

## China Distance Education Holdings Limited Reports Financial Results for Third Quarter Fiscal Year 2018

- *Third Quarter 2018 Net Revenue Up 33.8% Year-Over-Year to \$47.4 Million, Exceeding High-End of Guidance Range -*
- *Third Quarter 2018 Net Income Up 75.3% Year-Over-Year to \$5.1 Million -*
- *Third Quarter 2018 Cash Receipts from Online Course Registration Up 51.6% Year - Over-Year to \$38.5 Million -*

**BEIJING** —August 15, 2018— China Distance Education Holdings Limited (NYSE: DL) (“CDEL”, or the “Company”), a leading provider of online education and value-added services for professionals and corporate clients in China, today announced unaudited financial results for the third quarter of fiscal year 2018 ended June 30, 2018.

### Third Quarter Fiscal 2018 Financial and Operational Highlights

- Net revenue increased by 33.8% to \$47.4 million from \$35.4 million in the prior year period.
- Total course enrollments were 568,800, a decrease of 13.7% from the third quarter of fiscal 2017.
- Cash receipts from online course registration were \$38.5 million, a 51.6% increase from the third quarter of fiscal 2017.
- Gross profit increased by 19.0% to \$22.8 million from \$19.2 million in the prior year period.
- Non-GAAP<sup>1</sup> gross profit increased by 19.0% to \$22.9 million from \$19.2 million in the prior year period.
- Gross margin was 48.2%, compared with 54.1% in the prior year period. Non-GAAP<sup>1</sup> gross margin was 48.2%, compared with 54.3% in the prior year period.
- Operating income decreased by 66.5% to \$1.6 million from \$4.7 million in the prior year period.
- Non-GAAP<sup>1</sup> operating income decreased by 57.5% to \$2.2 million from \$5.2 million in the prior year period.
- Net income increased by 75.3% to \$5.1 million from \$2.9 million in the prior year period.
- Non-GAAP<sup>1</sup> net income increased by 68.8% to \$5.8 million from \$3.4 million in the prior year period.
- Basic and diluted net income per American Depositary Share (“ADS”) were \$0.154 compared with basic and diluted net income per ADS of \$0.089, for the third quarter of fiscal 2017. Each ADS represents four ordinary shares.

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<sup>1</sup> For more information about the non-GAAP financial measures contained in this press release, please see “Use of Non-GAAP Financial Measures” below.

- Basic and diluted non-GAAP<sup>1</sup> net income per ADS were \$0.174 and \$0.173, respectively, compared with basic and diluted non-GAAP<sup>1</sup> net income per ADS of \$0.104 and \$0.103, respectively, for the third quarter of fiscal 2017.
- Cash flow from operations increased by 59.6% to \$12.4 million from \$7.8 million in the third quarter of fiscal 2017.

Mr. Zhengdong Zhu, Chairman and CEO of CDEL, said, “We delivered strong results in our third quarter, highlighted by a 33.8% year-over-year increase in net revenue which exceeded the high end of our guidance range. The top-line outperformance in the third quarter relative to our guidance was driven primarily by our market-leading accounting vertical, which has produced strong revenue growth since the beginning of fiscal year 2018 through the third fiscal quarter. In addition, we are pleased to report that our cash receipts from online course registration were up 51.6% year-over-year in our third fiscal quarter, primarily due to strong cash receipts from our core accounting test preparation courses, and more student enrollments in our longer duration premium and elite classes. Our total course enrollments were down 13.7% year-over-year in the third quarter, primarily attributable to a decrease in enrollments of our continuing education courses. However, our accounting test preparation course enrollments grew 9.9% year-over-year.”

Mr. Zhu concluded, “As we look ahead, in addition to driving growth in our three established industry verticals – accounting, healthcare, and engineering and construction, our previously announced acquisition of Beijing Ruida, a leading provider of exam preparation services for participants in China’s national judicial examination, further diversifies our business model and squarely positions us in a fourth important vertical – legal. Our investment in Beijing Ruida is well aligned with our strategy of expanding into select educational disciplines, with the goal of further enhancing our life-long learning ecosystem and our future growth opportunities.”

Mr. Mark Marostica, Co-Chief Financial Officer of CDEL, said, “Strong revenue growth combined with effective cost control drove a return to profitability in our third fiscal quarter as anticipated. However, the increase in fair value of contingent consideration with respect to our 40% equity interest investment in Beijing Ruida, resulting from the outperformance of Beijing Ruida in 2017, adversely impacted our operating income in the third fiscal quarter. Excluding such change in fair value impact, our adjusted operating income and adjusted net income in the third fiscal quarter were \$6.0 million and \$8.5 million, representing 27.9% and 191.6% year-over-year growth, respectively. We will continue to balance our efforts to drive growth with a keen focus on profitability and prudent cost control.”

### **CEO Share Purchase Plan**

As previously announced on June 25, 2018 by the Company, Mr. Zhengdong Zhu, Chairman and CEO of CDEL, had informed the Company of his intention to use his personal funds to purchase the Company’s shares for an amount up to a maximum of \$25 million within one year. As of July 31, 2018, Mr. Zhu had bought a total of approximately \$450,000 of the Company’s ADSs on the open market pursuant to a 10b5-1 plan in accordance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

## Third Quarter Fiscal 2018 Financial Results

*Net Revenue.* Total net revenue increased by 33.8% to \$47.4 million in the third quarter of fiscal 2018 from \$35.4 million in the third quarter of fiscal 2017. Net revenue from online education services, books and reference materials, and other sources contributed 73.1%, 11.2% and 15.7%, respectively, of total net revenues for the third quarter of fiscal 2018.

*Online education services.* Net revenue from online education services increased by 30.9% to \$34.7 million in the third quarter of fiscal 2018 from \$26.5 million in the third quarter of fiscal 2017, mainly due to strong revenue growth from the core test preparation courses and practical skills training courses of our accounting vertical.

*Books and reference materials.* Net revenue from books and reference materials increased by 34.0% to \$5.3 million in the third quarter of fiscal 2018, from \$4.0 million in the third quarter of fiscal 2017.

*Others.* Net revenue from other sources increased by 49.1% to \$7.4 million in the third quarter of fiscal 2018 from \$5.0 million in the third quarter of fiscal 2017, primarily due to revenue growth from offline accounting professional training courses, the sale of learning simulation software, as well as revenue from accounting and related advisory services contributed by Jiangsu Zhengbao Asset Financial Advisory Co., Ltd.. The increase in revenue from other sources was partially offset by a decrease in revenue from business start-up training services.

*Cost of Sales.* Cost of sales increased by 51.3% to \$24.6 million in the third quarter of fiscal 2018 from \$16.3 million in the third quarter of fiscal 2017. Non-GAAP<sup>1</sup> cost of sales increased by 51.4% to \$24.5 million in the third quarter of fiscal 2018 from \$16.2 million in the third quarter of fiscal 2017. The increase was mainly due to increased salaries and related expenses resulting from a higher number of personnel for the expansion of online and offline course offerings, increased lecture fees, increased cost of books and reference materials, increased rental and related expenses, as well as other miscellaneous expenses.

*Gross Profit and Gross Margin.* Gross profit was \$22.8 million in the third quarter of fiscal 2018, up 19.0% from \$19.2 million in the prior year period. Non-GAAP<sup>1</sup> gross profit was \$22.9 million, increasing by 19.0% from \$19.2 million in the prior year period. Gross margin was 48.2% in the third quarter of fiscal 2018, compared with 54.1% in the third quarter of fiscal 2017. Non-GAAP<sup>1</sup> gross margin was 48.2% in the third quarter of fiscal 2018, compared with 54.3% in the third quarter of fiscal 2017.

*Operating Expenses.* Total operating expenses increased by 20.7% to \$17.7 million in the third quarter of fiscal 2018, from \$14.6 million in the prior year period. Non-GAAP<sup>1</sup> total operating expenses increased by 20.3% to \$17.1 million in the third quarter of fiscal 2018, from \$14.2 million in the prior year period.

*Selling expenses.* Selling expenses increased by 24.8% to \$13.0 million in the third quarter of fiscal 2018 from \$10.4 million in the prior year period. Non-GAAP<sup>1</sup> selling expenses increased by 24.9% to \$12.9 million in the third quarter of fiscal 2018 from \$10.4 million in the prior year period. The increase was primarily driven by an increase in salaries and related expenses and higher commissions to our agents. The increase was partially offset by a decrease in advertising and promotional expenses.

*General and administrative expenses.* General and administrative expenses increased by 10.5% to \$4.7 million in the third quarter of fiscal 2018 from \$4.3 million in the prior year period. Non-GAAP<sup>1</sup> general and administrative expenses increased by 8.0% to \$4.1 million in the third quarter of fiscal 2018 from \$3.8 million in the prior year period. The increase was mainly due to increased salaries and related expenses.

*Change in fair value of contingent consideration payable.* Change in fair value of contingent consideration payable of \$4.4 million was attributable to the increase in fair value of contingent consideration with respect to our 40% equity interest investment in Beijing Ruida, resulting from the outperformance of Beijing Ruida in 2017.

*Income Tax Expense.* Income tax expense increased by 80.3% to \$1.3 million in the third quarter of fiscal 2018 from \$0.7 million in the prior year period, primarily due to an increase in taxable income.

*Net Income.* As a result of the foregoing, net income was \$5.1 million in the third quarter of fiscal 2018 compared with \$2.9 million in the prior year period. Non-GAAP<sup>1</sup> net income was \$5.8 million in the third quarter of fiscal 2018 compared with \$3.4 million in the prior year period.

*Operating Cash Flow.* Net operating cash inflow increased by 59.6% to \$12.4 million in the third quarter of fiscal 2018 from \$7.8 million in the prior year period. The operating cash inflow was mainly attributable to net income before non-cash items generated in the third quarter of fiscal 2018. The decrease in accounts receivable and the increase in accrued expenses and other liabilities, income tax payable and refundable fees also contributed to the operating cash inflow. The operating cash inflow was partially offset by the increase in inventories and deferred cost, and the decrease in deferred revenue.

*Cash and Cash Equivalents, Restricted Cash and Short-term Investments.* Cash and cash equivalents, restricted cash and short-term investments as of June 30, 2018 decreased by 2.2% to \$91.5 million from \$93.5 million as of March 31, 2018, mainly due to (i) the payment of investments of \$0.7 million, (ii) the capital expenditure of \$4.5 million, and (iii) the exchange rate effect of depreciation of Renminbi against U.S. dollar on our funds denominated in Renminbi. The decrease was partially offset by the operating cash inflow generated in the third quarter of fiscal 2018.

## **First Nine Months of Fiscal 2018 Financial Results**

*Net Revenue.* Total net revenue increased by 26.6% to \$113.0 million in the first nine months of fiscal 2018 from \$89.3 million in the first nine months of fiscal 2017. Net revenue from online education services, books and reference materials, and other sources contributed 71.2%, 8.0% and 20.8%, respectively, of total net revenues for the first nine months of fiscal 2018.

*Online education services.* Net revenue from online education services increased by 26.8% to \$80.5 million in the first nine months of fiscal 2018 from \$63.5 million in the first nine months of fiscal 2017.

*Books and reference materials.* Net revenue from books and reference materials increased by 32.0% to \$9.1 million in the first nine months of fiscal 2018, from \$6.9 million in the first nine months of fiscal 2017.

*Others.* Net revenue from other sources increased by 23.9% to \$23.5 million in the first nine months of fiscal 2018 from \$18.9 million in the first nine months of fiscal 2017.

*Cost of Sales.* Cost of sales increased by 50.9% to \$61.6 million in the first nine months of fiscal 2018 from \$40.9 million in the first nine months of fiscal 2017. Non-GAAP<sup>1</sup> cost of sales increased by 51.0% to \$61.5 million in the first nine months of fiscal 2018 from \$40.7 million in the first nine months of fiscal 2017.

*Gross Profit and Gross Margin.* Gross profit was \$51.4 million in the first nine months of fiscal 2018, up 6.1% from \$48.4 million in the prior year period. Non-GAAP<sup>1</sup> gross profit was \$51.5 million, up 6.1% from \$48.5 million in the prior year period. Gross margin was 45.5% in the first nine months of fiscal 2018, compared with 54.2% in the first nine months of fiscal 2017. Non-GAAP<sup>1</sup> gross margin was 45.6% in the first nine months of fiscal 2018, compared with 54.4% in the first nine months of fiscal 2017.

*Operating Expenses.* Total operating expenses increased by 16.4% to \$45.9 million in the first nine months of fiscal 2018, from \$39.4 million in the prior year period. Non-GAAP<sup>1</sup> total operating expenses increased by 16.4% to \$44.3 million in the first nine months of fiscal 2018, from \$38.1 million in the prior year period.

*Selling expenses.* Selling expenses increased by 17.0% to \$30.4 million in the first nine months of fiscal 2018 from \$26.0 million in the prior year period. Non-GAAP<sup>1</sup> selling expenses increased by 17.1% to \$30.4 million in the first nine months of fiscal 2018 from \$25.9 million in the prior year period.

*General and administrative expenses.* General and administrative expenses increased by 15.1% to \$15.5 million in the first nine months of fiscal 2018 from \$13.4 million in the prior year period. Non-GAAP<sup>1</sup> general and administrative expenses increased by 14.9% to \$14.0 million in the first nine months of fiscal 2018 from \$12.2 million in the prior year period.

*Income Tax Expense.* Income tax expense decreased by 77.1% to \$0.6 million in the first nine months of fiscal 2018 from \$2.6 million in the prior year period.

*Net Income.* As a result of the foregoing, net income was \$2.0 million in the first nine months of fiscal 2018 compared with net income of \$9.1 million in the prior year period. Non-GAAP<sup>1</sup> net income was \$3.6 million in the first nine months of fiscal 2018 compared with net income of \$10.5 million in the prior year period.

*Operating Cash Flow.* Net operating cash inflow increased by 1.7% to \$35.1 million in the first nine months of fiscal 2018 from \$34.5 million in the prior year period.

## **Outlook**

For the fourth quarter of fiscal 2018, the Company expects to generate total net revenue in the range of \$54.2 million to \$56.3 million, representing year-over-year growth of approximately 30% to 35%.

For fiscal year 2018, the Company expects to generate total net revenues in the range of \$167.3 million to \$169.3 million, representing year-over-year growth of approximately 27.7% to 29.3%.

The above guidance reflects the Company's current and preliminary view, which is subject to change.

### **Conference Call**

Management will hold a conference call at 8:00 a.m. Eastern Time on Thursday, August 16, 2018 (8:00 p.m. Beijing Time on Thursday, August 16, 2018) to discuss financial results and answer questions from investors and analysts. Listeners may access the call by dialing:

US Toll Free: +1-866-519-4004  
International: +65-6713-5090  
Mainland China: 400-620-8038  
Hong Kong: +852-3018-6771  
United Kingdom: +44-203-6214-779  
Passcode: CDEL or DL

A telephone replay will be available two hours after the call until August 23, 2018 by dialing:

US Toll Free: +1-855-452-5696  
International: +61-2-8199-0299  
Mainland China: 400-632-2162  
Hong Kong: 800-963-117  
United Kingdom: 0808-234-0072  
Replay Passcode: 1466569

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

### **About China Distance Education Holdings Limited**

China Distance Education Holdings Limited is a leading provider of online education and value-added services for professionals and corporate clients in China. The courses offered by the Company through its websites are designed to help professionals seeking to obtain and maintain professional licenses and to enhance their job skills through our professional development courses in China in the areas of accounting, healthcare, engineering & construction and other industries. The Company also offers professional education courses for participants in the national judicial examination, online test preparation courses for self-taught learners pursuing higher education diplomas or degrees, test preparation courses for university students intending to take the nationwide graduate school entrance exam, practical accounting training courses for college students and working professionals, as well as online language courses and third-party developed online courses. In addition, the Company provides business services to corporate clients, including but not limited to tax advisory and accounting outsourcing services. For further information, please visit <http://ir.cdeledu.com>.

## **Safe Harbor Statement**

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “may,” “should,” “potential,” “continue,” “expect,” “predict,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the fourth quarter and full fiscal year 2018 and quotations from management in this announcement, as well as the Company’s strategic and operational plans (in particular, the anticipated benefits of strategic growth initiatives, including the acquisition of Beijing Ruida, the promotion of the Company’s lifelong learning ecosystem, as well as cost control) contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic and annual reports to the SEC, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: our goals and growth strategies; future prospects and market acceptance of our courses and other products and services; our future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; our plans to expand and enhance our courses and other products and services; competition in the education and test preparation markets; and Chinese laws, regulations and policies, including those applicable to the Internet, Internet content providers, the education and telecommunications industries, mergers and acquisitions, taxation and foreign exchange.

Further information regarding these and other risks is included in the Company’s annual report on Form 20-F and other documents filed or furnished with the SEC. All information provided in this press release is as of the date of this press release. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

## **Statement Regarding Unaudited Financial Information**

The unaudited financial information set forth in this press release is preliminary and subject to adjustments. Adjustments to the financial statements may be identified when audit work is performed for the year-end audit, which could result in significant differences from this preliminary unaudited financial information.

## **Use of Non-GAAP Financial Measures**

To supplement the Company’s consolidated financial results presented in accordance with U.S. generally accepted accounting principles, or GAAP, the Company uses the following measures defined as non-GAAP financial measures: non-GAAP net income, operating income, gross profit, cost of sales, selling expenses, general and administrative expenses, net income margin, operating margin, gross profit margin and basic and diluted earnings per ADS and per share. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and

presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table captioned “Reconciliations of non-GAAP measures to comparable GAAP measures” set forth at the end of this release.

The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based compensation expenses. However, non-GAAP financial measures may not be indicative of the Company’s operating performance from a cash perspective. The Company believes that both management and investors benefit from these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to the Company’s historical performance and liquidity. The Company computes its non-GAAP financial measures using the same consistent method from quarter to quarter. The Company believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of excluding share-based compensation expenses from the above-mentioned line items and presenting these non-GAAP measures is that such items may continue to be for the foreseeable future a significant recurring expense in our business. Management compensates for this limitation by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying table at the end of this release provides more detail on the reconciliations between GAAP financial measures that are most directly comparable to non-GAAP financial measures.

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**(Financial Tables on Following Pages)**

**China Distance Education Holdings Limited**  
**Consolidated Balance Sheets**  
(in thousands of US Dollars, except number of shares and per share data)

	<i>September 30, 2017</i> <i>(Derived from Audited)</i>	<i>June 30, 2018</i> <i>(Unaudited)</i>
<b>Assets:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	60,526	37,048
Restricted cash	34,855	53,152
Short term investments	5,261	1,285
Accounts receivable, net of allowance for doubtful accounts of US\$1,271 and US\$1,191 as of June 30, 2018 and September 30, 2017, respectively	5,525	5,171
Inventories	864	3,928
Prepayment and other current assets	10,439	16,771
Deferred tax assets, current portion	1,654	-
Deferred cost	711	1,710
<b>Total current assets</b>	<u>119,835</u>	<u>119,065</u>
<i>Non-current assets:</i>		
Property, plant and equipment, net	14,022	16,657
Goodwill	29,459	33,158
Long term investments	43,631	67,305
Other intangible assets, net	9,947	9,704
Deposit for purchase of non-current assets	641	12,888
Deferred tax assets, non-current portion	-	4,999
Other non-current assets	7,016	5,752
<b>Total non-current assets</b>	<u>104,716</u>	<u>150,463</u>
<b>Total assets</b>	<u>224,551</u>	<u>269,528</u>
<b>Liabilities and equity:</b>		
<i>Current liabilities:</i>		
Bank borrowings	29,965	50,536
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the consolidated VIE without recourse to China Distance Education Holdings Limited of US\$38,945 and US\$31,684 as of June 30, 2018 and September 30, 2017, respectively)	38,767	44,033
Amount due to a related party	1,648	-
Income tax payable (including income tax payable of the consolidated VIE without recourse to China Distance Education Holdings Limited of US\$4,010 and US\$3,641 as of June 30, 2018 and September 30, 2017, respectively)	6,750	6,385
Deferred revenue (including deferred revenue of the consolidated VIE without recourse to China Distance Education Holdings Limited of US\$82,852 and US\$49,575 as of June 30, 2018 and September 30, 2017, respectively)	50,506	83,991
Refundable fees (including refundable fees of the consolidated VIE without recourse to China Distance Education Holdings Limited of US\$3,270 and US\$1,074 as of June 30, 2018 and September 30, 2017, respectively)	1,074	3,270
<b>Total current liabilities</b>	<u>128,710</u>	<u>188,215</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities, non-current portion	3,099	4,952
Long-term bank borrowing	19,930	12,936
<b>Total non-current liabilities</b>	<u>23,029</u>	<u>17,888</u>
<b>Total liabilities</b>	<u>151,739</u>	<u>206,103</u>
<b>Equity:</b>		
Ordinary shares (par value of US\$0.0001 per share at June 30, 2018 and September 30, 2017, respectively; Authorized –500,000,000 shares at June 30, 2018 and September 30, 2017, respectively; Issued and outstanding –133,275,521 and 131,854,773 shares at June 30, 2018 and September 30, 2017, respectively)	13	13
Additional paid-in capital	19,097	20,766
Accumulated other comprehensive loss	(3,367)	(2,767)

Retained Earnings	33,040	20,051
<b>Total China Distance Education Holdings Limited shareholder's equity</b>	<b>48,783</b>	<b>38,063</b>
Noncontrolling interest	24,029	25,362
<b>Total equity</b>	<b>72,812</b>	<b>63,425</b>
<b>Total liabilities and equity</b>	<b>224,551</b>	<b>269,528</b>

<b>China Distance Education Holdings Limited</b>		
<b>Unaudited Consolidated Statements Of Operations</b>		
<b>(in thousands of US dollars, except number of shares, per share and per ADS data)</b>		
	<i>Three Months Ended June 30,</i>	
	<i>2017</i>	<i>2018</i>
<b>Sales, net of business tax, value-added tax and related surcharges:</b>		
Online education services	26,482	34,658
Books and reference materials	3,970	5,321
Others	4,987	7,437
- Sale of learning simulation software	1,224	1,703
- Business start-up training services	1,372	809
- Others	2,391	4,925
<b>Total net revenues</b>	35,439	47,416
<b>Cost of sales</b>		
Cost of services and others	(12,965)	(20,250)
Cost of tangible goods sold	(3,285)	(4,333)
<b>Total cost of sales</b>	(16,250)	(24,583)
<b>Gross profit</b>	19,189	22,833
<b>Operating expenses</b>		
Selling expenses	(10,388)	(12,967)
General and administrative expenses	(4,252)	(4,698)
<b>Total operating expenses</b>	(14,640)	(17,665)
Change in fair value of contingent consideration payable	-	(4,420)
Other operating income	135	823
<b>Operating income</b>	4,684	1,571
Interest income	431	682
Interest expense	(165)	(906)
Exchange gain/(loss)	(1,213)	4,511
<b>Income before income taxes</b>	3,737	5,858
Income tax expense	(747)	(1,347)
Loss from equity method investment	(40)	(107)
<b>Net income</b>	2,950	4,404
<b>Net (income) loss attributable to noncontrolling interest</b>	(23)	727
<b>Net income attributable to China Distance Education Holdings Limited</b>	2,927	5,131
<b>Net income per share:</b>		
<b>Net income attributable to China Distance Education Holdings Limited shareholders</b>		
Basic	0.022	0.039
Diluted	0.022	0.038
<b>Net income per ADS:</b>		
<b>Net income attributable to China Distance Education Holdings Limited shareholders</b>		
Basic	0.089	0.154
Diluted	0.089	0.154
<b>Weighted average shares used in calculating net income per share:</b>		
Basic	131,458,587	132,522,733
Diluted	131,801,187	133,392,776

<b>China Distance Education Holdings Limited</b>		
<b>Unaudited Consolidated Statements Of Operations</b>		
<b>(in thousands of US dollars, except number of shares, per share and per ADS data)</b>		
	<i>Nine Months Ended June 30,</i>	
	<i>2017</i>	<i>2018</i>
<b>Sales, net of business tax, value-added tax and related surcharges:</b>		
Online education services	63,457	80,487
Books and reference materials	6,887	9,088
Others	18,936	23,467
- Sale of learning simulation software	8,592	8,602
- Business start-up training services	4,121	2,858
- Others	6,223	12,007
<b>Total net revenues</b>	89,280	113,042
<b>Cost of sales</b>		
Cost of services and others	(36,027)	(54,138)
Cost of tangible goods sold	(4,830)	(7,505)
<b>Total cost of sales</b>	(40,857)	(61,643)
<b>Gross profit</b>	48,423	51,399
<b>Operating expenses</b>		
Selling expenses	(26,004)	(30,430)
General and administrative expenses	(13,431)	(15,459)
<b>Total operating expenses</b>	(39,435)	(45,889)
Change in fair value of contingent consideration payable	-	(3,867)
Other operating income	1,585	2,125
<b>Operating income</b>	10,573	3,768
Interest income	1,156	1,805
Interest expense	(434)	(2,522)
Exchange gain/(loss)	1,556	(496)
<b>Income before income taxes</b>	12,851	2,555
Income tax expense	(2,569)	(588)
Loss from equity method investment	(118)	(151)
<b>Net income</b>	10,164	1,816
<b>Net (income) loss attributable to noncontrolling interest</b>	(1,095)	144
<b>Net income attributable to China Distance Education Holdings Limited</b>	9,069	1,960
<b>Net income per share:</b>		
<b>Net income attributable to China Distance Education Holdings Limited shareholders</b>		
Basic	0.069	0.015
Diluted	0.068	0.015
<b>Net income per ADS:</b>		
<b>Net income attributable to China Distance Education Holdings Limited shareholders</b>		
Basic	0.275	0.059
Diluted	0.273	0.059
<b>Weighted average shares used in calculating net income per share:</b>		
Basic	131,403,456	132,197,650
Diluted	132,853,269	133,006,241

**China Distance Education Holdings Limited**  
**Reconciliations of non-GAAP measures to comparable GAAP measures**  
(In thousands of US Dollars, except number of shares, per share and per ADS data)

	<i>Three Months Ended June 30,</i>	
	<i>2017</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of sales	16,250	24,583
Share-based compensation expense in cost of sales	40	45
Non-GAAP cost of sales	16,210	24,538
Selling expenses	10,388	12,967
Share-based compensation expense in selling expenses	21	20
Non-GAAP selling expenses	10,367	12,947
General and administrative expenses	4,252	4,698
Share-based compensation expense in general and administrative expenses	422	559
Non-GAAP general and administrative expenses	3,830	4,139
Gross profit	19,189	22,833
Share-based compensation expenses	40	45
Non-GAAP gross profit	19,229	22,878
Gross profit margin	54.1%	48.2%
Non-GAAP gross profit margin	54.3%	48.2%
Operating income	4,684	1,571
Share-based compensation expenses	483	624
Non-GAAP operating income	5,167	2,195
Operating margin	13.2%	3.3%
Non-GAAP operating margin	14.6%	4.6%
Net income	2,927	5,131
Share-based compensation expense	483	624
Non-GAAP net income	3,410	5,755
Net income margin	8.3%	10.8%
Non-GAAP net income margin	9.6%	12.1%
Net income per share—basic	0.022	0.039
Net income per share—diluted	0.022	0.038
Non-GAAP net income per share—basic	0.026	0.043
Non-GAAP net income per share—diluted	0.026	0.043
Net income per ADS attributable to China Distance Education Holdings Limited shareholders—basic (note 1)	0.089	0.154
Net income per ADS attributable to China Distance Education Holdings Limited shareholders—diluted (note 1)	0.089	0.154
Non-GAAP net income per ADS attributable to China Distance Education Holdings Limited shareholders—basic (note 1)	0.104	0.174
Non-GAAP net income per ADS attributable to China Distance Education Holdings Limited shareholders—diluted (note 1)	0.103	0.173
Weighted average shares used in calculating basic net income per share	131,458,587	132,522,733
Weighted average shares used in calculating diluted net income per share	131,801,187	133,392,776
Weighted average shares used in calculating basic non-GAAP net income per share	131,458,587	132,522,733
Weighted average shares used in calculating diluted non-GAAP net income per share	131,801,187	133,392,776

Note 1: Each ADS represents four ordinary shares.

**China Distance Education Holdings Limited**  
**Reconciliations of non-GAAP measures to comparable GAAP measures**  
(In thousands of US Dollars, except number of shares, per share and per ADS data)

	<i>Nine Months Ended June 30,</i>	
	<i>2017</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of sales	40,857	61,643
Share-based compensation expense in cost of sales	121	116
Non-GAAP cost of sales	40,736	61,527
Selling expenses	26,004	30,430
Share-based compensation expense in selling expenses	63	60
Non-GAAP selling expenses	25,941	30,370
General and administrative expenses	13,431	15,459
Share-based compensation expense in general and administrative expenses	1,281	1,505
Non-GAAP general and administrative expenses	12,150	13,954
Gross profit	48,423	51,399
Share-based compensation expenses	121	116
Non-GAAP gross profit	48,544	51,515
Gross profit margin	54.2%	45.5%
Non-GAAP gross profit margin	54.4%	45.6%
Operating income	10,573	3,768
Share-based compensation expenses	1,465	1,681
Non-GAAP operating income	12,038	5,449
Operating margin	11.8%	3.3%
Non-GAAP operating margin	13.5%	4.8%
Net income	9,069	1,960
Share-based compensation expense	1,465	1,681
Non-GAAP net income	10,534	3,641
Net income margin	10.2%	1.7%
Non-GAAP net income margin	11.8%	3.2%
Net income per share—basic	0.069	0.015
Net income per share—diluted	0.068	0.015
Non-GAAP net income per share—basic	0.080	0.028
Non-GAAP net income per share—diluted	0.079	0.027
Net income per ADS attributable to China Distance Education Holdings Limited shareholders—basic (note 1)	0.275	0.059
Net income per ADS attributable to China Distance Education Holdings Limited shareholders—diluted (note 1)	0.273	0.059
Non-GAAP net income per ADS attributable to China Distance Education Holdings Limited shareholders—basic (note 1)	0.321	0.110
Non-GAAP net income per ADS attributable to China Distance Education Holdings Limited shareholders—diluted (note 1)	0.317	0.109
Weighted average shares used in calculating basic net income per share	131,403,456	132,197,650
Weighted average shares used in calculating diluted net income per share	132,853,269	133,006,241
Weighted average shares used in calculating basic non-GAAP net income per share	131,403,456	132,197,650
Weighted average shares used in calculating diluted non-GAAP net income per share	132,853,269	133,006,241

Note 1: Each ADS represents four ordinary shares