong, the independent non-executive Directors are Prof. Emeritus Tan Sri Dato' Dr. Mohamed Salleh Bin Mohamed Yasin, Tan Sri Dato' Hj Abd Karim Bin Shaikh Munisar and Prof. Dr. Rozainun Binti Abdul Aziz.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.kingsley.edu.my.