Wisdom Education International Holdings Company Limited
睿見教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code : 6068

2020 INTERIM REPORT

以誠心服務社會

以愛心培育人才

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Li Suwen *(Chairperson of the Board)*
Mr. Liu Xuebin
Mr. Li Jiuchang
Mr. Wang Yongchun

Independent Non-executive Directors

Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo

AUDIT COMMITTEE

Mr. Tam King Ching Kenny *(Chairman)*
Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Huang Weiguo

REMUNERATION COMMITTEE

Prof. Sun Kai Lit Cliff *BBS, J.P.* *(Chairman)*
Mr. Liu Xuebin
Mr. Huang Weiguo

NOMINATION COMMITTEE

Mr. Huang Weiguo *(Chairman)*
Mr. Tam King Ching Kenny
Ms. Li Suwen

COMPANY SECRETARY

Ms. Leung Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. Liu Xuebin
Ms. Leung Suet Lun

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong law
Allen & Overy

As to PRC law
Commerce & Finance Law Offices

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Dongguan Rural Commercial Bank Co., Ltd.
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Hong Kong Branch
CMB Wing Lung Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 68 Guangming Da Dao
Dongcheng District
Dongguan
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3302, 33/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

6068

COMPANY WEBSITE

www.wisdomeducationintl.com

INVESTOR RELATIONS

Mr. Derek Lau
Email: ir@wisdomeducationintl.com

Operational and Financial Highlights

Operational Information	Six months ended 29 February 2020 (unaudited)	28 February 2019 (unaudited)	Change	Percentage Change
Total number of students enrolled	**60,116**	54,420	+5,696	+10.5%
Total student capacity	**70,000**	63,000	+7,000	+11.1%
Overall school utilization	**85.9%**	86.4%	−0.5pp	−0.58%
Total number of teachers	**3,818**	3,410	+408	+12.0%

Selected Financial Information RMB'000 (unless otherwise stated)	Six months ended 29 February 2020 (unaudited)	28 February 2019 (unaudited)	Change	Percentage Change
Revenue	**932,172**	835,553	+96,619	+11.6%
Gross profit	**435,625**	378,747	+56,878	+15.0%
Gross profit margin	**46.7%**	45.3%	+1.4pp	+3.1%
Core net profit (Note 1)	**288,267**	216,434	+71,833	+33.2%
Interim dividend per share (HK$)	**0.062**	0.049	+0.013	+26.5%

Note 1: Core net profit is defined as the profit for the period of the Group after adjusting for those items which are not indicative of the Group's operating performance. This is not an International Financial Reporting Standard ("IFRS") measure. For details, please refer to the following reconciliation and the section headed "Financial Review" in this report.

	Six months ended 29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Profit for the period	**258,411**	189,462
Adjustments for:		
Exchange gain	**(1,618)**	(650)
(Gain)/Loss on change in fair value of convertible loan notes	**(1,037)**	376
Share-based payments	**3,567**	5,504
Amortisation of intangible assets arising from the acquisition of schools	**8,374**	11,042
Adjusted interest expenses on convertible loan notes based on actual coupon rate (Note 2)	**12,916**	10,700
Additional expenses arising from the adoption of IFRS 16 (Note 3)	**7,654**	—
	288,267	216,434

Note 2: The adjustment represented the difference of (a) the actual interest payable by the Group for the HK$500 million convertible loan notes with coupon rate of 6.8% of approximately RMB15.5 million, and (b) the interest charged to "Finance costs" in profit or loss of approximately RMB28.5 million based on the theoretical effective interest rate of 12.2% by using effective interest method.

Note 3: The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16, and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

Selected Financial Information RMB'000 (unless otherwise stated)	As at 29 February 2020 (unaudited)	As at 31 August 2019 (audited)	Change	Percentage Change
Bank balances and cash (including pledged bank deposits)	**604,576**	1,161,412	−556,836	−47.9%
Bank borrowings	**2,129,850**	2,169,430	−39,580	−1.8%
Net gearing ratio (Note 1)	**83.2%**	66.2%		
Adjusted net gearing ratio (Note 2)	**69.2%**	51.0%		

Note 1: Net gearing ratio is calculated as total of bank borrowings and other borrowings less pledged bank deposits, bank balances and cash divided by total equity at the end of the relevant year/period end.

Note 2: Adjusted net gearing ratio is calculated as the net gearing ratio (as calculated in note 1 above) with financial assets at fair value through profit or loss treated as cash and cash equivalents.

Selected Financial Information RMB'000 (unless otherwise stated)	Six months ended 29 February 2020 (unaudited)	Six months ended 28 February 2019 (unaudited)	Change	Percentage Change
Net cash from operating activities	**250,208**	175,794	+74,414	+42.3%
Capital expenditure for property, plant and equipment	**487,796**	458,206	+29,590	+6.5%

Corporate Profile

Overview

Established in 2003, we are one of the largest private education groups in South China operating premium primary and secondary schools as measured by student enrolment. We target students primarily from the middle class or above families in China.

Our Schools and Educational Curriculum

Our primary and middle schools provide PRC curriculum education to students from grade 1 to 6 and students from grade 7 to 9 respectively. Our high schools mainly provide PRC curriculum education to students from grade 10 to 12.

We also offer international programme to certain students who aim to pursue higher education overseas. For instance, the international programme of Dongguan Guangzheng Preparatory School was authorized by the London Examination Board, offering courses designed to prepare high school students for the examinations required for obtaining the International General Certificate of Secondary Education ("**IGCSE**") and the United Kingdom General Certificate of Education Advanced Level ("**A Level**") qualification.

Our Educational Philosophy

Our educational objectives are "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會，以愛心培育人才). To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture worthy and capable, sincere and upright graduates (賢良方正，立德樹人).

Our School Characteristics

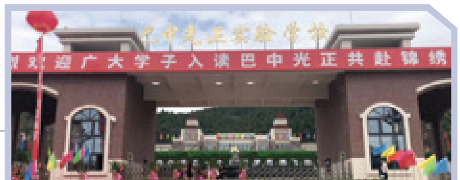
Our schools are boarding schools with on-campus student dormitories. To promote the all-rounded quality development of our students, we offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture. Our students have made significant achievements in areas such as basketball, track and field, martial arts, music, dance and Chinese calligraphy. For instance, our Dongguan Guangming Secondary School's high school male basketball team has won various municipal and provincial championships and was the second runner-up in the national high school basketball competition for the 2018/2019 school year.

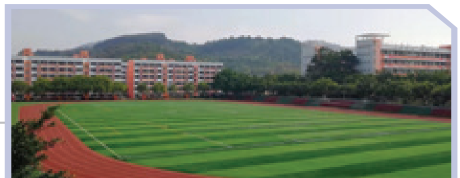
Our School Network in the PRC as at the date of this report

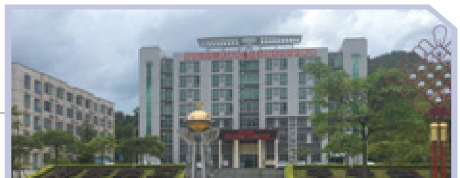

Panjin Guangzheng Preparatory School


Weifang Guangzheng Preparatory School

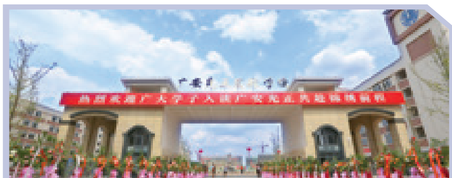

Weifang Weizhou Foreign Language School

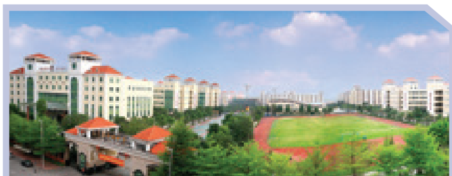

Bazhong Guangzheng Preparatory School


Zhang Pu Longcheng Schools


Jieyang Jiedong Guangzheng Preparatory School


Huizhou Guangzheng Preparatory School


Guang'an Guangzheng Preparatory School


Dongguan Guangming Secondary and Primary Schools


Dongguan Guangzheng Preparatory School


Shunde Guangzheng Preparatory School


Yunfu Guangming Foreign Language School

Management Discussion and Analysis

Business Review

In September 2019, the Group commenced operations of the first phase of 3 new schools, namely Bazhong Guangzheng Preparatory School ("**Bazhong Guangzheng School**") in Sichuan, Yunfu Guangming Foreign Language School ("**Yunfu Guangming School**") and Shunde Guangzheng Preparatory School ("**Shunde Guangzheng School**") in Guangdong. For the six months ended 29 February 2020, we had a total of 60,116 students enrolled in 14 boarding schools with an aggregate student capacity of 70,000 in the following campuses:

	Campus	Province	Curriculum
1.	Dongguan Guangming School together with Dongguan Guangming Primary School ("**Dongguan Guangming Secondary and Primary Schools**")	Guangdong	Chinese curriculum for grade 1 to 12
2.	Dongguan Guangzheng Preparatory School	Guangdong	Chinese curriculum for grade 1 to 12; International programmes
3.	Huizhou Guangzheng Preparatory School	Guangdong	Chinese curriculum for grade 1 to 12; International programmes
4.	Panjin Guangzheng Preparatory School	Liaoning	Chinese curriculum for grade 1 to 12
5.	Weifang Guangzheng Preparatory School	Shandong	Chinese curriculum for grade 1 to 12
6.	Jieyang Jiedong Guangzheng Preparatory School (formerly known as Huanan Shida Yuedong Preparatory School) ("**Jieyang School**")	Guangdong	Chinese curriculum for grade 1 to 12
7.	Weifang Weizhou Foreign Language School ("**Weifang Weizhou School**")	Shandong	Chinese curriculum for grade 1 to 6
8.	Guang'an Guangzheng Preparatory School	Sichuan	Chinese curriculum for grade 1 to 12
9.	Zhang Pu Longcheng School and Zhang Pu Longcheng Primary School ("**Zhang Pu Longcheng Schools**")	Fujian	Chinese curriculum for grade 1 to 12
10.	Bazhong Guangzheng School	Sichuan	Chinese curriculum for grade 1 to 12
11.	Yunfu Guangming School	Guangdong	Chinese curriculum for grade 1 to 12
12.	Shunde Guangzheng School	Guangdong	Chinese curriculum for grade 1 to 12

Recognition of High-Quality Education

In March 2020, we received a letter of commendation from the Admission Office of Peking University where Dongguan Guangming Secondary School is recognised as a reputable secondary school with an advanced education philosophy and an excellent track record in producing a batch of outstanding high school graduates to Peking University since the school's establishment. In April 2020, we also received another letter of commendation from the Guangdong Admission Team of Tsinghua University for the outstanding performance of some of our high school graduates admitted to Tsinghua University. Both Peking University and Tsinghua University wish to have further collaboration with Dongguan Guangming Secondary School with an aim to nurturing high-quality talents jointly.

Computerized Random Allocation for Compulsory Education Admission

In 2019, the central government of China issued certain opinions on the improvement of overall quality of compulsory education in China. Some of the requirements mentioned in these opinions put emphasis on fair education. For instance, private schools offering compulsory education are required to recruit students at the same time as public schools. If the number of student applications of any private school exceeds the number of its school places that can be offered, its student admission will be based on computerized random allocation. The main purpose of these measures is to avoid any competition for recruiting elite students by both public and private schools.

In early 2020, government authorities in certain provinces including Guangdong further rolled out guidelines for student recruitment at compulsory education. Particularly, admissions for grade 1 and grade 7 students of private schools shall be 100% based on computerized random allocation if the number of student applications is excess of the number of their school places available. However, for private schools which have both primary and middle schools, their middle schools shall first admit their own primary school graduates who have voluntarily applied for their middle schools through direct admission or computerized random allocation. The remaining school places for grade 7 students shall then be opened for application and computerized random allocation.

The Group believes that the adoption of computerized random allocation for student admission to compulsory education in China will not have material adverse impact on our student recruitment and quality as we rely on our outstanding teaching quality and system to gain our reputation and word-of-mouth instead of recruiting elite students. Our schools have an excellent track record in uplifting our student performance from average to great results and from great to outstanding results.

The Epidemic in Mainland China

Since the outbreak of the Epidemic in January 2020, the PRC government has implemented various measures including, among others, city lockdown, travel restriction, quarantine and school suspension in an attempt to contain the spread of the Epidemic across China. All walks of life have been affected as a result of these measures. In order to support the work of certain hospitals for the prevention and control of epidemic, the Group has donated RMB2 million to a charitable organization in Dongguan, in which our headquarters is located. In any circumstances, it is our first priority to ensure the safety of and health protection for our students and staff.

In accordance with the relevant notices issued by the provincial education authorities in China, all our schools were required to postpone the commencement of the second semester for the 2019/2020 school year which was originally scheduled for mid-February 2020. However, the Group received the majority of tuition and boarding fees for the second semester of the 2019/2020 school year before the Chinese New Year holidays in 2020. To cater for our students' continuous studies during class suspension as promoted by various provincial government authorities, the Group has managed to deliver its teaching services by using online platforms where our teachers could provide live teaching and tutoring to our students at home.

Up to the date of this report, the provincial government authorities in Guangdong, Sichuan, Fujian, Shandong and Liaoning, the provinces in which we operate our schools, have announced their class resumption plans. The common requirement in these class resumption plans is that students shall return to schools by batches at different dates and time intervals in April and May 2020, except for certain students whose class resumption date will be determined based on the situation of the Epidemic in the relevant provinces. In this regard, the Group has made the necessary arrangements for our class resumption.

In late March 2020, the Ministry of Education of China announced the postponement of the national college entrance examination ("**Gaokao**") by one month to 7 July and 8 July 2020. Subject to the consent of the Ministry of Education of China, Hubei province and Beijing may arrange their local schedule for the Gaokao according to their situation of the Epidemic. In early April 2020, the government authority of Guangdong announced the postponement of the senior high school entrance examination ("**Zhongkao**"). For those Guangdong cities which adopt the provincial examination papers, the Zhongkao will be postponed by one month to 20 July to 22 July 2020, whereas, for other cities in Guangdong which adopt the local examination papers, the examination date will be determined based on the situation of the relevant cities. The Group will provide all necessary services to our students from grade 12 and grade 9 to ensure their smooth attendance in these examinations.

Construction works for certain of our new school projects and existing schools' capacity expansion have been interrupted amid the Epidemic. We have been striving to catch up the construction progress since the gradual resumption of work in China.

Based on the current information available to the Group, there was no material adverse impact on the financial position of the Group from the outbreak of the Epidemic in January 2020 and up to the date of this report. The Group will closely monitor its exposure to the risks and uncertainties in connection with the Epidemic and will take necessary actions to mitigate the risks, if any. In the event that there is any material adverse impact on the operation and financial position of the Group caused by the spread of the Epidemic in China subsequent to the date of this report, the Company will publish further announcements as and when appropriate.

Total Revenue

	For the six months ended			
	29 February 2020 RMB'000	**% of Total**	28 February 2019 RMB'000	% of Total
Total Revenue by Service				
Tuition and boarding fees	**670,852**	**72.0**	579,037	69.3
Ancillary services	**261,320**	**28.0**	256,516	30.7
Total revenue	**932,172**	**100**	835,553	100

Tuition and boarding fees

Our school year normally runs from 1 September to 31 August (including a summer vacation) and each school year is divided into two school terms. Our tuition and boarding fees are generally paid in advance prior to the commencement of each school term, and we initially record such payments as contract liabilities as at 29 February 2020. We then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school year.

Compared with that for the six months ended 28 February 2019, tuition and boarding fees for the six months ended 29 February 2020 increased by 15.9% primarily due to the increase in overall student enrolment.

Ancillary services

Our students normally live in our dormitories from Monday to Friday during school terms. In order to enhance the quality of students' lives in our schools, we provide our students with ancillary services, including various on-campus services and daily necessities for students.

Compared with that for the six months ended 28 February 2019, revenue from ancillary services for the six months ended 29 February 2020 increased slightly by 1.9%. The growth in ancillary services was lower than our expectation, primarily due to the reason that certain ancillary services have been suspended since the outbreak of the Epidemic.

Student Enrolment

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective six-month period and no average student enrolment is presented accordingly. The following tables set forth the student enrolment for the six months ended 29 February 2020 and 28 February 2019:

Student Enrolment by School	For the six months ended 29 February 2020	28 February 2019	Change	Percentage Change
Dongguan Guangming Secondary and Primary Schools	**17,623**	17,358	**+265**	**+1.5%**
Dongguan Guangzheng Preparatory School	**14,773**	12,645	**+2,128**	**+16.8%**
Huizhou Guangzheng Preparatory School	**9,694**	8,413	**+1,281**	**+15.2%**
Panjin Guangzheng Preparatory School	**4,070**	3,119	**+951**	**+30.5%**
Weifang Guangzheng Preparatory School	**2,522**	2,133	**+389**	**+18.2%**
Jieyang School(Note 1)	**4,769**	5,375	**−606**	**−11.3%**
Weifang Weizhou School	**2,195**	2,318	**−123**	**−5.3%**
Guang'an Guangzheng Preparatory School	**598**	159	**+439**	**+276.1%**
Sub-total	**56,244**	51,520	**+4,724**	**+9.2%**
Addition of schools during the period				
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018 after acquisition	**2,894**	2,900	**−6**	**−0.2%**
Bazhong Guangzheng School — New school opened in September 2019	**488**	N/A	**+488**	**N/A**
Yunfu Guangming School — New school opened in September 2019	**445**	N/A	**+445**	**N/A**
Shunde Guangzheng School — New school opened in September 2019(Note 2)	**45**	N/A	**+45**	**N/A**
Sub-total	**3,872**	2,900	**+972**	**+33.5%**
Total number of students	**60,116**	54,420	**+5,696**	**+10.5%**

Total student number increased by 10.5%, primarily due to the increase in student enrolment in Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

For the six months ended 28 February 2019, the student enrolment of Zhang Pu Longcheng Schools was consolidated to the Group's student enrolment with effect from November 2018. Accordingly, the normalised annual growth rate of the total student enrolment for the six months ended 29 February 2020 would have been adjusted to approximately 12.4%.

Notes:

1. The 65% interest in Jieyang School was effectively consolidated to the Group in the 2017/2018 school year after acquisition by the Group. The decrease in student enrolment in Jieyang School was mainly due to the repositioning of Jieyang School in the 2019/2020 school year in which tuition and boarding fees of newly recruited students of primary and secondary school sections have been increased by approximately 29% to 32% and the school name has been changed from Huanan Shida Yuedong Preparatory School to Jieyang Jiedong Guangzheng Preparatory School.

2. As certain facilities of the first phase of development of Shunde Guangzheng School has not been ready for use in the 2019/2020 school year, we only recruited a small number of students for trial run. These students are currently using facilities of other school campuses of the Group.

Student Enrolment by Section	**For the six months ended 29 February 2020**	**% of Total**	For the six months ended 28 February 2019	% of Total
High school	**13,534**	**22.5**	11,555	21.3
Middle school	**25,376**	**42.2**	23,680	43.5
Primary school	**20,875**	**34.7**	18,943	34.8
International programmes	**331**	**0.6**	242	0.4
Total number of students	**60,116**	**100**	54,420	100

Compared with that for the six months ended 28 February 2019, the percentages of student enrolment at middle school and high school sections for the six months ended 29 February 2020 increased, primarily due to the increase in new students from middle school and high school sections of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

Average Tuition and Boarding Fees Per Student

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective six-month period by the number of student enrolment at the beginning of the respective school year. As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective six-month period and no average student enrolment for the respective six-month period is presented for the calculation of the average tuition and boarding fees per student.

Average Tuition and Boarding Fees per student by School	For the six months ended 29 February 2020 RMB	28 February 2019 RMB	Percentage Change
Dongguan Guangming Secondary and Primary Schools	**13,518**	13,398	**+0.9%**
Dongguan Guangzheng Preparatory School	**13,551**	12,952	**+4.6%**
Huizhou Guangzheng Preparatory School	**10,219**	9,878	**+3.5%**
Panjin Guangzheng Preparatory School	**8,930**	8,960	**−0.3%***
Weifang Guangzheng Preparatory School	**7,737**	8,004	**−3.3%***
Jieyang School	**6,445**	5,779	**+11.5%**
Weifang Weizhou School	**4,985**	5,260	**−5.2%***
Guang'an Guangzheng Preparatory School	**7,271**	7,333	**−0.8%***
Before addition of schools	**11,368**	11,042	**+3.0%**
Addition of schools during the period			
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018 after acquisition	**6,578**	3,503#	**+87.8#**
Bazhong Guangzheng School — New school opened in September 2019	**9,092**	N/A	**N/A**
Yunfu Guangming School — New school opened in September 2019	**15,924**	N/A	**N/A**
Shunde Guangzheng School — New school opened in September 2019	**20,822**	N/A	**N/A**
Overall	**11,159**	10,640	**+4.9%**

* The decreases in the average tuition and boarding fees per student of these schools for the six months ended 29 February 2020 were primarily attributable to the increase in the proportion of their day school students whose average tuition and boarding fees are generally lower than those of boarding school students.

The financial statements of Zhang Pu Longcheng Schools have been consolidated in the Group's financial statements with effect from November 2018 after the completion of the acquisition. Accordingly, only tuition and boarding fees of Zhang Pu Longcheng Schools for the period from November 2018 to February 2019 were consolidated in the Group's total tuition and boarding fees, whereas the student enrolment of Zhang Pu Longcheng Schools has been fully consolidated in the Group's total student enrolment. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 assuming that there was no material change in student enrolment during the same period, the normalised average tuition and boarding fees per student of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 would have been adjusted to approximately RMB6,005 and the increase in their average tuition and boarding fees per student for the six months ended 29 February 2020 would have been adjusted to approximately 9.5%.

For the six months ended 29 February 2020, the Group's average tuition and boarding fees per student before taking into the effect of addition of new schools increased by 3.0% to RMB11,368, primarily due to the increase in tuition and boarding fees for the new students from the high school section of Dongguan Guangzheng Preparatory School and the new students from Jieyang School.

The Group's overall average tuition and boarding fees per student for the six months ended 29 February 2020 increased by 4.9% to RMB11,159, primarily due to the reason that the average tuition and boarding fees per students of each of the new schools opened in September 2019 were generally higher than the average of those of Zhang Pu Longcheng Schools. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools for the six months ended 28 February 2019 assuming that there was no material change in student enrolment during the same period, the normalized overall average tuition and boarding fees of the Group for the six months ended 28 February 2019 would have been adjusted to approximately RMB10,773 and the increase in overall average tuition and boarding fees per student of the Group for the six months ended 29 February 2020 would have been adjusted to approximately 3.5%.

School Capacity and Utilization

As all of our schools are boarding schools and the majority of our students live in our schools, the capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal statistical records. The utilization rate is calculated by dividing the number of students enrolled by the student capacity for the respective six-month period. The following tables set forth the capacity for students and utilization of our schools for the six months ended 29 February 2020 and 28 February 2019:

	Six months ended			
Student Capacity and Utilization by School	**29 February 2020 Student Capacity**	**Utilization**	28 February 2019 Student Capacity	Utilization
Dongguan Guangming Secondary and Primary Schools	**18,300**	**96.3%**	18,300	94.9%
Dongguan Guangzheng Preparatory School	**17,000**	**86.9%**	15,000	84.3%
Huizhou Guangzheng Preparatory School	**10,500**	**92.3%**	8,500	99.0%
Panjin Guangzheng Preparatory School	**4,000**	**101.8%***	4,000	78.0%
Weifang Guangzheng Preparatory School	**4,000**	**63.1%**	4,000	53.3%
Jieyang School	**7,000**	**68.1%**	7,000	76.8%
Weifang Weizhou School	**2,200**	**99.8%**	2,200	105.4%*
Guang'an Guangzheng Preparatory School	**1,000**	**59.8%**	1,000	15.9%
Sub-total	**64,000**	**87.9%**	60,000	85.9%
Addition of schools				
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018 after acquisition	**3,000**	**96.5%**	3,000	96.7%
Bazhong Guangzheng School — New school opened in September 2019	**1,500**	**32.5%**	N/A	N/A
Yunfu Guangming School — New school opened in September 2019	**1,500**	**29.7%**	N/A	N/A
Shunde Guangzheng School — New school opened in September 2019	**—#**	**N/A#**	N/A	N/A
Sub-total	**6,000**	**64.5%**	3,000	96.7%
Overall	**70,000**	**85.9%**	63,000	86.4%

* The utilization rates of these schools exceeded 100% as some of their students were day school students.

The first phase of development of Shunde Guangzheng School has not been ready for use in the 2019/2020 school year and students from this school are currently using facilities of other school campuses of the Group.

Total student capacity increased from 63,000 for the six months ended 28 February 2019 to 70,000 for the six months ended 29 February 2020 due to the expansion of capacity of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng School, and the opening of new schools, namely Bazhong Guangzheng School, Yunfu Guangming School and Shunde Guangzheng School, with effect from September 2019.

For details of the Group's expansion plan, please refer to the section headed "Outlook" in this report.

Teachers

For the six months ended 29 February 2020, over 90% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from approximately 3,410 for the six months ended 28 February 2019 to approximately 3,818 for the six months ended 29 February 2020 primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory school, and for the new schools opened in September 2019, namely Bazhong Guangzheng schools, Yunfu Guangming School and Shunde Guangzheng School. The overall student-teacher ratio remained relatively stable.

Teacher turnover rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low-cost accommodation on campus or close to our schools. We also provide a good career development path for outstanding teachers. For the six months ended 29 February 2020, the turnover rate of our teachers, including our termination, was approximately 8%.

Financial Review

For the six months ended 29 February 2020, total revenue increased by 11.6% to RMB932.2 million and core net profit increased by 33.2% to RMB288.3 million respectively, as compared with that of the corresponding period in 2019.

Revenue

For the components of our revenue, please refer to the section headed "Business Review" in "Management Discussion and Analysis" above.

The Group's total revenue increased by RMB96.6 million, or 11.6%, from RMB835.6 million for the six months ended 28 February 2019 to RMB932.2 million for the six months ended 29 February 2020. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB91.8 million and the increase in revenue from ancillary services by RMB4.8 million.

Revenue from tuition and boarding fees increased by 15.9% from RMB579.0 million for the six months ended 28 February 2019 to RMB670.8 million for the six months ended 29 February 2020, largely due to the increase in total student enrolment. Total student enrolment increased by 10.5% from 54,420 for the six months ended 28 February 2019 to 60,116 for the six months ended 29 February 2020, primarily due to the increase in student enrolment primarily in Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

Revenue from ancillary services increased slightly by 1.9% from RMB256.5 million for the six months ended 28 February 2019 to RMB261.3 million for the six months ended 29 February 2020, primarily due to the combined effect of the increase in student enrolment and the suspension of certain ancillary services since the outbreak of the Epidemic.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of provision of ancillary services, (iii) amortisation of intangible assets of student rosters arising from the acquisition of schools, (iv) depreciation and amortisation on property, plant and equipment and right-of-use assets used by our schools, (v) utilities and maintenance costs for our schools and (vi) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses.

Cost of revenue increased by RMB39.7 million, or 8.7%, from RMB456.8 million for the six months ended 28 February 2019 to RMB496.5 million for the six months ended 29 February 2020. The increase was largely due to the increases in teaching staff costs and depreciation and amortisation.

Staff costs increased mainly because the number of teachers increased from approximately 3,410 for the six months ended 28 February 2019 to approximately 3,818 for the six months ended 29 February 2020, primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory school, and for the new schools opened in September 2019, namely Bazhong Guangzheng school, Yunfu Guangming School and Shunde Guangzheng School.

The increase in depreciation and amortisation was primarily to (i) the expansion of capacity of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, (ii) the commencement of the first phase development of Bazhong Guangzheng School and Yunfu Guangming School, and (iii) additional depreciation charged for right-of-use assets recognized for all leases as a result of the adoption of IFRS16.

Gross Profit

As a result of the foregoing, gross profit increased by 15.0% from RMB378.7 million for the six months ended 28 February 2019 to RMB435.6 million for the six months ended 29 February 2020. Our gross profit margin increased from 45.3% for six months ended 28 February 2019 to 46.7% for the six months ended 29 February 2020, primarily due to efforts of cost control.

Other Income

Other income primarily consists of (i) rental income from investment properties, (ii) government grants, which primarily consist of discretionary and non-conditional subsidies we received from the PRC government authorities for opening new schools and organizing school activities and outstanding academic performance of our schools, and (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other income increased from RMB9.9 million for the six months ended 28 February 2019 to RMB50.3 million for the six months ended 29 February 2020, primarily due to the increase in government grants by RMB40.4 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gain on change in fair value of financial assets at FVTPL, which arose from the interest income from the investment products issued by financial institutions in the PRC, and (ii) unrealised exchange gains and losses resulting from the translation of bank deposits denominated in Hong Kong dollars (HK$).

Other gains and losses increased from RMB18.9 million for the six months ended 28 February 2019 to RMB39.8 million for the six months ended 29 February 2020, primarily due to the increase in gain on change in fair value of financial assets at FVTPL (being investment products held for cash management purpose) by RMB9.5 million and the increase in miscellaneous gains.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, (ii) salaries for our marketing staff, and (iii) other marketing expenses, which primarily comprise student recruitment costs, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools.

Selling expenses decreased by 19.3% from RMB25.0 million for the six months ended 28 February 2019 to RMB20.2 million for the six months ended 29 February 2020, primarily due to the decrease in student recruitment costs. Selling expenses as a percentage of revenue decreased from 3.0% for the six months ended 28 February 2019 to 2.2% for the six months ended 29 February 2020.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) tax expenses in relation to the corporate management and educational management consultancy services, intellectual property licensing services and technical and business support services provided by the Group's subsidiaries to consolidated affiliated entities, (iii) depreciation of office buildings and equipment and right-of-use assets, (iv) rental expenses, (v) travel expenses, (vi) entertainment expenses, and (vii) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses increased by 6.9% from RMB131.1 million for the six months ended 28 February 2019 to RMB140.1 million for the six months ended 29 February 2020, primarily due to the increase in staff costs. Administrative expenses as a percentage of revenue decreased from 15.7% for the six months ended 28 February 2019 to 15.0% for the six months ended 29 February 2020.

Finance Income

Finance income primarily consists of interest income from bank deposits.

Finance income decreased from RMB9.6 million for the six months ended 28 February 2019 to RMB7.4 million for the six months ended 29 February 2020 primarily due to the decrease in average bank balances and pledged bank deposits during the six months ended 29 February 2020.

Finance Costs

Finance costs consist of the interest expenses for our bank and other borrowings less interest capitalized in the cost of property, plant and equipment, and interest on lease liabilities.

Finance costs increased from RMB38.7 million for the six months ended 28 February 2019 to RMB52.1 million for the six months ended 29 February 2020, primarily due to the increase in average bank borrowings during the six months ended 29 February 2020 and additional interests on lease liabilities resulting from the adoption of IFRS 16.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB222.4 million for the six months ended 28 February 2019 to RMB320.6 million for the six months ended 29 February 2020. Profit before taxation as a percentage of revenue of the Group was 34.4% for the six months ended 29 February 2020 compared with 26.6% for the six months ended 28 February 2019.

Taxation

Income tax expense of the Group increased by 88.8% from RMB32.9 million for the six months ended 28 February 2019 to RMB62.2 million for the six months ended 29 February 2020. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same PRC EIT exemption as public schools since 1 September 2017. We have decided not to classify our high school sections as for-profit schools. The effective tax rate of the Group for the six months ended 29 February 2020 and the six months ended 28 February 2019 was 19.4% and 14.8%, respectively. The increase in both income tax and effective tax rate of the Group was primarily due to the increase in taxable income of the Group’s services companies which are generally subject to PRC EIT of 25%.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 36.4% from RMB189.5 million for the six months ended 28 February 2019 to RMB258.4 million for the six months ended 29 February 2020.

Core Net Profit

The Group defines its core net profit as its profit for the period after adjusting for those items which are not indicative of the Group's operating performances as presented in the table below. This is not an IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit for the period to core net profit for the two financial periods presented below:

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Profit for the period	**258,411**	189,462
Adjustments for:		
Exchange gain	**(1,618)**	(650)
(Gain)/loss on change in fair value of convertible loan notes	**(1,037)**	376
Share-based payments	**3,567**	5,504
Amortisation of intangible assets arising from the acquisition of schools	**8,374**	11,042
Adjusted interest expenses on convertible loan notes based on actual coupon rate(Note 1)	**12,916**	10,700
Additional expenses arising from the adoption of IFRS 16(Note 2)	**7,654**	—
Core net profit	**288,267**	216,434

Notes:

1. The adjustment represented the difference of (a) the actual interest payable by the Group for the HK$500 million convertible loan notes with coupon rate of 6.8% of approximately RMB15.5 million, and (b) the interest charged to "Finance costs" in profit or loss of approximately RMB28.5 million based on the theoretical effective interest rate of 12.2% by using effective interest method.

2. The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16, and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

Core net profit for the period increased by RMB71.8 million, or 33.2%, from RMB216.4 million for the six months ended 28 February 2019 to RMB288.3 million for the six months ended 29 February 2020. Core net profit margin increased from 25.9% for the six months ended 28 February 2019 to 30.9% for the six months ended 29 February 2020.

Capital Expenditure

During the six months ended 29 February 2020, the Group paid approximately RMB487.8 million for the acquisition of property, plant and equipment and paid approximately RMB114.4 million for the right-of-use assets for the Group's expansion.

Liquidity, Financial Resources and Capital Structure

The Group recorded an increase in net cash inflow from operating activities for the six months ended 29 February 2020 as compared to that for the six months ended 28 February 2019, primarily due to the increase in operating cash flows before movement in working capital.

During the six months ended 29 February 2020, the capital expenditures for the acquisition of property, plant and equipment and right-of-use assets were financed partly by cash flow from operating activities and partly by the release of pledged bank deposits.

The combined effect of the above resulted a net decrease in cash and cash equivalents of RMB197.5 million for the six months ended 29 February 2020 (for the six months ended 28 February 2019: RMB482.7 million).

As at 29 February 2020, the Group's total pledged bank deposits, bank balances and cash amounted to RMB604.6 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2019: RMB1,161.4 million).

As at 29 February 2020, the Group's total of bank and other borrowings amounted to RMB2,617.0 million comprising RMB727.3 million repayable within one year and RMB1,889.7 million repayable more than one year. Bank and other borrowings carried interest rates ranging from 4.4% to 7.3% per annum. All the bank borrowings were denominated in RMB and other borrowings were denominated in HK$. During the six months ended 29 February 2020, the Group raised certain borrowings from banks for the capital expenditures required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.

In order to have a better use of our unutilised financial resources, the Group has purchased certain investment products during the year ended 31 August 2019. The Group is allowed to early redeem these investment products and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. These investment products were classified as financial assets at "FVTPL" as at 29 February 2020.

Please refer to the note 13 to the condensed consolidated financial statements for details.

The Group recorded net current liabilities of RMB907.1 million as at 29 February 2020 (as at 31 August 2019: RMB884.5 million) primarily as a result of the recognition of tuition and boarding fees received in advance as contract liabilities which were included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year/period. The Group's net gearing ratio as at 29 February 2020 was 83.2% (as at 31 August 2019: 66.2%).

As explained in the sections headed "Liquidity, Financial Resources and Capital Structure" above, as at 29 February 2020, in order to have a better use of our unutilized financial resources, the Group held certain investment products which were classified as financial assets at FVTPL. The Group is allowed to redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these investment products of RMB337.0 million as at 29 February 2020 for short-term cash management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 29 February 2020 would have been reduced to 69.2% (as at 31 August 2019: 51.0%).

The increase in net gearing ratio was mainly due to the decrease in total bank balances and cash and pledged bank deposits as at 29 February 2020.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK$. As at 29 February 2020, certain bank balances and cash, pledged bank deposits and other borrowings were denominated in HK$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

On 19 March 2015, an individual, who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of one of our schools during its establishment for a total amount of RMB5,000,000 and the interests thereof. As at the date of this report, the outcome of such legal proceedings was yet to be finalized. In the opinion of the Directors, after consultation with our external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision has been made in the financial statements.

Pledge of Assets

As at 29 February 2020, the Group's bank borrowings were secured by the bank deposits and the rights to receive the tuition and boarding fees of certain schools of the Group.

Market Review

Market potentials for private primary and secondary schools in the Greater Bay Area

China has planned to promote in-depth integration of resources and coordinated economic development in the Greater Bay Area, which comprises nine cities in Guangdong province and the two special administrative regions of Hong Kong and Macao. The eleven cities, which include Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing, generated a combined USD1.66 trillion in gross domestic product ("**GDP**") and host a population of 72.5 million in 2019, accounting for around 12% and 5% of the national total respectively, according to the data of the National Bureau of Statistics.

The development of the Greater Bay Area is also marked with significantly increased transport connectivity, which would facilitate the flow of people and goods, and thus foster robust economic growth. As the Chinese government continues to develop the transport network, multiple infrastructure projects such as the Shenzhen-Zhongshan Bridge and Liantang/Heung Yuen Wai Boundary Control Point are scheduled to launch in the near future, following the openings of the Nansha Bridge in April in 2019 as well as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai- Macao Bridge in 2018. With the development of transport infrastructure in the Greater Bay Area, together with other favorable policies, we expect the number of children accompanying their parents who come to do business or work in the Greater Bay Area from other regions in China will increase, creating a promising environment for the growth of private primary and secondary education in Guangdong province.

In February 2019, the central government of China issued an Outline Development Plan for the Greater Bay Area, which has drawn a road map to further transform the Greater Bay Area into a world-class city cluster and an international hub for technology and innovation. Particularly, one of the objectives set out in Chapter 8 of the Outline Development Plan is to create an education and talent hub in the Greater Bay Area and there are several initiatives, among other things, for promoting fundamental education in the area.

Motivation of Local Governments to Support Private Education Development

The growing demand for education resources coupled with the heavy share of public education expenditure by Chinese local governments would probably add pressure to provincial and municipal coffers, providing great opportunities for the development of private education. National public spending on education has increased over the years, and reached RMB3.49 trillion in 2019, representing an 8.5% year-on-year growth, according to Chinese government statistics. Meanwhile, a large proportion of the education spending is borne by local governments, accounting for a major share of their expenditure. For example, in Guangdong province, education expenditure made up around 18% of the total government spending and was around 25% to its income in 2019. Serving an important function of bridging the shortage of public education resources, the private education sector is therefore expected to continue growing rapidly.

According to a commissioned report from Frost & Sullivan, the total number of private primary and secondary schools' students in China is expected to increase from 15.7 million in 2016 to 20.0 million in 2021, and the penetration rates of private primary, middle and secondary schools, in terms of student enrolment, are expected to increase from 7.6%, 12.3% and 11.8% in 2016, respectively, to 9.1%, 14.8% and 14.1% in 2021, respectively.

Outlook

Offline Plus Online Education

The unexpected outbreak of the Epidemic in China has urged school operators to find their ways out during class suspension, bringing potential opportunities for the development of online education business. As required by the government authorities, our teachers made use of online platforms to provide live teaching and tutoring to our students, ensuring students' continuous studies during class suspension. These online platforms have recording and replay functions to facilitate our students' revision. Our teachers could also arrange online exercises and tests for our students. Equipped with cloud computing technology and artificial intelligence, these online education platforms can help us track the attendance, learning progress and performance of our students. Our online teaching services provided during class suspension were well-received by many parents of our students. This demonstrates our capabilities of providing online education services to a large number of students.

However, the Group believes that online education is a complement, but not a substitute, to our primary and secondary schools where we put emphasis on all-round quality education and physical interactions among students and teachers. The Group also believes that a combination of offline and online education platforms may enhance our competitiveness in the future. Therefore, we have set up a subsidiary which will focus on internet plus education and education information technology and will explore potential online education businesses, such as the provision of online parent-child learning activities, extra-curricular activity classes and teacher training courses at weekends, in order to increase our revenue from ancillary services in medium and long terms.

Our Growth Strategies

Greater Bay Area Focus

Given the favorable environment of Guangdong in terms of GDP, population and the Outline Development Plan for the Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area. Apart from the existing schools in Dongguan, Huizhou and Foshan, we have entered into cooperation or framework agreements with the local governments of Jiangmen, Guangzhou and Zhaoqing, respectively, in respect of the proposed establishment of a private boarding school in each of these cities, making up to the potential coverage of six Guangdong cities in the Greater Bay Area in the future.

Notwithstanding that Guangdong is our preferred region for our expansion, we will also explore any attractive expansion opportunities outside Guangdong.

Two-pronged Expansion

I) Expanding Capacity of Our Schools

The estimated total capacity of the Group's existing schools for the 2019/2020 school year is approximately 70,000 students. The expansion of capacity of each of our schools is subject to evaluation and adjustment from time to time, depending on, among others, the respective school's actual student recruitment, utilization and the potential growth in student number.

Subject to certain government approvals, the estimated maximum capacity of the Group may be expanded to more than 140,000 students assuming all available land use rights of the existing schools for expansion and those of the greenfield schools under development are fully utilized.

The following table sets out the Group's current capacity by schools, its expected capacity for the 2020/2021 school year and its estimated maximum student capacity:

	2019/2020 school year student capacity	**2020/2021 school year estimated student capacity**	**Estimated maximum student capacity** (Notes)
Dongguan Guangming Secondary and Primary Schools	18,300	18,300	18,300
Dongguan Guangzheng Preparatory School	17,000	18,000	20,000(1)
Huizhou Guangzheng Preparatory School	10,500	12,000	12,000(1)
Panjin Guangzheng Preparatory School	4,000	4,000	6,200(2)
Weifang Guangzheng Preparatory School	4,000	4,000	8,000(2)
Jieyang School	7,000	7,000	18,000(3)
Weifang Weizhou School	2,200	2,200	2,200
Guang'an Guangzheng Preparatory School	1,000	2,500	9,280(2)
Zhang Pu Longcheng Schools	3,000	3,000	3,500
Bazhong Guangzheng School	1,500	3,000	10,000(2)
Yunfu Guangming School	1,500	3,000	10,680(2)
Shunde Guangzheng School	—(4)	3,000	9,210(4)
Sub-total	70,000	80,000	127,370
Greenfield Schools Under Development — Expected commencement in 2021/2022 school year			
A boarding school in Chaozhou	—	—	8,000(5)
A boarding school in Kaiping, Jiangmen	—	—	7,500(5)
Sub-total	—	—	15,500
Total	70,000	80,000	142,870

Notes:

(1) Subject to certain government approvals, we are in the process of applying for an increase in the maximum student capacity of each of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School from 18,000 to 20,000 and from 10,500 to 12,000, respectively.

(2) The estimated maximum capacity for each of Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Bazhong Preparatory School is based on the target total capacity for, among others, primary, middle and high school sections as set forth in the relevant cooperation agreement.

(3) The People's Government of Jiedong agreed to provide support to the Group in the provision of additional land for the expansion of Jieyang School in the future with a view to accommodate the maximum student capacity of 18,000.

(4) Though Shunde Guangzheng Preparatory School has commenced operation, certain facilities of the first of development have not been ready for use and its students are currently using the facilities of other school campuses of the Group. The estimated maximum capacity is based on the target total capacity for, among others, primary, middle and high school sections as approved by the local government.

(5) The estimated maximum capacity of the proposed greenfield schools in Chaozhou city and Kaiping, Jiangmen is based on the target total capacity for, among others, primary, middle and high school sections as set forth in the relevant cooperation agreements.

II) Open More New Schools

In order to sustain our future growth, apart from expanding the capacity of our existing schools, we will continue to open more new schools through potential operating asset-light schools of relatively small scale in Guangdong and building greenfield schools of relatively large scale on purchased lands with land use rights for educational purposes.

We expect more new school projects will be added in the pipeline and we will adjust our development plan from time to time according to the market conditions, local governments' needs and requirements.

a) Explore opportunities in operating asset-light schools in Guangdong province

Given the strong demand for quality private primary and secondary schools and the scarcity of lands for educational purpose in certain Guangdong cities, the Group is exploring the opportunities of renting or operating certain vacant properties which are suitable for transforming to school properties with a capacity of about 3,000 to 5,000 students if the local government authorities approve. The Group has identified certain properties in Dongguan and Foshan where the Group is in the process of negotiating with the property owners/tenants and the relevant government authorities on the relevant arrangements and the necessary approvals, respectively. As at the date of this report, the Group has not signed any formal or legally-binding agreement in respect of any business of operating asset-light schools.

b) Greenfield schools under development — Expected commencement of the first phase operation in the 2021/2022 school year

Pursuant to the cooperation agreements entered into between the Group and the local governments of Jiangmen and Chaozhou in Guangdong province respectively, each of the local governments has allocated a parcel of land to the Group for the proposed establishment of a boarding school comprising, among other things, primary, middle and high school sections, in each of the following cities:

City	**Approximate land area for educational purposes**	**Estimated maximum student capacity**
Chaozhou	200 mu (畝) or 133,000 square metres	8,000
Kaiping, Jiangmen	200 mu (畝) or 133,000 square metres	7,500

Each of these proposed boarding schools will be constructed by phases and the expected commencement date of the first phase operation is subject to certain conditions including the necessary government approvals.

c) Proposed greenfield schools under negotiation

The Group has signed framework agreements with the local governments of Guangzhou and Zhaoqing in Guangdong province respectively, in respect of the proposed cooperation of the development of a boarding school in each of these cities.

We are still in the process of negotiating with these local governments on the terms of proposed cooperation including the provision of a parcel of land in each of these cities to the Group for educational purposes and the expected maximum student capacity. As at the date of this report, we have not signed any formal or legally-binding agreement in relation to the proposed cooperation.

Our Aim to Become a Comprehensive Education Group in the Medium and Long Term

Apart from the expansion of our primary and secondary school business and the provision for online educational services to our students, the Group aims to diversify its education business and become a comprehensive education group in the medium and long term. Leveraging our track record and brand recognition, we will consider the opportunities of providing management services to certain third-party schools including, but not limited to, primary and secondary schools. As it is expected that there will be a great demand for talents with high-end professional skills in the development of the Greater Bay Area, the Group will also explore the possibilities of entering private higher education business.

Future Capital Expenditure and Financing

We expect that the Group's future capital expenditure will primarily be financed by bank and other borrowings, cash flow generated from operating activities, and/or other financing options available from capital markets if necessary.

Teacher's Recruitment, Training and Retention

We realize the importance of our teachers' quality in our expansion. In this regard, we cooperate with a number of well-known normal universities in China where we recruit talent graduates as our trainee teachers. We have a teacher mentoring program in which we train our outstanding teachers to prepare for the role of principal of our schools in the future. We provide on-going training programmes for our teachers such as discussion groups, cross-school teacher seminars and outdoor training camps, where our teachers share experiences, enhance teaching skills and improve teamwork. We normally assign some of our experienced teachers from the existing schools to involve in the operation of any new greenfield school or newly acquired school. We reward outstanding teachers with high performance evaluations and require teachers who do not meet our expectations to improve within a prescribed period of time.

Conclusion

With the Outline Development Plan for the Greater Bay Area and our proven expansion track record and development strategies, we will continue to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China and increase our market share in other regions in China. The Group intends to diversify its education business by extending to other educational segments including, but not limited to, private higher education business. Through becoming a comprehensive education group in the medium and long term, we wish to increase the return for the shareholders of the Company ("**Shareholders**").

Regulatory Update

The has been no significant update since the publication of the Company annual report for the year ended 31 August 2019 ("**2019 Annual Report**"). Please refer to 2019 Annual Report for details of the regulatory update.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 29 February 2020.

Investments Held

During the year ended 31 August 2019, the Group purchased certain investment products issued by financial institutions in the PRC. As at 29 February 2020, the investment products held by the Group were classified as financial assets at FVTPL of approximately RMB337.0 million in aggregate. For the reasons for holding and details of these investment products, please refer to the section headed "Liquidity, Financial Resources and Capital Structure" above and the note 13 to the condensed consolidated financial statements.

Employee Benefits

As at 29 February 2020, the Group had approximately 6,419 employees (as at 28 February 2019: approximately 5,830). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme, a share option scheme and a share award scheme for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees.

Total employee remuneration (including directors' remuneration) for the six months ended 29 February 2020 amounted to approximately RMB306.2 million (for the six months ended 28 February 2019: RMB300.5 million).

Changes in Information of Directors

During the six months ended 29 February 2020, there were no changes to information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Events After The Reporting Period

Save as disclosed in note 24 to the Company's condensed consolidated financial statements as at the date of this report, the Group had no significant events after the reporting period that are required to be disclosed.

Use of Proceeds

The net proceeds from the listing (the "**Listing**") of the shares of the Company (the "**Share(s)**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (including the partial exercise of the over-allotment option) of approximately HK$824.9 million (equivalent to approximately RMB730 million), after deducting the underwriting fees, commissions and expenses in relation to the Listing, are intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 16 January 2017.

As at the date of this report, the Company has applied the net proceeds as follows:

Use of Proceeds	% of the Net Proceeds	Proceeds Allocated (RMB million)	Amount Utilized (RMB million)	Unutilized Balance (RMB million)
— Expansion of our school network, in particular, through the development of new schools	65%	474.5	474.5	—
— Further expansion of three existing schools, namely Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and Panjin Guangzheng Preparatory School	8%	58.4	58.4	—
— Maintenance, renovation and upgrade of two existing schools, namely Dongguan Guangming School and Dongguan Guangming Primary School	2%	14.6	14.6	—
— Acquisition of schools to supplement our school network	18%	131.4	131.4	—
— Provision of scholarships and subsidies to our students	2%	14.6	13.1	1.5
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	728.5	1.5

The unutilized net proceeds are generally placed in licensed financial institutions as short-term interest-bearing deposits. We anticipated to use up the unutilized net proceeds within eight years from the date of Listing (i.e. 26 January 2017).

Other Information

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of RMB0.057 (equivalent to HK$0.062) per Share for the six months ended 29 February 2020 (six months ended 28 February 2019: RMB0.042 (equivalent to HK$0.049) per Share) to the Shareholders whose names appear on the register of members of the Company at the close of business on 28 May 2020. The interim dividend is expected to be paid on or about 10 June 2020.

Closure of Register of Members

For determining the entitlement to the interim dividend for the six months ended 29 February 2020, the register of members of the Company will be closed from 27 May 2020 to 28 May 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 May 2020.

Share Award Scheme

The Company has adopted a share award scheme (the "**Scheme**") as a means to recognise the contribution of, and provide incentives for the key management personnel including Directors and senior management and employees of the Group. The Shares to be awarded under the Scheme will be purchased by a trustee (the "**Trustee**") from the open market or subscribed from the Company as new Shares out of cash contributed by the Group and be held on trust for the selected participants ("**Selected Participants**") until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme. The Scheme shall be subject to administration of the Board and the Trustee in accordance with the Scheme rules and the trust deed dated 7 June 2017.

As at 29 February 2020, the Trustee has purchased a total of 11,704,000 Shares (as at 31 August 2019: 11,704,000 Shares) on the Stock Exchange. On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Shares ("**Awarded Shares**") to 12 Selected Participants. The Awarded Shares represent approximately 0.57% of the total issued shares of the Company as at the date of this report. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant. Save for Mr. Li Jiuchang and Mr. Wang Yongchun, being executive Directors, who have been granted not more than 1,500,000 and not more than 1,200,000 Awarded Shares, respectively, none of the Selected Participants is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company.

Directors' and Chief Executive's Interest and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation

As at 29 February 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Mr. Liu Xuebin ("**Mr. Liu**") (Note 1)	Interest of controlled corporation	930,000,000 (Note 2)	—	930,000,000	45.43%
Ms. Li Suwen ("**Ms. Li**") (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	27.84%
	Beneficial interest	2,128,000	—	2,128,000	0.10%

Notes:

1. Mr. Liu and Ms. Li are co-founders of the Group and are parties acting in concert with each other.

2. Mr. Liu holds the entire issued capital of Bright Education (Holdings) Co. Limited ("**Bright Education Holdings**"), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.

3. Ms. Li holds the entire issued capital of Bright Education Investment Co. Limited ("**Bright Education Investment**"), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 29 February 2020, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Bright Education Holdings (Note 1)	Beneficial Interest	930,000,000	45.43%
Bright Education Investment (Note 2)	Beneficial Interest	570,000,000	27.84%

Notes:

(1) Bright Education Holdings is wholly-owned by Mr. Liu.

(2) Bright Education Investment is wholly-owned by Ms. Li.

Save as disclosed above, as at 29 February 2020, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Schemes

In order to provide incentives to our Directors, senior management, employees and other eligible persons for their contribution to the Group and to attract and retain suitable personnel of our Group, we adopted a pre-IPO share option scheme ("**Pre-IPO Share Option Scheme**") and a share option scheme ("**Share Option Scheme**") on 3 January 2017.

For details of the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to Appendix V to the Prospectus.

Pre-IPO Share Option Scheme

No outstanding options granted under the Pre-IPO Share Option Scheme as at 1 September 2019 and 29 February 2020. No share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme during the six months ended 29 February 2020.

Share Option Scheme

The following table discloses movements in the outstanding options granted to a grantee under the Share Option Scheme.

Grantee	Date of Grant	Outstanding Share Options as at 1 September 2019 and 29 February 2020	Vesting Date(s) and Exercisable Period		Exercise Price
Employee	14 March 2017	2,000,000	(i)	1,000,000 share options will be vested on the first anniversary of the date of grant and will be exercisable within five years from the first anniversary of the date of grant	HK$1.96 (Note)
			(ii)	1,000,000 share options will be vested on the second anniversary of the date of grant and will be exercisable within five years from the second anniversary of the date of grant	
			(iii)	1,000,000 share options will be vested on the third anniversary of the date of grant and will be exercisable within five years from the third anniversary of the date of grant	
Total		2,000,000			

Note: The closing price of the shares of the Company immediately before the grant of such share options was HK$1.96 per share.

Save as disclosed above, since the date of adoption of the Share Option Scheme and up to 29 February 2020, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

As at the date of the report, the total number of share available for issue under the Share Option Scheme is 197,000,000 shares, representing approximately 9.6% of the total issued shares of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

Save for the purchases made by the Trustee pursuant to the Scheme as disclosed in the section headed "Share Award Scheme" above, during the six months ended 29 February 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the six months ended 29 February 2020.

Corporate Governance

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive ("**CEO**") should not be performed by the same individual.

Ms. Li Suwen ("**Ms. Li**") was appointed as the chairperson of the Board ("**Chairperson**") following the step down of Mr. Liu Xubin from the position of chairman of the Board on 28 September 2018. Ms. Li performs the dual roles of both Chairperson and CEO. The Board believes that it is in the interest of the Company and its Shareholders for Ms. Li to assume the responsibilities of such positions, given that Ms. Li is one of the cofounders of the Group and has extensive experience in the operation and management of the Group as an executive Director and CEO. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including three other executive Directors and three independent non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Audit Committee

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Tam King Ching Kenny, Prof. Sun Kai Lit Cliff, BBS, J.P., and Mr. Huang Weiguo, all being independent non-executive Directors of the Company. Mr. Tam King Ching Kenny is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 29 February 2020 and has met with the independent auditor, Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the six months ended 29 February 2020 and as at the latest practicable date prior to the issue of this report.

By order of the Board
Wisdom Education International Holdings Company Limited
Li Suwen
Chairperson

Hong Kong, 27 April 2020

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
WISDOM EDUCATION INTERNATIONAL HOLDINGS COMPANY LIMITED
睿見教育國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Wisdom Education International Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 42 to 78, which comprise the condensed consolidated statement of financial position as of 29 February 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 April 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 29 February 2020

	NOTES	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
Revenue	3	**932,172**	835,553
Cost of revenue		**(496,547)**	(456,806)
Gross profit		**435,625**	378,747
Other income	4	**50,310**	9,907
Other gains and losses	5	**39,772**	18,878
Selling expenses		**(20,156)**	(24,969)
Administrative expenses		**(140,142)**	(131,062)
Finance income		**7,353**	9,586
Finance costs		**(52,147)**	(38,680)
Profit before taxation		**320,615**	222,407
Taxation	6	**(62,204)**	(32,945)
Profit and total comprehensive income for the period	7	**258,411**	189,462
Profit (loss) and total comprehensive income attributable to:			
Owners of the Company		**266,515**	192,971
Non-controlling interests		**(8,104)**	(3,509)
		258,411	189,462
EARNINGS PER SHARE			
Basic (RMB cents)	9	**12.65**	9.31
Diluted (RMB cents)	9	**12.59**	9.30

Condensed Consolidated Statement of Financial Position

As at 29 February 2020

	NOTES	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	10	**3,248,226**	3,035,707
Right-of-use assets	10	**1,190,124**	—
Prepaid lease payments		**—**	781,494
Intangible assets	11	**18,097**	26,471
Goodwill		**149,592**	149,592
Investment properties		**22,000**	22,000
Deposits, prepayments and other receivables	12	**863,597**	630,826
Financial assets at fair value through profit or loss	13	**30,000**	30,000
		5,521,636	4,676,090
Current Assets			
Inventories — goods for sale		**4,930**	6,182
Deposits, prepayments and other receivables	12	**117,696**	97,056
Prepaid lease payments		**—**	18,555
Financial assets at fair value through profit or loss	13	**307,000**	312,000
Pledged bank deposits		**140,203**	498,958
Bank balances and cash	14	**464,373**	662,454
		1,034,202	1,595,205
Current Liabilities			
Contract liabilities	15	**704,998**	750,820
Trade and other payables and accrued expenses	16	**364,334**	502,974
Income tax payable		**120,084**	117,844
Lease liabilities		**24,565**	—
Borrowings	17	**240,160**	628,960
Convertible loan notes	18	**487,130**	479,134
		1,941,271	2,479,732
Net Current Liabilities		**(907,069)**	(884,527)
Total Assets Less Current Liabilities		**4,614,567**	3,791,563

Condensed Consolidated Statement of Financial Position

As at 29 February 2020

	NOTES	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Capital and Reserves			
Share capital	19	**18,093**	18,093
Reserves		**2,323,935**	2,143,205
Equity attributable to owners of the Company		**2,342,028**	2,161,298
Non-controlling interests		**77,413**	85,517
		2,419,441	2,246,815
Non-current Liabilities			
Lease liabilities		**301,158**	—
Borrowings	17	**1,889,690**	1,540,470
Deferred tax liabilities		**4,278**	4,278
		2,195,126	1,544,748
		4,614,567	3,791,563

Condensed Consolidated Statement of Changes in Equity

For the six months ended 29 February 2020

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Discretionary special reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Shares held for share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2018	18,057	589,701	85,000	83,400	3,265	373,118	294,432	(41,356)	505,448	1,911,065	66,276	1,977,341
Profit (loss) and total comprehensive income for the period	—	—	—	—	—	—	—	—	192,971	192,971	(3,509)	189,462
Transfer	—	—	—	—	—	80,753	8,438	—	(89,191)	—	—	—
Recognition of share-based payment expenses (note 20)	—	—	—	—	1,000	—	—	4,504	—	5,504	—	5,504
Exercise of share options	28	5,786	—	—	(4,407)	—	—	—	—	1,407	—	1,407
Dividend recognised as distribution (note 8)	—	(69,914)	—	—	—	—	—	—	—	(69,914)	—	(69,914)
At 28 February 2019 (unaudited)	18,085	525,573	85,000	83,400	(142)	453,871	302,870	(36,852)	609,228	2,041,033	62,767	2,103,800
At 1 September 2019	**18,093**	**441,600**	**119,875**	**83,400**	**297**	**540,783**	**316,050**	**(34,427)**	**675,627**	**2,161,298**	**85,517**	**2,246,815**
Profit (loss) and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**266,515**	**266,515**	**(8,104)**	**258,411**
Transfer	**—**	**—**	**—**	**—**	**—**	**107,554**	**15,484**	**—**	**(123,038)**	**—**	**—**	**—**
Recognition of share-based payment expenses (note 20)	**—**	**—**	**—**	**—**	**257**	**—**	**—**	**3,310**	**—**	**3,567**	**—**	**3,567**
Dividend recognised as distribution (note 8)	**—**	**(89,352)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(89,352)**	**—**	**(89,352)**
At 29 February 2020 (unaudited)	**18,093**	**352,248**	**119,875**	**83,400**	**554**	**648,337**	**331,534**	**(31,117)**	**819,104**	**2,342,028**	**77,413**	**2,419,441**

Notes:

i. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens and accumulated profits earned by not-for-profit schools, whose school sponsors do not require reasonable returns, for the construction or maintenance of the schools or procurement or upgrading of educational equipment. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets of the special reserve shall be used for the operation of other not-for profit schools after the settlement of the school's indebtedness. Also, pursuant to certain amendments made to the Law for Promoting Private Education of the People's Republic of China (中華人民共和國民辦教育促進法) which become effective on 1 September 2017, upon liquidation or wind-up of the schools, when the schools are registered as not-for-profit schools, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness. Upon the establishment of a special reserve committee in May 2016 the Group has transferred all the accumulated surplus of its on-campus canteens since the operation thereof to the discretionary special reserve. During the six months ended 29 February 2020, surplus in the school campus canteen operations and education operation of not-for-profit schools amounted to RMB83,259,000 (2019: RMB52,520,000) and RMB24,295,000 (2019: RMB28,233,000) respectively, had been transferred to the discretionary special reserve.

ii. Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (a) general reserve of the limited liabilities companies and (b) the development fund of schools.

   (a) For PRC subsidiaries with limited liability, it is required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

   (b) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of the net assets of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

Condensed Consolidated Statement of Cash Flows

For the six months ended 29 February 2020

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Net cash from operating activities	**250,208**	175,794
INVESTING ACTIVITIES		
Interest received	**14,942**	9,519
Placement of pledged bank deposits	**—**	(418,160)
Release of pledged bank deposits	**350,000**	150,000
Payments for acquisition of property, plant and equipment	**(487,796)**	(458,206)
Payments for right-of-use assets	**(114,414)**	—
Payments for acquisition of prepaid lease payments	**—**	(285,104)
Payment for purchase of financial assets at fair value through profit or loss	**—**	(367,000)
Proceeds from disposal of financial assets at fair value through profit or loss	**34,507**	592,360
Proceeds from disposal of property, plant and equipment	**272**	1,891
Net cash outflow for acquisition of a subsidiary	**(22,500)**	(12,374)
NET CASH USED IN INVESTING ACTIVITIES	**(224,989)**	(787,074)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**649,000**	452,000
Repayments of bank borrowings	**(688,580)**	(210,780)
Repayments of lease liabilities	**(3,047)**	—
Interest paid	**(90,726)**	(44,148)
Dividend paid	**(89,352)**	(69,914)
Proceeds from exercise of share options	**—**	1,407
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(222,705)**	128,565
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(197,486)**	(482,715)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**662,454**	911,410
Effect of foreign exchange rate changes	**(595)**	(12,109)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**464,373**	416,586

Notes to the Condensed Consolidated Financial Statements

For the six months ended 29 February 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As of 29 February 2020, the Group recorded net current liabilities of RMB907,069,000 (as of 31 August 2019: RMB884,527,000). In view of these circumstances, the directors of the Company (the "**Directors**") have given consideration of the future liquidity and performance of the Group and its available sources of finance, including unutilised bank facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The condensed consolidated financial statements have been prepared on a going concern basis because the Directors are satisfied that the Group have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 29 February 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by IASB which are mandatorily effective for the annual period beginning on or after 1 September 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC Interpretation ("**IFRIC**") 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 September 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 September 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 September 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 September 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepayments for rental, rental deposits and prepaid lease payments, by applying IFRS 16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The Group recognised lease liabilities of RMB66,541,000 and right-of-use assets of RMB859,519,000 at 1 September 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.92%.

The impact to the Group's condensed consolidated financial statements at 1 September 2019 was as follows:

	Notes	At 1 September 2019 RMB'000
Operating lease commitments as at 31 August 2019		74,530
Effect from discounting at the incremental borrowing rate as at 1 September 2019		64,065
Recognition exemption for short-term leases		(5,472)
Lease liability relating to operating leases recognised upon application of IFRS 16		58,593
Reclassified from payables for land use rights	(a)	7,948
Lease liability as at 1 September 2019		66,541
Less: Current-portion		(14,899)
Non-current portion		51,642

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 September 2019 comprises the following:

	Notes	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		58,593
Adjustments by prepayments for rental	(b)	540
Adjustments on rental deposits at 1 September 2019	(c)	337
Reclassified from prepaid lease payments	(d)	800,049
		859,519
By class:		
Leasehold lands		800,049
Leased properties		59,470
		859,519

Notes:

(a) Before the application of IFRS 16, unsettled payments for leasehold lands in the PRC were classified as payables for land use rights as at 31 August 2019. Upon application of IFRS 16, payables for land use rights amounted to RMB7,948,000 were reclassified to lease liabilities.

(b) Upfront payments for leases of properties were recognised as prepayments for rental as at 31 August 2019. Upon application of IFRS 16, prepayments for rental amounted to RMB540,000 were reclassified to right-of-use assets.

(c) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-to-use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB337,000 was adjusted from refundable rental deposits paid to right-of-use assets.

(d) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 August 2019. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB18,555,000 and RMB781,494,000 respectively were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 September 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 September 2019. However, effective on 1 September 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 September 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 September 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously recorded at 31 August 2019	Adjustments	Carrying amounts under IFRS 16 at 1 September 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Prepaid lease payments	781,494	(781,494)	—
Right-of-use assets	—	859,519	859,519
Current assets			
Prepaid lease payments	18,555	(18,555)	—
Deposits, prepayments and other receivables	97,056	(877)	96,179
Current liabilities			
Lease liabilities	—	14,899	14,899
Trade and other payables and accrued expenses	502,947	(7,948)	494,999
Non-current liabilities			
Lease liabilities	—	51,642	51,642

2.2 Impacts and changes in accounting policies of application on IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRIC 23 Uncertainty over Income Tax Treatments (continued)

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 September 2019, without restating comparatives.

The impact of the uncertainty over income tax treatments in relation to tax exemption treatment has been disclosed in the note 6.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC.

Revenue represents service income from tuition and boarding fees and ancillary services less returns, discounts and sales related tax.

The Group's chief operating decision maker ("**CODM**") has been identified as the chief executive officer who reviews revenue analysis of the Group as a whole.

Information reported to the CODM, for the purposes of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

The revenues attributable to the Group's service lines are as follows:

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Tuition and boarding fees	**670,852**	579,037
Ancillary services	**261,320**	256,516
	932,172	835,553

3. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Timing of revenue recognition		
Recognised at a point of time		
— Ancillary services	**180,368**	172,657
Recognised over time		
— Tuition and boarding fees	**670,852**	579,037
— Ancillary services	**80,952**	83,859
Total	**932,172**	835,553

4. OTHER INCOME

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Rental income from investment properties	**584**	584
Government grants (Note)	**46,692**	6,272
Income from donations	**—**	14
Staff quarter income	**1,917**	1,816
Others	**1,117**	1,221
	50,310	9,907

Note: Government grants mainly represent non-conditional subsidies from government for organising schools activities, development of education services and outstanding academic performance of schools.

5. OTHER GAINS AND LOSSES

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Exchange gain	**1,618**	650
Loss on disposal of property, plant and equipment	**(9)**	(102)
Gain (loss) on change in fair value of convertible loan notes		
— embedded derivatives component (note 18)	**1,037**	(376)
Gain on change in fair value of financial assets at FVTPL (Note)	**29,507**	19,961
Others, net	**7,619**	(1,255)
	39,772	18,878

Note: The gain on change in fair value of financial assets at FVTPL is arising from the interest income from the investment products issued by financial institutions in the PRC.

6. TAXATION

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Taxation comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**64,479**	29,097
PRC withholding income tax on royalty income	**—**	3,848
Overprovision in prior years — PRC EIT	**(2,275)**	—
	62,204	32,945

The Company was incorporated in the Cayman Islands and Bright Education Co. Limited, a subsidiary of the Company, was incorporated in the British Virgin Islands (the "**BVI**") that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

6. TAXATION (continued)

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit for both periods.

Withholding income tax has been provided at 10% of the royalty income payables from PRC subsidiaries of the Group to a subsidiary incorporated in Hong Kong. During the six months ended 29 February 2020, no withholding income tax was provided due to the subsidiary incorporated in Hong Kong licensing the trademark to PRC subsidiaries of the Group at no charge (2019: RMB3,848,000).

According to the Law for Promoting Private Education (the "**Law**"), with effective from 1 September 2017, private schools treated as not-for-profit schools, for which the school sponsors are not allowed to distribute or receive any profits from schools, are eligible to enjoy the same preferential tax treatment as public schools. As a result, qualified income obtained by not-for-profit schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment. In the opinion of legal counsel, according to the amendments of the memorandum and article of associations, the school sponsors do not request for reasonable returns from the schools under the Group, including Dongguan Guangming School (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學) (collectively called "**Guangming Schools**"), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校) ("**Dongguan School**"), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) ("**Huizhou School**"), Panjin Guangzheng Preparatory School (盤錦市光正實驗學校) ("**Panjin School**"), Weifang Guangzheng Preparatory School (濰坊光正實驗學校) ("**Weifang School**"), Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校) ("**Jieyang School**"), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) ("**Weizhou School**"), Weifang Weicheng Weizhou Foreign Language Kindergarten (濰坊市濰城區濰州外國語幼稚園), Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively referred to as "**Zhang Pu Longcheng Schools**"), Yunfu Guangming Foreign Language School (雲浮市光明外國語學校) ("**Yunfu School**") and Bazhong Guangzheng Preparatory School (巴中光正實驗學校), which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition and boarding fees. For the six months ended 29 February 2020, the non-taxable income amounted to RMB670,852,000 (2019: RMB579,037,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% (2019: 25%) for the six months ended 29 February 2020.

7. PROFIT FOR THE PERIOD

	Six months ended	
	29 February 2020 RMB'000 (unaudited)	28 February 2019 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**269,637**	265,937
— retirement benefits scheme contributions	**32,955**	29,018
— share-based payment expenses	**3,567**	5,504
Total staff costs	**306,159**	300,459
Depreciation of property, plant and equipment	**62,904**	56,633
Depreciation of right-of-use assets	**13,573**	—
Amortisation of intangible assets arising from the acquisition of schools (included in cost of revenue)	**8,374**	11,042
Release of prepaid lease payments	**—**	4,843
Auditors' remuneration	**925**	880
Bank interest income	**(7,353)**	(9,586)

8. DIVIDENDS

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 29 February 2020 of RMB0.057 (equivalent to HK$0.062) per share (2019: RMB0.042 (equivalent to HK$0.049) per share) amounting to RMB116,688,000 (equivalent to HK$126,924,000) (2019: RMB85,407,000 (equivalent to HK$99,737,000)), has been proposed by the Directors. During the six months ended 29 February 2020, a final dividend in respect of the year ended 31 August 2019 of RMB0.042 (equivalent to HK$0.049 per share) per share amounting to RMB89,352,000 (equivalent to HK$99,737,000) was paid to the shareholders of the Company.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	**266,515**	192,971
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	**4,461**	—
Fair value change from convertible loan notes	**(1,037)**	—
Exchange gain on convertible loan notes	**(609)**	—
Profit for the period attributable to owners of the Company for the purposes of diluted earnings per share	**269,330**	192,971

	Six months ended 29 February 2020 '000 (unaudited)	Six months ended 28 February 2019 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,107,107**	2,072,880
Effect of dilutive potential ordinary shares:		
Share options	**409**	1,897
Share award scheme	**573**	—
Convertible loan notes	**31,848**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,139,937**	2,074,777

The weighted average number of ordinary shares for the purpose of basic earnings per share shown above have been arrived at after deducting shares held by a share award scheme trust and adding conversion of shares in relation to the mandatory conversion of convertible loan notes.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

Additions of property, plant and equipment amounted to RMB275,704,000 and were recognised for the six months ended 29 February 2020 (2019: RMB608,611,000), including RMB48,988,000 (2019: RMB34,232,000) was transferred from prepayments for construction of schools to construction in progress in property, plant and equipment, with reference to the progress of the construction of school premises in Weifang, Yunfu and Guangan (2019: Weifang, Yunfu and Guangan) under the agreements with 東莞市富盈房地產開發有限公司 (Dongguan Cinese Real Estate Development Co. Ltd.) ("**Dongguan Cinese Real Estate**"), a related company controlled by Mr. Liu.

No material disposal was made during the six months ended 29 February 2020 and 28 February 2019.

During the current interim period, the Group entered into several new lease agreements for the use of leased properties and leasehold lands, the lease term ranges from 1 to 50 years. On lease commencement, the Group recognised RMB348,542,000 of right-of-use assets including leasehold lands and leased properties amounted to RMB86,484,000 and RMB262,058,000, respectively, and RMB259,207,000 of lease liabilities. Upon adoption of IFRS 16 at 1 September 2019, amounting to RMB800,049,000 of prepaid lease payments were reclassified as right-of-use assets.

11. INTANGIBLE ASSETS

During the six months ended 29 February 2020, no addition of intangible assets was recognised. During the six months ended 28 February 2019, additions of intangible assets amounted to RMB36,260,000 was recognised in which including students roster through acquisition of 100% of equity interest in Zhang Pu Longcheng Schools. Student roster has finite estimated useful lives of 3 to 6 years and it is amortised based on expected usage of student roster.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Deposits paid for the acquisitions of new private schools (Note i)	**200,880**	200,880
Deposits paid for the acquisition of leasehold land (Note ii)	**27,930**	—
Government grants receivable (Note iii)	**37,067**	—
Other deposits (Note iv)	**19,619**	43,545
Staff advances	**2,839**	3,210
Other receivables	**33,789**	27,811
Temporary payments to local government	**1,315**	1,315
Prepayments for construction to a related company (Note v)	**172,392**	197,234
Prepayments for construction of schools (Note vi)	**462,395**	232,712
Other prepayments	**23,067**	21,175
	981,293	727,882
Current	**117,696**	97,056
Non-current	**863,597**	630,826
	981,293	727,882

Notes:

i. Deposits of RMB171 million and RMB30 million (as at 31 August 2019: RMB171 million and RMB30 million) are mainly made to independent third parties in relation to the acquisitions of equity interests of school sponsor's interests in schools located in Guangdong province and acquisition of an existing school campus in Guangdong province.

ii. Deposits of RMB28 million (as at 31 August 2019: nil) are made to acquire land use right of a parcel of land situated in Sichuan province for educational purposes. The Group has entered into an agreement with the local government authority in the PRC, in respect of the acquisition of the land use right at the cash consideration of RMB56 million.

iii. Government grants receivable of RMB37 million represents non-conditional subsidies granted by a local government authority in Sichuan province for development of schools activities. The Group has fully received the government grant subsequent to 29 February 2020.

iv. Other deposits mainly comprised of wage deposits for construction projects of RMB14 million (as at 31 August 2019: RMB14 million) paid to government authorities. The repayment of these deposits will be upon the schools commencing operation and completion of the construction projects. At 31 August 2019, the amounts include education deposit of RMB27 million paid to government authorities and has been repaid by the local government authority during the six months ended 29 February 2020. These deposits are unsecured and interest-free.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

v. As of 29 February 2020, based on the construction progress of the schools, RMB271,754,000 (as at 31 August 2019: RMB222,766,000) has been incurred and recognised as additions to construction in progress, out of the total prepayment amount of RMB444,146,000 (as at 31 August 2019: RMB420,000,000), and the remaining balance of RMB172,392,000 (as at 31 August 2019: RMB197,234,000) remains as prepayments to a related company for schools constructions.

vi. The prepayments for construction to properties are mainly arising from amount paid to third parties in relation to constructions of the Group's schools. The nature of these prepayments are as follows:

	At 29 February 2020 RMB'000	At 31 August 2019 RMB'000
Prepayments for construction works	**267,561**	80,076
Prepayment for project management	**21,078**	33,989
Prepayment for schools design production	**42,966**	55,502
Prepayments for decoration engineering	**70,531**	18,683
Prepayments for construction materials	**37,773**	1,101
Other prepayments for schools development	**22,486**	43,361
	462,395	232,712

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Current	**307,000**	312,000
Non-current	**30,000**	30,000
	337,000	342,000

The financial assets were issued by financial institutions in the PRC as at 29 February 2020 and 31 August 2019. The financial assets are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments. The Directors consider the fair values of the financial assets are measured by net asset value as stated on the quotation report issued by financial institutions and the fair value of the financial assets is RMB337,000,000 (as at 31 August 2019: RMB342,000,000) with fair value gain of RMB29,507,000 (2019: RMB19,961,000) recognised during the period ended 29 February 2020.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 29 February 2020, financial assets at FVTPL amounting to RMB30,000,000 (as at 31 August 2019: RMB30,000,000) are classified as non-current, of which they have maturity over 12 months after the end of the reporting period. The remaining financial assets at FVTPL amounting to RMB307,000,000 (as at 31 August 2019: RMB312,000,000) are classified as current, of which the Group has unconditional rights to redeem upon its request and the Directors expect the investments will be redeemed within 12 months after the end of the reporting period. According to the terms of the agreement, the Group has the rights to sell the financial assets to qualified investors.

14. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 29 February 2020, the Group's bank deposits carried a weighted-average interest rate of 0.22% (2019: 0.33%) per annum.

15. CONTRACT LIABILITIES

	At 29 February 2020 RMB'000	At 31 August 2019 RMB'000
Tuition and boarding fees	**631,692**	671,067
Ancillary services	**73,306**	79,753
	704,998	750,820

Contract liabilities are classified as current based on the Group's earliest obligation to transfer goods/services to the customers.

The contract liabilities at 1 September 2018 amounted to RMB610,575,000.

15. CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	At 29 February 2020 RMB'000	At 31 August 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	**750,820**	610,575

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Tuition and boarding fees

When the Group receives tuition and boarding fees in advance from students, this will give rise to contract liabilities, until revenue is recognised when the students simultaneously receives and consumes the benefits provided by the Group's performance over the relevant period of the applicable program. The Group typically receives 100% of tuition and boarding fees prior to the commencement of each academic semester (two academic semesters each academic year).

— Ancillary services

Contract liability is recognised by the Group for the portion of fees that the Group collected from the customers in relation to performance obligations that have not been satisfied.

16. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Trade and construction payables (Note i)	**143,040**	159,146
Accruals for construction	**43,230**	107,012
Consideration payable for the acquisitions of subsidiaries (Note ii)	**72,500**	102,720
Accrued staff benefits and payroll	**30,610**	42,504
Receipts in advance from students' prepaid charge cards	**9,823**	10,134
Payables for land use rights	**—**	7,948
Interest payables	**5,000**	4,499
Other tax payables	**30,178**	30,138
Discretionary government subsidies receipt in advance	**—**	5,349
Deposits received	**12,668**	14,168
Other payables	**17,285**	19,356
	364,334	502,974

Notes:

i. The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit timeframe. As at 29 February 2020 and 31 August 2019, the trade payables were aged within 180 days based on invoice date.

ii. The amounts were interest-free, unsecured and repayable according to the terms of contract, other than the balance of RMB4,000,000 (as at 31 August 2019: RMB4,000,000) is repayable on demand for the acquisition of Dongguan Guangzheng Preparatory School, in the opinion of the Directors, the remaining balances as at 29 February 2020, of RMB35,000,000, RMB13,500,000 and RMB20,000,000 (as at 31 August 2019: RMB35,000,000, RMB43,720,000 and RMB20,000,000) for the acquisitions of Jieyang School, Weizhou School and Zhang Pu Longcheng Schools respectively, which are expected to be repayable within twelve months upon completion of transferring the certificate titles of relevant land and buildings.

17. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB649,000,000 (2019: RMB452,000,000). The borrowings carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China ranged from 4.4% to 7.3% (as at 31 August 2019: 4.4% to 7.3%) as at 29 February 2020.

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Guangming Schools, Dongguan School, Panjin School, Weifang School, Huizhou School, Zhang Pu Longcheng Primary School, Yunfu School and the revenue arising from the operating income of Foshan Shunde Guangzheng Preparatory School to be established and pledged bank deposits.

The borrowings are also guaranteed by the Company, Guangzhou Guangzheng, Dongguan Ruixing and certain related parties at no cost. The guarantee amounts provided by the related parties at 29 February 2020 and 31 August 2019 are as follows:

Name of related parties	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Mr. Liu	337,500	377,600
Mr. Liu and Ms. Li	1,151,770	1,107,770
Mr. Liu, Ms. Li and a company controlled by Mr. Liu	225,580	241,060

18. CONVERTIBLE LOAN NOTES

The Company issued unsecured convertible loan notes with coupon rate of 6.8% at par value with principal amount of HK$500 million. The convertible loan notes are denominated in HK$ and matured in 2 years. Details of the terms of the convertible loan notes are set out in the announcement of the Company dated 25 June 2018 and the annual financial statements for the year ended 31 August 2019. The movement of the convertible loan notes for the period is set out as below:

	Non-derivative debt component RMB'000	**Embedded derivatives component** RMB'000	**Total** RMB'000
At 1 September 2018 (audited)	411,957	10,186	422,143
Interest charged (Note)	53,391	—	53,391
Interest paid	(15,076)	—	(15,076)
Loss arising on changes in fair value	—	786	786
Exchange loss	17,890	—	17,890
At 31 August 2019 and 1 September 2019 (audited)	468,162	10,972	479,134
Interest charged (Note)	28,454	—	28,454
Interest paid	(15,538)	—	(15,538)
Gain arising on changes in fair value (note 5)	—	(1,037)	(1,037)
Exchange gain	(3,883)	—	(3,883)
At 29 February 2020 (unaudited)	477,195	9,935	487,130

Note: The interest calculated based on the effective interest rate of 12.2% was charged in finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

Monte Carlo valuation model is used for valuation of the embedded derivatives component. Details of the major inputs and assumptions of the model are as follows:

	At 29 February 2020	At 31 August 2019
Share price of the Company	**HK$2.97**	HK$3.78
Risk-free rate*	**1.26%**	1.92%
Expected volatility#	**34.20%**	54.54%
Dividend yield	**3.21%**	2.37%

* The risk-free rates were determined with reference to the yield rates of Generic Hong Kong government bills and bonds with durations similar to the expected lives of the convertible loan notes, as extracted from Bloomberg Terminal™.

The expected volatilities of the underlying security of the convertible loan notes were determined with reference to the historical volatilities of the share price of the Company, as extracted from Bloomberg Terminal™.

19. SHARE CAPITAL

	Par value	Number of shares	Nominal amount HK$
Ordinary shares			
Authorised:			
At 1 September 2018 (audited), 31 August 2019 (audited) and 29 February 2020 (unaudited)	HK$0.01	10,000,000,000	100,000,000

	Par value	Number of shares	Nominal amount HK$	Nominal amount equivalent to RMB	Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:					
At 1 September 2018 (audited)	HK$0.01	2,042,954,000	20,429,540	18,057,224	18,057
Issuance of shares on exercise of share options	HK$0.01	4,200,000	42,000	36,204	36
At 31 August 2019, 1 September 2019 (audited) and 29 February 2020 (unaudited)	HK$0.01	2,047,154,000	20,471,540	18,093,428	18,093

20. SHARE-BASED PAYMENTS

Share Award Scheme

The Company has adopted the share award scheme with effect from 7 June 2017 as means to recognise the contribution of and provide incentives for the key management personnel including directors and senior management and employees of the Group ("**Selected Participants**").

During the six months ended 29 February 2020 and 28 February 2019, no share has been purchased by the trustee. During the six months ended 29 February 2020, share-based payment expenses amounted to RMB3,310,000 (2019: RMB4,504,000) was recognised in relation to 8,400,000 shares (2019: 8,400,000) granted to Selected Participants.

Share Option Scheme

The Company adopted two share option schemes to provide incentives or rewards to eligible persons for their contributions to the Group, pursuant to a resolution passed on 3 January 2017.

Share-based payment expenses amounted to RMB257,000 was recognised during the six months period ended 29 February 2020 in relation to share options granted by the Company (2019: RMB1,000,000).

21. CAPITAL COMMITMENTS

	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisitions of property, plant and equipment, leasehold land and new private schools	**1,159,633**	1,273,494

22. RELATED PARTY TRANSACTIONS

During the periods, in addition to the balances disclosed in note 12, the Group entered into the following significant transactions with related parties:

Related party	Relationship	Nature of transactions	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co., Ltd	Controlled by Mr. Liu	Hospitality expenses	**1,531**	1,117
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	**48,988**	34,232

During the six months ended 29 February 2020, Mr. Liu provides financial guarantee to the Group in respect of the issue of convertible loan notes which are set out in note 18, and Mr. Liu, Ms. Li and a company controlled by Mr. Liu provides financial guarantee to the Group in respect of borrowings which are set out in note 17.

During the six months ended 29 February 2020, Ms. Li leases a property to Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司), a subsidiary of the Company, and the Group has recognised right-of-use assets and lease liabilities of RMB591,000 and RMB601,000, respectively.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period is as follows:

	Six months ended 29 February 2020 RMB'000 (unaudited)	Six months ended 28 February 2019 RMB'000 (unaudited)
Short-term benefits	**4,881**	6,421
Post-employment benefits	**71**	102
Share-based payment expenses	**2,127**	2,410
	7,079	8,933

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial instruments. Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Directors have consider the appropriate valuation techniques and inputs for fair value measurements.

The following table gives information about how the fair values of the financial asset and financial liability are determined (in particular, the valuation techniques and inputs used).

Financial assets/liability	Fair value as at 29 February 2020 RMB'000 (unaudited)	Fair value as at 31 August 2019 RMB'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at FVTPL (note 13)	**Assets — RMB337,000**	Assets — RMB342,000	Level 3	Net asset value as stated on the quotation report issued by financial institutions
2) Convertible loan notes — embedded derivatives component (note 18)	**Liability — RMB9,935**	Liability — RMB10,972	Level 3	Monte Carlo simulation — key inputs are as follows: — underlying stock price: HK$2.97 (as at 31 August 2019:HK$3.78) — expected volatility: 34.20% (as at 31 August 2019: 54.54%) — dividend yield: 3.21% (as at 31 August 2019: 2.37%)

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements

	Embedded derivatives component of convertible loan notes	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000
At 1 September 2018 (audited)	(10,186)	459,734	449,548
Purchases	—	467,000	467,000
Change in fair value	(786)	18,370	17,584
Disposals	—	(603,104)	(603,104)
At 31 August 2019 and 1 September 2019 (audited)	(10,972)	342,000	331,028
Change in fair value	1,037	29,507	30,544
Disposals	—	(34,507)	(34,507)
At 29 February 2020 (unaudited)	(9,935)	337,000	327,065

As at 29 February 2020, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

24. EVENT AFTER THE REPORTING PERIOD

In early 2020, due to an outbreak of novel coronavirus (COVID-19) in mainland China (the "**Epidemic**") and the subsequent quarantine measures imposed by the PRC government, the physical classes of the Group's located in mainland China had been temporarily suspended since February 2020 according to the instruction of the PRC government. As a result, certain new school campus construction projects in the PRC schools have been put on hold and delayed, other aspects of the operations of the Group such as staff recruitment and school open days, etc. have also been interrupted. In response to the outbreak, the Group has put in place a series of alternative action plans for students in both of the PRC Schools during the schools closure period, which include implementation of on-line modules and website distance learning activities, so as to ensure students can keep track of the school curriculum and prepare for the upcoming exams and assessments.

24. EVENT AFTER THE REPORTING PERIOD (continued)

Up to the date of the issuance of these condensed consolidated financial statements, the physical classes of the schools in mainland China are yet to be fully resumed in a normal way. Following the fact that the Epidemic situation in mainland China gradually improved recently, the Directors expected that the physical classes of our schools located in mainland China would gradually resume in late April and May 2020. The Group will fulfill its contractual obligations with students by launching catch-up classes after receiving the instruction from the PRC government for resumption of the education services. Moreover, no request of withdrawal and refund were received from our students up to now and the Group also has a clear students' withdrawal and refund policy in place under each business segment. In the opinion of the Directors, the financial impact arising from the above due to the Epidemic will not be significant.

In view of the implementation of the above mentioned action plans, the Directors considered that there was no significant impact on the financial position of the Group subsequent to the six months period ended 29 February 2020 and up to the date of the issuance of these condensed consolidated financial statements. The Group will keep continuous attention on the situation of the COVID-19 outbreaks and react actively to the impact of admission for new students due to the Epidemic and the performance of the Group for the second half year ended 31 August 2020. The Company will make further announcement(s) in relation to material impact, if any, in due course pursuant to relevant requirements of the Listing Rules.