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KINGSLEY EDUGROUP LIMITED

皇豈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 2019

CHARACTERISTICS 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

- Our Group recorded revenue of approximately RM31.0 million for the year ended 30 June 2019, representing an increase of approximately 3.3% from approximately RM30.0 million for the year ended 30 June 2018. The increase was mainly contributed by the increase in number of students during the year ended 30 June 2019;
- Gross profit for the year ended 30 June 2019 amounted to approximately RM14.1 million (2018 : RM15.5 million), representing a decrease of approximately RM1.4 million or approximately 9.0% as compared to the year ended 30 June 2018;
- Profit for the year ended 30 June 2019 amounted to approximately RM2.2 million (2018 : RM1.2 million), representing an increase of approximately RM1.0 million or approximately 83.3% as compared to the year ended 30 June 2018;
- Basic earnings per share for the year ended 30 June 2019 was approximately RM0.28 sen (2018 : RM0.24 sen); and
- The board of directors (the “**Board**”) does not recommend the payment of any final dividend for the year ended 30 June 2019 (2018 : Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The Board of the Company is pleased to announce the audited consolidated results of our Group for the year ended 30 June 2019 together with the comparative figures for the year ended 30 June 2018 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

| | Notes | 2019 RM'000 | 2018 RM'000 |
|---|-------|---------------------|---------------------|
| Revenue | 4 | 30,998 | 30,007 |
| Cost of revenue | | <u>(16,907)</u> | <u>(14,493)</u> |
| Gross profit | | 14,091 | 15,514 |
| Other revenue and gains | 6 | 6,384 | 6,284 |
| Selling and distribution expenses | | (781) | (350) |
| Administrative expenses | | <u>(14,240)</u> | <u>(16,805)</u> |
| Operating profit | | 5,454 | 4,643 |
| Finance costs | 7 | <u>(3,385)</u> | <u>(3,355)</u> |
| Profit before tax | 8 | 2,069 | 1,288 |
| Income tax credit/(expense) | 9 | <u>82</u> | <u>(108)</u> |
| Profit and total comprehensive income for the year | | <u><u>2,151</u></u> | <u><u>1,180</u></u> |
| Attributable to: | | | |
| Owners of the Company | | 2,252 | 1,510 |
| Non-controlling interests | | <u>(101)</u> | <u>(330)</u> |
| | | <u><u>2,151</u></u> | <u><u>1,180</u></u> |
| Earnings per share | | | |
| Basic and diluted (RM sen) | 10 | <u><u>0.28</u></u> | <u><u>0.24</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| | <i>Notes</i> | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--|--------------|------------------------------|-----------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 154,229 | 136,298 |
| Prepayment for property, plant and equipment | | - | 120 |
| | | <u>154,229</u> | <u>136,418</u> |
| Current assets | | | |
| Accounts receivable | <i>12</i> | 781 | 39 |
| Prepayments, deposits and other receivables | <i>13</i> | 3,120 | 1,769 |
| Amounts due from a related company | | 9,105 | 3,640 |
| Tax recoverable | | 154 | 167 |
| Pledged bank deposit | | 550 | 533 |
| Cash and cash equivalents | | 6,267 | 35,211 |
| | | <u>19,977</u> | <u>41,359</u> |
| Total current assets | | | |
| Current liabilities | | | |
| Accounts payable | <i>14</i> | 1,615 | 664 |
| Other payables and accruals | <i>15</i> | 6,213 | 5,683 |
| Contract liabilities | | 1,722 | 601 |
| Amount due to a related company | | - | 1 |
| Bank borrowings | | 7,122 | 23,169 |
| Obligations under finance leases | | 27 | - |
| | | <u>16,699</u> | <u>30,118</u> |
| Total current liabilities | | | |
| Net current assets | | <u>3,278</u> | <u>11,241</u> |
| Total assets less current liabilities | | <u>157,507</u> | <u>147,659</u> |
| Non-current liabilities | | | |
| Amount due to a related company | | 22,013 | 14,792 |
| Bank borrowings | | 58,966 | 64,339 |
| Deferred tax liabilities | | - | 10 |
| Obligations under finance leases | | 262 | - |
| | | <u>81,241</u> | <u>79,141</u> |
| Total non-current liabilities | | <u>81,241</u> | <u>79,141</u> |
| Net assets | | <u>76,266</u> | <u>68,518</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2019

| | <i>Notes</i> | 2019 RM'000 | 2018 <i>RM'000</i> |
|---|--------------|------------------------------|-----------------------|
| Equity | | | |
| Share capital | | 4,039 | 4,039 |
| Share premium | | 31,410 | 31,410 |
| Reserves | | 40,738 | 33,160 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 76,187 | 68,609 |
| Non-controlling interests | | 79 | (91) |
| | | <hr/> | <hr/> |
| Total equity | | 76,266 | 68,518 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED 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 Malaysia Ringgit ("**RM**"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, our Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

A. HKFRS 15 “Revenue from Contracts with Customers”

Revenue is recognised over time when services is provided and received by the customers.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

| | 30 June 2018 <i>RM'000</i> | 1 July 2017 <i>RM'000</i> |
|---|--------------------------------------|------------------------------|
| Decrease in other payables and accruals | (601) | (1,128) |
| Increase in contract liabilities | 601 | 1,128 |
| | <u>601</u> | <u>1,128</u> |

Our Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

4. REVENUE

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--------------------|------------------------------|-----------------------|
| Tuition fee | 18,642 | 21,201 |
| Ancillary services | 10,309 | 8,806 |
| Others | 2,047 | - |
| | <u>30,998</u> | <u>30,007</u> |

Disaggregation of revenue from contract with customers

| Segments | For the year ended 30 June 2019 | | | |
|-----------------------------|--|--|-------------------------|------------------------|
| | International school <i>RM'000</i> | Tertiary education <i>RM'000</i> | Others <i>RM'000</i> | Total <i>RM'000</i> |
| Geographical markets | | | | |
| Malaysia | <u>28,824</u> | <u>127</u> | <u>2,047</u> | <u>30,998</u> |
| Major services | | | | |
| Tuition fee | 18,553 | 89 | - | 18,642 |
| Ancillary services | 10,271 | 38 | - | 10,309 |
| Others | - | - | 2,047 | 2,047 |
| | <u>28,824</u> | <u>127</u> | <u>2,047</u> | <u>30,998</u> |
| Total | <u>28,824</u> | <u>127</u> | <u>2,047</u> | <u>30,998</u> |

4. REVENUE (continued)

Disaggregation of revenue from contract with customers (continued)

| Timing of revenue recognition | | | | |
|--------------------------------------|--|--|-------------------------|------------------------|
| At a point in time | 3,189 | - | - | 3,189 |
| Over time | 25,635 | 127 | 2,047 | 27,809 |
| Total | <u>28,824</u> | <u>127</u> | <u>2,047</u> | <u>30,998</u> |
| For the year ended 30 June 2018 | | | | |
| Segments | International school <i>RM'000</i> | Tertiary education <i>RM'000</i> | Others <i>RM'000</i> | Total <i>RM'000</i> |
| Geographical markets | | | | |
| Malaysia | <u>29,865</u> | <u>142</u> | <u>-</u> | <u>30,007</u> |
| Major services | | | | |
| Tuition fee | 21,117 | 84 | - | 21,201 |
| Ancillary services | 8,748 | 58 | - | 8,806 |
| Total | <u>29,865</u> | <u>142</u> | <u>-</u> | <u>30,007</u> |
| Timing of revenue recognition | | | | |
| At a point in time | 2,489 | 1 | - | 2,490 |
| Over time | 27,376 | 141 | - | 27,517 |
| Total | <u>29,865</u> | <u>142</u> | <u>-</u> | <u>30,007</u> |

Tuition fees and ancillary services

The principal activities of our Group are provision of education and related services, international school, college for higher education and skills training programme. Tuition fees received from colleges are recognised after a service contract is signed, the price is fixed or determinable, and services are provided. Tuition fees received from international school are generally paid in advance prior to the beginning of each academic term, and are initially recorded as deferred revenue. Tuition fees are recognised proportionately over the relevant period of the academic terms. The portion of tuition payments received from students but not earned is recorded as deferred revenue and is reflected as a current liabilities as such amounts represent revenue that our Group expects to earn within one year. Other ancillary fees, including (i) the goods and services provided at the on-campus canteens; (ii) other miscellaneous sales of goods and services provided for students; and (iii) other training related services, are recognised when the goods are delivered and titles have passed or the services have been rendered.

5. SEGMENT INFORMATION

(a) Reportable segment

Our Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment and focus on type of services performed. The CODM considers the business from the service perspective. When our Group companies have similar economic characteristics and the segments are similar in each of the following respects: (i) the nature of the services; (ii) the type or class of students for their services; and (iii) the methods used to provide their services, our Group's operating segments are aggregated. In the view of CODM, our Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and our Group's operating and reportable segments for segment reporting purpose are International school and Tertiary education respectively.

Information about reportable segment profit or loss, assets and liabilities:

| | International school RM'000 | Tertiary education RM'000 | Others RM'000 | Inter- segment elimination RM'000 | Total RM'000 |
|--|--|--|--------------------------|--|-------------------------|
| For the year ended 30 June 2019 | | | | | |
| Revenue from external customers | 28,824 | 127 | 2,047 | - | 30,998 |
| Segment profit/(loss) | 6,069 | (799) | (3,201) | - | 2,069 |
| Interest revenue | 25 | - | 2 | - | 27 |
| Finance costs | 3,379 | - | 6 | - | 3,385 |
| Depreciation | 3,031 | 39 | 43 | - | 3,113 |
| Income tax (credit)/expense | (73) | (10) | 1 | - | (82) |
| Additions to segment non-current assets | 20,650 | 6 | 388 | - | 21,044 |
| As at 30 June 2019 | | | | | |
| Segment assets | 175,667 | 800 | 27,829 | (30,090) | 174,206 |
| Segment liabilities | 120,621 | 2,692 | 4,002 | (29,375) | 97,940 |

5. SEGMENT INFORMATION (continued)

(a) Reportable segment (continued)

| | International school <i>RM'000</i> | Tertiary education <i>RM'000</i> | Others <i>RM'000</i> | Inter- segment elimination <i>RM'000</i> | Total <i>RM'000</i> |
|---|--|--|-------------------------|---|------------------------|
| For the year ended 30 June 2018 | | | | | |
| Revenue from external customers | 29,865 | 142 | - | - | 30,007 |
| Segment profit/(loss) | 11,896 | (1,921) | (8,687) | - | 1,288 |
| Interest revenue | 31 | - | - | - | 31 |
| Finance costs | 3,355 | - | - | - | 3,355 |
| Depreciation | 2,276 | 41 | 1 | - | 2,318 |
| Income tax expense/(credit) | 105 | (3) | 6 | - | 108 |
| Additions to segment non- current assets | 18,696 | 99 | 13 | - | 18,808 |
| As at 30 June 2018 | | | | | |
| Segment assets | 175,238 | 1,002 | 27,162 | (25,625) | 177,777 |
| Segment liabilities | 132,001 | 2,105 | 1,115 | (25,962) | 109,259 |

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Revenue | | |
| Total revenue of reportable segments | <u>30,998</u> | <u>30,007</u> |
| Consolidated revenue | <u><u>30,998</u></u> | <u><u>30,007</u></u> |
| Profit or loss | | |
| Total profit or loss of reportable segment | 5,270 | 9,975 |
| Other profit or loss | (3,201) | (1,288) |
| Unallocated amounts : | | |
| - Listing expenses | - | (7,399) |
| Consolidated profit before tax for the year | <u><u>2,069</u></u> | <u><u>1,288</u></u> |

5. SEGMENT INFORMATION (continued)

(a) Reportable segment (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (continued):

| | 2019 | 2018 |
|--|------------------|-------------|
| | RM'000 | RM'000 |
| Assets | | |
| Total assets of reportable segments | 176,467 | 176,240 |
| Other assets | 27,829 | 27,162 |
| Elimination of inter-segment assets | (30,090) | (25,625) |
| | <hr/> | <hr/> |
| Consolidated total assets | 174,206 | 177,777 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| Total liabilities of reportable segments | (123,313) | (134,106) |
| Other liabilities | (4,002) | (1,115) |
| Elimination of inter-segment liabilities | 29,375 | 25,962 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | (97,940) | (109,259) |
| | <hr/> <hr/> | <hr/> <hr/> |

(b) Geographical information

For the geographical information, revenue from external customers are based on the location of operations. Since our Group solely operates business in Malaysia and all of the non-current assets of our 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 our Group during the year ended 30 June 2019.

6. OTHER REVENUE AND GAINS

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|---|------------------------------|-----------------------|
| Interest income | 27 | 31 |
| Liquidated and ascertained damages (Note) | 5,475 | 5,475 |
| Forfeited student deposits | 363 | 216 |
| Others | 519 | 562 |
| | <hr/> | <hr/> |
| | 6,384 | 6,284 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

Our 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.

7. FINANCE COSTS

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--|------------------------------|-----------------------|
| Interest on bank borrowings | 4,091 | 4,133 |
| Amortised debt issuance costs | 45 | 45 |
| Revolving loan interest | 516 | 380 |
| Interest on finance leases | 6 | 2 |
| | <hr/> | <hr/> |
| | 4,658 | 4,560 |
| Less : interest capitalised on qualifying assets | (1,273) | (1,205) |
| | <hr/> | <hr/> |
| | 3,385 | 3,355 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. PROFIT BEFORE TAX

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

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--|------------------------------|--------------------------|
| Auditor's remuneration | 263 | 417 |
| Depreciation | 3,113 | 2,318 |
| Staff costs (including directors' remuneration) | | |
| Wages, salaries and bonus | 12,630 | 9,751 |
| Short-term non-monetary benefits | 363 | 178 |
| Contributions to retirement benefit scheme | 1,216 | 1,048 |
| | <u>14,209</u> | <u>10,977</u> |
| Written off of accounts receivable | - | 20 |
| Minimum lease payments received under operating leases from leasing of properties less outgoings in the year | (29) | (21) |
| Minimum lease payments under operating leases recognised as expense in the year | 354 | 409 |
| Listing expenses (including professional fees and other expenses) | - | 7,399 |
| | <u><u> </u></u> | <u><u> </u></u> |

9. INCOME TAX

Malaysian profits tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the year ended 30 June 2019 and 2018.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the year ended 30 June 2019 and 2018. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|---|------------------------------|-----------------------|
| Current Tax – Malaysian profits tax : | | |
| - Charge for the year | 7 | 85 |
| - (Over)/under provision in prior years | (79) | 21 |
| | (72) | 106 |
| Deferred tax | (10) | 2 |
| | <u> </u> | <u> </u> |
| Income tax (credit)/expense | <u><u>(82)</u></u> | <u><u>108</u></u> |

10. EARNINGS PER SHARE

| | 2019 | 2018 |
|-------------------------------------|-------------|-------------|
| Basic and diluted (<i>RM sen</i>) | <u>0.28</u> | <u>0.24</u> |

Basic and diluted

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

Earnings

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Profit for the year attributable to the owners of the Company | <u>2,252</u> | <u>1,510</u> |

Number of shares

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares in issue during the year | <u>800,000,000</u> | <u>625,205,479</u> |

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 30 August 2017 and the capitalisation issue of 599,998,000 shares which took place on 19 April 2018.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares during the year ended 30 June 2019.

11. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 30 June 2019 and 2018.

12. ACCOUNTS RECEIVABLE

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|-------------------------------------|-----------------------|-----------------------|
| Accounts receivable | 781 | 39 |
| Less : provision for loss allowance | <u>-</u> | <u>-</u> |
| | <u>781</u> | <u>39</u> |

12. ACCOUNTS RECEIVABLE (continued)

Included in accounts receivable are trade debtors (net of impairment losses) with the following aging analysis, based on the invoice date, as at 30 June 2019 and 30 June 2018 :

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|----------------|------------------------------|-----------------------|
| Within 1 month | 326 | 6 |
| 1 to 2 months | 346 | 7 |
| 2 to 3 months | 68 | 17 |
| Over 3 months | 41 | 9 |
| | <u>781</u> | <u>39</u> |

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|-------------------|------------------------------|-----------------------|
| Prepayments | 2,887 | 1,582 |
| Deposits | 125 | 154 |
| Other receivables | 108 | 33 |
| | <u>3,120</u> | <u>1,769</u> |

14. ACCOUNTS PAYABLE

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|------------------|------------------------------|-----------------------|
| Accounts payable | <u>1,615</u> | <u>664</u> |

The aging analysis of accounts payable, based on the receipt of goods, is as follows:

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|----------------|------------------------------|-----------------------|
| Within 1 month | 1,330 | 106 |
| 1 to 2 months | 212 | 539 |
| 2 to 3 months | - | 13 |
| Over 3 months | 73 | 6 |
| | <u>1,615</u> | <u>664</u> |

15. OTHER PAYABLES AND ACCRUALS

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--------------------------------|------------------------------|-----------------------|
| Accruals | 1,147 | 1,064 |
| Deposit refundable to students | 4,082 | 3,519 |
| Other payables | 984 | 1,100 |
| | <u>6,213</u> | <u>5,683</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the year ended 30 June 2019, 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

The education outlook in Malaysia is very positive as in the Malaysian Government Budget announcement, it was revealed that the Education Ministry received the lion's share with an allocation of RM60.2 billion, emphasizing the critical importance of education in Malaysia moving forward. As an education hub, Malaysia is a popular destination for local and international students because of the quality of academic programmes provided by higher education institutions in the country which are accredited by the Malaysian Qualifications Agency ("MQA"). MQA accreditation is widely accepted in Asia, New Zealand, Japan, Australia, United Kingdom and Europe.

Our Group's profitability in the education business for the immediate future is promising as our Group recorded an increase in profit for the year ended 30 June 2019 as compared to the corresponding period in 2018. Together with the recently completed facilities in the Kingsley International School ("KIS") KIS Annex Building which consist of dormitory rooms, multi-purpose rooms (which consist of workshops, computer laboratory, AV room, lecture hall, multi-purpose hall, etc.) and facilities (which include the olympic-sized swimming pool, gymnasium and gymnastic training facilities) which will be fully operational in September 2019, our Group believes that Kingsley will move up to the next level of providing high quality education with high quality facilities, uniquely located on a hill overlooking a residential area in the capital city center with a 27 acres green belt at the foot of the hill complete with outdoors facilities and with two light rail transit stations nearby.

The consolidation of our education business is now possible with the completion of the new facilities. Turning Kingsley Hills into an educational hub. From here new revenue streams is currently being developed some of which is already coming to initial fruition. These new development include the following but not limited to:

PROSPECTS AND STRATEGIES (continued)

i. Kingsley Residential Hall

With room available for more than 600 beds, Kingsley Residential Hall affords opportunity for multiple development of our Group education business. Firstly it serves as the dormitory rooms for KIS current overseas and out of state students. This also allows KIS to aggressively recruit foreign students as previously this was not possible as our Group could not house them in our own facilities. Our Group are very optimistic that the percentage of foreign students will indeed increase in the coming year and for future intakes. Secondly, the rooms also serve for our Group to participate in student mobility programmes and student exchange programmes. These programmes will enhance the reputation and visibility of KIS in other parts of the world especially the People Republic of China (“**PRC**”) where our Group listing in the Stock Exchange affords us close tie to. Thirdly, the use of the rooms also allows KIS to conduct international sporting activities which will again enhanced the reputation and branding of Kingsley in Asia.

ii. Kingsley Multipurpose Hall, Swimming pool and Gymnastic facilities

The specially constructed hall equipped with specialize laminated floor allows Kingsley to conduct international sporting event. The very first of which was the International Kukkiwon Taekwando Event which was very successfully conducted. The hall also boast a capacity for 6 badminton courts and a state of the art basketball venue. Together with the olympic sized swimming pool and gymnastic facilities this allows KIS to conduct new extra-curricular activities which generate new streams of revenue.

iii. Place for Special Needs Children

One of the floor of KIS Annex building has also been developed in partnership with a group of specialist to handle kids with special needs. This is in line with KIS motto of We Care at Kingsley. The partnership generate another new stream of revenue in the form of profit sharing.

iv. Kingsley Language House

Another floor is also allocated for the Language House which is critical when we intake more foreign students as well as allowing current students to learn important foreign languages such as Mandarin, French and Spanish. Kingsley Language house will serve not just KIS students but also all who seek language training as well as other entity from the tertiary education sector. This will form another business which can be developed into several revenue streams.

v. Kingsley College

Kingsley College has also been relocated from its previous location in shop lots to the state of the art KIS Annex Building. Class rooms are allocated on one of the floors in the building and facilities will be shared with KIS. This will ensure that all facilities will be fully utilise as it is used by several entity rather than a single one. In partnership with the Malaysian Government Education Sector, Kingsley will work in partnership with state owned University as a Learning Center of the University. This will allow Kingsley College in partnership with the University to conduct accredited Degree, Masters and PhD. This opens up massive opportunities in PRC as all Malaysian state owned University is recognize by the PRC Education Ministry. The business opportunity is already evident in the recently signed agreement with Weifang Institute of Technology (“WIT”), China where WIT will initially send their staff to read PhD in Kingsley College. This will later include Masters programmes for graduates of WIT under-graduate programmes. WIT is only but one such university to sign with Kingsley College. A number more are in the pipe line which will quickly occupy classroom spaces and dormitory spaces in the new building.

Our Group also continues to look for suitable investment opportunities both locally and in overseas markets with smart partnerships as evidenced in its recent voluntary announcement made on 5th December 2018 on the memorandum of understanding (the “MOU”) in relation to the possible acquisition of a target company in Hong Kong who is in the education business and on 5th March 2019 on another MOU for possible acquisition of another target company also in Hong Kong. Both MOU have not materialised yet into final acquisition due to non synergy of education direction. However our Group will continue to explore other businesses as part of its efforts to diversify and broaden its revenue base over the longer term. The pursuit of smart partnership with other higher education institution in Malaysia who are recognized by the Ministry of education in China so that our Group tertiary institution can conduct programmes that will attract students from the PRC have now come to fruition.

FINANCIAL REVIEW

Revenue

Revenue of our Group for the year ended 30 June 2019 was approximately RM31.0 million, representing an increase of approximately 3.3% from approximately RM30.0 million for the year ended 30 June 2018. Our revenue generated from tuition fee collected from our students and from ancillary services provided to our students of our (i) international school, (ii) tertiary education and other. Such increase was predominantly contributed by our international school segment.

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|----------------------|------------------------------|-----------------------|
| International school | 28,824 | 29,865 |
| Tertiary education | 127 | 142 |
| Other | 2,047 | - |
| | <u>30,998</u> | <u>30,007</u> |

FINANCIAL REVIEW (continued)

Revenue (continued)

| | Year ended 30 June | | | |
|--------------------|--------------------|---------------------|---------------|---------------------|
| | 2019 | | 2018 | |
| | <i>RM'000</i> | <i>% of revenue</i> | <i>RM'000</i> | <i>% of revenue</i> |
| Tuition fee | 18,642 | 60.1% | 21,201 | 70.7% |
| Ancillary services | 10,309 | 33.3% | 8,806 | 29.3% |
| Others | 2,047 | 6.6% | - | - |
| Total | <u>30,998</u> | <u>100.0%</u> | <u>30,007</u> | <u>100.0%</u> |

Our Group's revenue from tuition fee represented approximately 60.1% of its total revenue for the year ended 30 June 2019 as compared to that of approximately 70.7% for the year ended 30 June 2018. The decrease in revenue from tuition fee was mainly attributable to the new introduction of discount scheme for the year ended 30 June 2019 in response to competition presented by newly formed international schools in Malaysia despite student number increase.

Tuition fee is initially accounted as contract liabilities and only recognised as revenue progressively when the education services are provided during the academic term, and that the period from July to August is the summer holiday period, during which no education service is provided and accordingly no revenue from tuition fee is recognised during that period. This is consistent with previous reporting year.

Our Group's revenue from ancillary services represented approximately 33.3% of its total revenue for the year ended 30 June 2019 as compared to that of approximately 29.3% for the year ended 30 June 2018. The increase in revenue from ancillary services was mainly attributable to the increase in student enrolment at KIS.

Revenue from others represented revenue generated from event business.

Cost of revenue and gross profit margin

The majority of our 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 16.6% from approximately RM14.5 million for the year ended 30 June 2018 to approximately RM16.9 million for the year ended 30 June 2019 which was mainly due to increase in teaching staff costs in preparation for the anticipated increment in student number for the new academic year, as well as increase in subject options and co-curricular activities.

As a result of the foregoing, our Group's gross profit decreased from approximately RM15.5 million for the year ended 30 June 2018 to approximately RM14.1 million for the year ended 30 June 2019. Our Group's gross profit margin decrease from approximately 51.7% for the year ended 30 June 2018 to approximately 45.5% for the year ended 30 June 2019.

Other revenue and gains

Our Group's other revenue and gains remain consistent from approximately RM6.3 million for the year ended 30 June 2018 to approximately RM6.4 million for the year ended 30 June 2019.

Selling and distribution expenses

Our Group's selling and distribution expenses increased from approximately RM0.4 million for the year ended 30 June 2018 to approximately RM0.8 million for the year ended 30 June 2019. The increase was attributable to additional advertising in response to competition presented by newly formed international schools in Malaysia.

Administrative expenses

Administrative expenses of our Group had been decreased from approximately RM16.8 million for the year ended 30 June 2018 to approximately RM14.3 million for the year ended 30 June 2019. The decrease was mainly due to non-recurring listing expenses recognised during the year ended 30 June 2018 partially offset by the increase in other administrative expenses during the year ended 30 June 2019.

Finance costs

Our Group's finance costs remain consistent at approximately RM3.4 million for both year ended 30 June 2018 and 30 June 2019.

Income tax (credit)/expense

Our Group recorded income tax benefit at approximately RM0.1 million for the year ended 30 June 2019 and income tax expenses at approximately RM0.1 million for the year ended 30 June 2018.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased from approximately RM1.5 million for the year ended 30 June 2018 to approximately RM2.3 million for the year ended 30 June 2019. The increase was mainly contributed by the decrease in 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 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our Group has funded the liquidity for the year ended 30 June 2019 and capital requirements primarily through internally generated fund from operating activities and proceeds from the Listing.

As at 30 June 2019, our Group has total cash and bank balances of approximately RM6.3 million compared to approximately RM35.2 million as at 30 June 2018. The decrease was mainly due to the utilisation of net proceeds received from the Listing to pay construction cost, renovation and purchase of facilities for Annex Building. The borrowings of our Group as at 30 June 2019 was approximately RM66.1 million as compared to approximately RM87.5 million as at 30 June 2018, representing a decrease of approximately RM21.4 million. This decrease was due to loan repayments during the year.

The gearing ratio of our Group as at 30 June 2019 was approximately 87.1% as compared to approximately 128.3% as at 30 June 2018. As a result of the increased equity following the Listing, our Group's gearing ratio had decreased.

TREASURY POLICIES

Our 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 our Group's policy not to enter into any derivative transactions for speculative purposes.

CAPITAL COMMITMENTS

Our Group's 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 2019 and 30 June 2018.

| | 2019 <i>RM'000</i> | 2018 <i>RM'000</i> |
|--|------------------------------|-----------------------|
| Commitments for the acquisition of property, plant and equipment | <u>1,564</u> | <u>10,649</u> |

CONTINGENT LIABILITIES

Our Group had no material contingent liabilities as at 30 June 2019 (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

The functional currencies of our operations, assets and liabilities are mostly denominated in RM. Therefore, our Group is not exposed to any significant foreign exchange risk, except for its HKD denominated bank balances. Our 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 2019.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, our Group had a work force of 194 employees as compared with 173 employees as at 30 June 2018. Total staff costs for the year ended 30 June 2018 and 30 June 2019 were approximately RM11.0 million and RM14.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of 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 2019 nor material acquisitions and disposals of subsidiaries during the year ended 30 June 2019. There is no plan for material investment or capital assets as at 30 June 2019.

EVENTS AFTER THE FINANCIAL YEAR ENDED 30 JUNE 2019

The Board is not aware of any significant event subsequent to 30 June 2019 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 2019, the net proceeds had yet to be utilised as follows:

| | Amount of net proceeds allocated upon listing (RM million) | Amount utilised up to 30 June 2019 (RM million) | Balance as at 30 June 2019 (RM million) |
|--|---|--|--|
| Use of net proceeds | | | |
| Settlement of fees for constructing the KIS Annex Building | 12.0 | (12.0) | - |
| Renovation of the KIS Annex Building | 15.0 | (12.8) | 2.2 |
| Purchase of facilities for KIS Annex Building | 4.4 | (1.4) | 3.0 |
| Total | 31.4 | (26.2) | 5.2 |

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of their securities 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**").

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.

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 2019, which will be dispatched to the shareholders in due course

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 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 forthcoming annual general meeting of the Company (the “AGM”), the register of members of the Company will be closed from Friday, 15 November 2019 to Thursday, 21 November 2019, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 14 November 2019.

AGM

The AGM will be held on Thursday, 21 November 2019. A notice of convening the AGM will be issued and sent to the shareholders in due course.

SCOPE OF WORK OF THE GROUP’S AUDITOR

The figures in respect of our Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by our Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in our Group’s audited consolidated financial statements for the year ended 30 June 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements 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 ZHONGHUI ANDA CPA Limited on the preliminary 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.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS (continued)

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.

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 2019. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2019 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 2019 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, 21 August 2019

As at the date of this announcement, the executive Directors are Tan Sri Dato' Sri Goh Ming Choon, Dato' Danny Goh Meng Keong, and 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 will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.kingsley.edu.my.