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

Annual Report 2017

以愛心培育人才

以誠心服務社會

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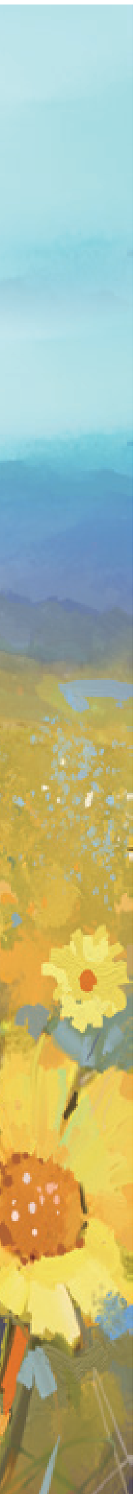
Corporate Information



Board of Directors

Executive Directors

Mr. Liu Xuebin *(Chairman of the Board)*
Ms. Li Suwen
Mr. Li Jiuchang
Mr. Ng Cheuk Him

Independent Non-executive Directors

Mr. Sun Kai Lit Cliff
Mr. Tam King Ching Kenny
Mr. Yau Sze Ka

Audit Committee

Mr. Tam King Ching Kenny *(Chairman)*
Mr. Sun Kai Lit Cliff
Mr. Yau Sze Ka

Remuneration Committee

Mr. Sun Kai Lit Cliff *(Chairman)*
Mr. Yau Sze Ka
Mr. Liu Xuebin

Nomination Committee

Mr. Yau Sze Ka *(Chairman)*
Mr. Tam King Ching Kenny
Ms. Li Suwen

Company Secretary

Mr. Ng Cheuk Him

Authorized Representatives

Mr. Liu Xuebin
Mr. Ng Cheuk Him

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisors

As to Hong Kong law
Allen & Overy

As to PRC law
Commerce & Finance Law Offices

As to Cayman Islands law
Conyers Dill & Pearman

Compliance Adviser

First Shanghai Capital Limited

Principal Bankers

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

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. Wayne Li
Mr. Derek Lau
Email: ir@wisdomeducationintl.com

Corporate Profile

Wisdom Education International Holdings Company Limited (the "**Company**"), its subsidiaries and consolidated affiliated entities (collectively the "**Group**") were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as at 1 September 2015, according to the report commissioned by Frost & Sullivan for the purpose of the Company's prospectus dated 16 January 2017 ("**Frost & Sullivan Report**").

Our Schools and Educational Curriculum

As at 1 September 2017, we operated 7 premium private schools in 6 campuses with a total student enrollment of 41,180 students. Five of these schools are located in Guangdong province, one school is located in Liaoning province and one school is located in Shandong province. Our schools target students primarily from the middle class or above families in China. The following table sets forth the category of education that we provide in each of our schools:

	Primary School	Middle School	High School	International Programmes
Dongguan Guangming School	N/A	√	√	√
Dongguan Guangming Primary School	√	N/A	N/A	N/A
Dongguan Guangzheng Preparatory School	√	√	√	√
Huizhou Guangzheng Preparatory School	√	√	√	N/A
Panjin Guangzheng Preparatory School	√	√	√	N/A
Weifang Guangzheng Preparatory School	√	√	√	N/A
Huanan Shida Yuedong Preparatory School	√	√	√	N/A

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 programmes 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

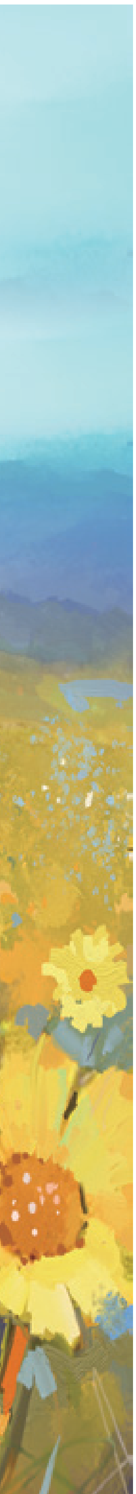
Our educational objectives are "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會，以愛心培育人才). To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture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

Our School Characteristics

Our school are boarding schools equipped with student dormitories. To promote the well-rounded 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 School high school male basketball team has won various municipal and provincial championships and was the second runner-up team in 2017 national high school basketball competition.

Corporate Profile (Continued)

Our School Network in the PRC



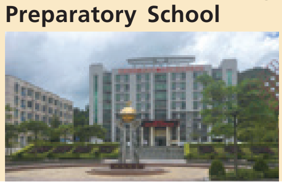
Panjin Guangzheng Preparatory School

- Established in 2014
- Primary, middle and high schools
- PRC curriculum
- Capacity: Approximately 2,500 students

Weifang Guangzheng Preparatory School

- Established in 2016
- Primary, middle and high schools
- PRC curriculum
- Capacity: Approximately 4,000 students

Huanan Shida Yuedong Preparatory School



- Acquired in 2017 (65% equity interest)
- Primary, middle and high schools
- PRC curriculum
- Capacity: Approximately 5,000 students

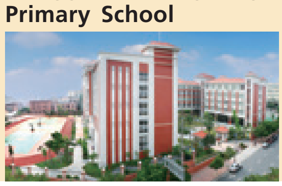
Huizhou Guangzheng Preparatory School

- Established in 2014
- Primary, middle and high schools
- PRC curriculum
- Capacity: Approximately 8,000 students

Dongguan Guangming School

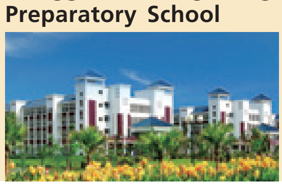
- Established in 2003
- Middle and high school
- PRC curriculum focus
- Capacity: Approximately 10,744 students

Dongguan Guangming Primary School



- Established in 2004
- Primary school
- PRC curriculum
- Capacity: Approximately 6,060 students

Dongguan Guangzheng Preparatory School



- Established in 2013
- Primary, middle and high schools
- PRC curriculum focus
- Capacity: Approximately 13,500 students

Financial Summary

Results

		Year ended 31 August		
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	450,913	568,715	700,741	**979,140**
Cost of revenue	(239,717)	(289,194)	(370,352)	**529,289**
Gross profit	211,196	279,521	330,389	**449,851**
Profit before taxation	112,269	212,342	194,535	**270,307**
Taxation	(21,360)	(30,345)	(40,172)	**70,112**
Profit for the year	90,909	182,297	154,363	**200,195**
Core net profit (Note 1)	118,580	172,687	185,775	**248,517**

		Year ended 31 August		
Profitability Margins	2014	2015	2016	**2017**
Gross profit margin	46.8%	49.1%	47.1%	**45.9%**
Core net profit margin	26.3%	30.4%	26.5%	**25.4%**

Note 1

Core net profit is defined as the profit for the year of the Group after adjusting for those items which are not indicative of the Group's operating performance.

Operational Information

		As at 1 September		
	2013	2014	2015	**2016**
Total number of students enrolled	19,354	22,837	27,644	**31,788**
Total student capacity	23,128	25,719	30,552	**33,152**
Overall school utilization	83.7%	89.0%	90.5%	**95.9%**
Total number of teachers	1,162	1,359	1,666	**1,960**

Financial Summary (Continued)

Assets and Liabilities

	At 31 August			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Non-current assets	2,326,869	1,433,344	1,763,204	**2,727,962**
Current assets	359,404	1,531,639	695,171	**604,265**
Current liabilities	1,042,584	1,546,199	1,152,775	**1,093,804**
Net current assets/(liabilities)	(683,180)	(14,560)	(457,604)	**(489,539)**
Total assets less current liabilities	1,643,689	1,418,784	1,305,600	**2,238,423**
Total equity	510,632	675,476	830,775	**1,745,890**
Non-controlling interests	(217)	(225)	—	**(38)**
Non-current liabilities	1,133,274	743,533	474,825	**492,571**
Total equity and non-current liabilities	1,643,689	1,418,784	1,305,600	**2,238,423**

	At 31 August			
Selected Major Items	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Property, plant and equipment	925,194	1,006,912	1,344,405	**1,779,440**
Bank balances and cash, including pledged bank deposits	13,071	12,229	103,705	**753,510**
Total bank borrowings	1,270,000	1,275,500	607,700	**621,800**
Deferred revenue	224,817	285,146	365,005	**436,778**

	At 31 August			
Liquidity	2014	2015	2016	**2017**
Net Gearing ratio (Note 2)	246.2%	187.0%	60.7%	**Net Cash**

Note 2

Net gearing ratio is calculated as total bank borrowings net of pledged bank deposits, bank balances and cash divided by total equity as at the end of the relevant financial year.

Operating Cash Flows

	Year ended 31 August			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Net cash from operating activities	241,100	319,148	333,248	**395,551**

Capital Expenditure

	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Payments for acquisition of property, plant and equipment	231,558	193,628	178,191	**445,363**
Payments for acquisition of prepaid lease	5,000	—	19,217	**85,791**
Total	236,558	193,628	197,408	**531,154**

Dividend Per Share

	Year ended 31 August			
	2014 RMB	2015 RMB	2016 RMB	**2017 RMB**
Interim dividend paid	—	—	—	**0.024**
Final dividend proposed	—	—	—	**0.026**
Total	—	—	—	**0.05**

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Wisdom Education International Holdings Company Limited, I am pleased to present the first annual report of the Company comprising the consolidated results of the Company, its subsidiaries and consolidated affiliated entities (collectively the "**Group**") for the year ended 31 August 2017 following the successful listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited on 26 January 2017 (the "**Listing**").

Results and Dividends

Our student enrolment as at 1 September 2016 was 31,788, representing a year on year growth of 15.0%. Comparing with the performance of the previous financial year, total revenue reached RMB979.1 million, representing an increase of 39.7%. Profit for the year increased by 29.7% to RMB200.2 million whereas core net profit for the year was RMB248.5 million, up 33.8%. The Board has resolved to recommend the payment of a final dividend of RMB0.026 (equivalent to HK$0.030) per share. Together with the interim dividend of RMB0.024 (equivalent to HK$0.027) per share, this will make up a total dividend of RMB0.050 (equivalent to HK$0.057) per share for the year ended 31 August 2017.

Corporate Highlights

The Company has raised the net proceeds of approximately HK$824.9 million (equivalent to approximately RMB730 million) from the Listing. The Group will utilize part of the net proceeds from Listing for its business expansion. During the financial year under review, the Group made several business developments as part of our expansion plan.

On 28 March 2017, the Group entered into a framework cooperation agreement with the People's Government of Zengcheng, Guangzhou (廣州市增城區人民政府) in relation to their proposed cooperation in the establishment of an educational and cultural industry park (教育文化產業園) in Zengcheng, Guangzhou, which includes, among others, a campus proposed to be established by the Group providing, among others, high school, middle school and primary school education in Zengcheng, Guangzhou.

On 19 June 2017, the Group entered into an agreement with an independent third party to acquire 70% of the school sponsor's interest in Huanan Shida Yuedong Preparatory School* (華南師大粵東實驗學校) ("**Jieyang School**") at a consideration of RMB91 million. Jieyang School is a private school located in Jieyang city, Guangdong province providing primary, middle and high school education, with approximately 3,200 students in the 2016/2017 school year. On the same day, the Group entered into another agreement with the same independent third party and another independent third party to acquire 70% interest in the land, buildings and facilities thereon currently occupied by Jieyang School at a consideration of RMB133 million. The acquisition is completed in September 2017.

* *For identification purpose only*

The Company has been included as a constituent of the MSCI China Small Cap Index with effect as of the market close of 31 May 2017. With effect from 4 September 2017, the Company has also been selected as a constituent of Hang Seng Composite Index and its subdivisions of Hang Seng Composite SmallCap Index and Hang Seng Composite Industry Index — Consumer Services, Hang Seng Global Composite Index and Hang Seng Consumer Goods & Services Index by Hang Seng Indexes Company Limited.

Future Development

With an aim to maintaining our leading position as a premium private primary and secondary school operator in South China in terms of student enrolment, the Group will focus on Guangdong province for its future expansion. I am confident that the Group will benefit from the Chinese government's development of Guangdong-Hong Kong-Macau Greater Bay Area.

The Group will continue to expand its business by increasing the capacity of its schools which have available spaces, building more new schools and exploring more acquisitions of private schools in the People's Republic of China.

Finally, the Board is optimistic about the Company's eligibility for southbound trading under Shenzhen-Hong Kong Stock Connect in the next review which is expected to be undertaken by HSIL in the first quarter of 2018.

Appreciation

I would like to take this opportunity to express my sincere gratitude to our students, their parents, suppliers, bankers, professional parties, local government authorities and our shareholders for their continuous support. I would also like to thank our Board members and senior management, principals, teachers and staff for their endeavours and contributions to the Listing and our business for the financial year of 2017.

Liu Xuebin
Wisdom Education International Holdings Company Limited
Chairman

Hong Kong, 21 November 2017

Operational and Financial Highlights

For the financial years of 2017 and 2016:

Operational Information	As at 1 September 2016	1 September 2015	Change	Percentage Change
Total number of students enrolled	31,788	27,644	+4,144	+15.0%
Total student capacity	33,152	30,552	+2,600	+8.5%
Overall school utilization	95.9%	90.5%	+5.4 pp	+6.0%
Total number of teachers	1,960	1,666	+294	+17.6%

Selected Financial Information RMB'000 (unless otherwise stated)	Year ended 31 August 2017	2016	Change	Percentage Change
Revenue	979,140	700,741	+278,399	+39.7%
Gross profit	449,851	330,389	+119,462	+36.2%
Profit for the year	200,195	154,363	+45,832	+29.7%
Core net profit margin (Note)	248,517	185,775	+62,742	+33.8%
Gross profit margin	45.9%	47.1%	-1.2pp	-2.5%
Interim dividend per share (HK$)	0.027	—	+0.027	N/A
Final dividend per share (HK$)	0.030	—	+0.030	N/A

Note: Core net profit is defined as the profit for the year of the Group after adjusting for those items which are not indicative of the Group's operating performance. The reconciliation of the profit for the year to the core net profit of the Group is presented as follows:

	Year ended 31 August 2017	2016
Profit for the year	200,195	154,363
Less: Imputed interest income on advances to Cinese Group	3,029	63,950
Add: Finance costs in relation to advances to Cinese Group	9,709	68,608
Listing expenses	10,257	—
Unrealised exchange loss	26,081	24,401
Loss on disposal of subsidiaries	—	2,353
Share-based payments	5,304	—
Core profit for the year	248,517	185,775

Selected Financial Information RMB'000 (unless otherwise stated)	As at 31 August		
	2017	2016	**Change**
Bank balances and cash, including pledged bank deposits	**753,510**	103,705	+649,805
Total bank borrowings	**621,800**	607,700	+14,100
Deferred revenue	**436,778**	365,005	+71,773
Net gearing ratio*	**Net Cash**	60.7%	N/A

* Gearing ratio is calculated as total interest-bearing and other borrowings divided by total equity at the end of the relevant year.

Selected Financial Information RMB'000 (unless otherwise stated)	Year ended 31 August		
	2017	2016	**Change**
Net cash from operating activities	**395,551**	333,248	+62,303
Capital expenditure	**531,154**	197,408	+333,746

Management Discussion and Analysis

Business Review

Student Placement

For the 2016/2017 school year, over 90% of our high school graduates were admitted to universities in China, and over 20% of our high school graduates were admitted to first-tier universities in China identified in the "University Application and Enrolment Guidelines for Guangdong Province" issued by the Education Examinations Authority of Guangdong Province. In the 2017 PRC national higher education entrance examination, 10 of our high school graduates were admitted to Peking University and Tsinghua University.

Revenue

We derive revenue from tuition fees and boarding fees collected from our students and from ancillary services provided to our students.

	For the year ended 31 August			
Revenue by Service	**2017 RMB'000**	**% of Total**	2016 RMB'000	% of Total
Tuition fees	**596,000**	**60.9**	489,561	69.9
Boarding fees	**75,170**	**7.7**	60,555	8.6
Ancillary services	**307,970**	**31.4**	150,625	21.5
Total revenue	**979,140**	**100**	700,741	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 deferred revenue. We then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school year.

Comparing with that for the year ended 31 August 2016, tuition and boarding fees for the year ended 31 August 2017 increased mainly because our overall student enrolment increased and we increased the rates of tuition and boarding fees for certain of our schools where the newly admitted students are subject to the increased fee rates with effect from the 2016/2017 school year.

Ancillary services

In order to enhance the quality of student life on campus where our students normally live in our dormitories from Monday to Friday during school terms, we provide our students with ancillary services, including on-campus canteens, supermarkets and medical rooms, for which we charge separately in addition to tuition and boarding fees.

During the year ended 31 August 2017, we commenced to provide additional services to our students, including the arrangement of school bus and the provision of school uniform and study tours. Comparing with that for the year ended 31 August 2016, revenue from ancillary services for the year ended 31 August 2017 increased significantly, primarily due to the provision of additional ancillary services to our students and the increase in the number of students who spent for the relevant services at our schools.

	For the year ended 31 August			
Revenue by School	**2017 RMB'000**	**% of Total**	2016 RMB'000	% of Total
Dongguan Guangming School and Dongguan Guangming Primary School	**531,055**	**54.2**	428,000	61.0
Dongguan Guangzheng Preparatory School	**285,607**	**29.2**	194,691	27.8
Huizhou Guangzheng Preparatory School	**111,318**	**11.4**	59,742	8.6
Panjin Guangzheng Preparatory School	**35,780**	**3.7**	18,308	2.6
Weifang Guangzheng Preparatory School	**15,380**	**1.5**	—	—
Total	**979,140**	**100**	700,741	100

	For the year ended 31 August			
Revenue by Province	**2017 RMB'000**	**% of Total**	2016 RMB'000	% of Total
Guangdong	**927,980**	**94.8**	682,433	97.4
Liaoning	**35,780**	**3.7**	18,308	2.6
Shandong	**15,380**	**1.5**	—	—
Total	**979,140**	**100**	700,741	100

For the year ended 31 August 2017, revenue from all of our schools increased primarily due to the increase in student enrolment of the respective school. In addition, with effect from the 2016/2017 school year, we increased the tuition and boarding fees for Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School where the newly admitted students are subject to the increased fee rates.

Revenue contributions from Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, as a percentage of total revenue, increased significantly primarily due to the significant increase in student enrolment of these schools. Weifang Guangzheng Preparatory School commenced its operation in September 2016.

Our schools in Guangdong province remained as the major revenue contributors in both financial years.

Student Enrolment

For each of the school years 2014/2015, 2015/2016 and 2016/2017, the number of students withdrawn from our schools was less than 1% of the total student enrolment as at the beginning of the respective school year. The following tables set forth the student enrolment as at the beginning of each of the 2016/2017 and 2015/2016 school years:

Student Enrolment by School	As at 1 September **2016**	 2015	Change	Percentage Change
Dongguan Guangming School	**10,510**	10,417	+93	+0.9%
Dongguan Guangming Primary School	**5,973**	5,959	+14	+0.2%
Dongguan Guangzheng Preparatory School	**9,094**	7,768	+1,326	+17.1%
Huizhou Guangzheng Preparatory School	**3,903**	2,500	+1,403	+56.1%
Panjin Guangzheng Preparatory School	**1,590**	1,000	+590	+59.0%
Weifang Guangzheng Preparatory School	**718**	—	+718	N/A
Total number of students	**31,788**	27,644	+4,144	+15.0%

Student Enrolment by Category	As at 1 September **2016**	 2015	Change	Percentage Change
High school	**7,733**	6,834	+899	+13.2%
Middle school	**12,509**	10,748	+1,761	+16.4%
Primary school	**11,199**	9,759	+1,440	+14.8%
International programmes	**347**	303	+44	+14.5%
Total number of students	**31,788**	27,644	+4,144	+15.0%

Our total student number increased and the number of our primary and middle school students increased significantly primarily due to the expansion of capacity for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and the commencement of primary and middle school operation of Weifang Guangzheng Preparatory School with effect from 1 September 2016. The student number of each of Dongguan Guangming School and Dongguan Guangming Primary School remained relatively stable as land area of these campuses has been almost fully utilized.

As at 1 September 2016, the percentages of high school, middle school, primary schools and international programmes were approximately 24.3%, 39.4%, 35.2% and 1.1% of the total number of students, respectively, which remained relatively stable comparing with those as at 1 September 2015.

Student Recruitment

For recruiting our high school students, we participate in the unified admission procedure administered by the relevant Educational Bureau in the PRC and generally admit middle school graduates who have applied to our schools through the unified admission system and have reached or exceeded the standardized test scores required by us. We also recruit a limited number of specialty students who have sports, music or art talents for our high schools each school year and administer additional tests to evaluate applicants' skills in the respective specialty area.

For recruiting our middle school students, we generally admit primary school graduates who have achieved the requisite scores in admission tests administered by us.

For recruiting our primary school students, we require applicants to participate in on-campus interviews.

For the 2016/2017 school year, over 80.0% of our primary school graduates enrolled in our middle schools, and over 50% of our middle school graduates enrolled in our high schools.

Average Tuition and Boarding Fees Per Student

	For the year ended 31 August			
Tuition and Boarding Fees by School	**2017 Tuition and boarding fees RMB'000**	**2017 Average per student RMB (Note)**	2016 Tuition and boarding fees RMB'000	2016 Average per student RMB (Note)
Dongguan Guangming School	245,392	23,348	217,807	20,909
Dongguan Guangming Primary School	120,375	20,153	115,616	19,402
Dongguan Guangzheng Preparatory School	198,335	21,809	155,593	20,030
Huizhou Guangzheng Preparatory School	75,174	19,261	47,117	18,847
Panjin Guangzheng Preparatory School	22,726	14,293	13,983	13,983
Weifang Guangzheng Preparatory School	9,168	12,769	—	—
Overall	671,170	21,114	550,116	19,900

	For the year ended 31 August			
Tuition and Boarding Fees by Category	**2017 Tuition and boarding fees RMB'000**	**2017 Average per student RMB (Note)**	2016 Tuition and boarding fees RMB'000	2016 Average per student RMB (Note)
High school	171,019	22,115	137,555	20,128
Middle school	262,948	21,021	211,884	19,714
Primary school	214,008	19,110	181,285	18,576
International programmes	23,195	66,844	19,392	64,000
Total tuition and boarding fees	671,170	21,114	550,116	19,900

Note:

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective year end by the number of student enrolment as at the beginning of the respective school year. As the number of students withdrawn from our schools was less than 1% of the total student enrolment as at the beginning of each of school years 2014/2015, 2015/2016 and 2016/2017, no average student enrolment for the respective year end is presented for the calculation of the average tuition and boarding fees per student.

The average tuition and boarding fees per student for each of Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School increased for the year ended 31 August 2017, primarily due to the increase in the tuition and boarding fees for the newly admitted students in these schools with effect from the 2016/2017 school year.

School Capacity and Utilization

As all of our schools are boarding 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 records and calculations. School utilization rate is calculated by dividing the number of students enrolled by the student capacity at the beginning of relevant school year. The following tables set forth the capacity for students and utilization of our schools as at the beginning of each of the school years 2016/2017 and 2015/2016:

	As at 1 September 2016		As at 1 September 2015	
Student Capacity and Utilization by School	**Student Capacity**	**Utilization**	Student Capacity	Utilization
Dongguan Guangming School	**10,744**	**97.8%**	10,532	98.9%
Dongguan Guangming Primary School	**6,060**	**98.6%**	6,062	98.3%
Dongguan Guangzheng Preparatory School	**9,706**	**93.7%**	9,038	85.9%
Huizhou Guangzheng Preparatory School	**4,024**	**97.0%**	3,465	72.2%
Panjin Guangzheng Preparatory School	**1,866**	**85.2%**	1,455	68.7%
Weifang Guangzheng Preparatory School	**752**	**95.5%**	—	—
Overall	**33,152**	**95.9%**	30,552	90.5%

	As at 1 September 2016		As at 1 September 2015	
Student Capacity and Utilization by Category	**Student Capacity**	**Utilization**	Student Capacity	Utilization
High school	**8,294**	**93.2%**	8,112	84.2%
Middle school	**12,924**	**96.8%**	11,288	95.2%
Primary school	**11,554**	**96.9%**	10,836	90.1%
International programmes	**380**	**91.3%**	316	95.9%
Overall	**33,152**	**95.9%**	30,552	90.5%

Total student capacity increased from 30,552 as at 1 September 2015 (for the 2015/2016 school year) to 33,152 as at 1 September 2016 (for the 2016/2017 school year) primarily due to the commencement of operation of Weifang Guangzheng Preparatory School in the 2016/2017 school year and an increase in capacity of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School. The student capacity and utilization for each of Dongguan Guangming School and Dongguan Guangming Primary School remained relatively stable as the land areas of these campuses have been almost fully utilized. The overall utilization increased mainly because the student enrolment of each of our schools increased.

For details of the expansion of our schools' capacity, please refer to the section headed "Outlook" in this report.

Teachers

As at 1 September 2016, over 79% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from 1,666 as at 1 September 2015 to 1,960 as at 1 September 2016 primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the opening of Weifang Guangzheng Preparatory 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. For the 2016/2017 school year, the turnover rate of our teachers was below 10%.

Recent Business Update (For the 2017/2018 School Year)

Acquisition of Huanan Shida Yuedong Preparatory School* (華南師大粵東實驗學校) ("Jieyang School")

On 19 June 2017, a consolidated affiliated entity of the Company ("**Consolidated Entity**") entered into an agreement with an independent third party ("**Seller A**"), pursuant to which the Consolidated Entity agreed to acquire and Seller A agreed to sell 70% of the school sponsor's interest in Jieyang School at a consideration of RMB91 million. Jieyang School is a private school located in Jieyang city, Guangdong province providing primary, middle and high school education, with approximately 3,200 students in the 2016/2017 school year. On the same day, the Consolidated Entity entered into another agreement with Seller A and another

independent third party (collectively, the "**Sellers**"), pursuant to which the Consolidated Entity agreed to acquire and the Sellers agreed to sell 70% interest in the land, buildings and facilities thereon currently occupied by Jieyang School ("**Assets**") at a consideration of RMB133 million. Please refer to the Company's announcement dated 19 June 2017 for further details of the acquisition.

The financial statements of Jieyang School and the Assets were consolidated in the consolidated financial statements of the Group with effect from 1 September 2017. The name of Jieyang School will be changed upon completion of the necessary procedures.

* *For identification purposes only*

Student Enrolment Growth as at 1 September 2017

	As at 1 September			Percentage
Student Enrolment by School	**2017**	2016	**Change**	**Change**
Existing schools:				
Dongguan Guangming School	**10,507**	10,510	-3	-0.1%
Dongguan Guangming Primary School	**5,970**	5,973	-3	-0.1%
Dongguan Guangzheng Preparatory School	**10,620**	9,094	+1,526	+16.8%
Huizhou Guangzheng Preparatory School	**6,011**	3,903	+2,108	+54.0%
Panjin Guangzheng Preparatory School	**2,170**	1,590	+580	+36.5%
Weifang Guangzheng Preparatory School	**1,401**	718	+683	+95.1%
	36,679	31,788	+4,891	+15.4%
New school:				
Jieyang School (acquired in 2017)	**4,501**	N/A	+4,501	N/A
Total number of students	**41,180**	31,788	+9,392	+29.5%

The increase in student enrolment by 9,392, or 29.5%, was partly due to 15.4% organic growth in student enrolment of the existing schools of the Group and partly due to 14.1% growth as a result of the acquisition of Jieyang School.

New High Schools Opened

A new high school section was opened in each of Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School with effect from 1 September 2017.

Major Tuition and Boarding Fees Increments

With effect from 1 September 2017, new primary and middle school students of Weifang Guangzheng Preparatory School are subject to new tuition and boarding fees increments of more than 25% whereas new primary and middle school students of Panjin Guangzheng Preparatory School are subject to new tuition and board fees increments of more than 6%.

Expansion of Schools' Capacity

As the overall schools' utilization rate was about 95.9% for the 2016/2017 school year, the Group has expanded its student capacity in order to cope with the growth in student enrolment in the next two school years. The overall student capacity increased from 33,152 as at 1 September 2016 to 49,804 as at 1 September 2017, representing a year-on-year growth of about 50.2%.

For details below of the expansion of capacity for each or our schools, please refer to the section headed "Outlook".

Number of Teachers

The number of teachers increased from 1,960 as at 1 September 2016 to 2,580 as at 1 September 2017, primarily due to our continued expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and the acquisition of Jieyang School.

Market Review

Private education was first allowed in China by law in early 1980s to bridge the shortage of public education resources. Private education has experienced rapid growth and become an important segment in the PRC education system.

Student Enrolment of Primary and Secondary Education in China

According to the Frost & Sullivan Report, the overall number of both public and private primary and secondary schools' students in China is expected to increase from 166.0 million students in 2016 to 171.8 million students in 2020, whereas the total number of private primary and secondary schools' students in China is expected to increase from 15.3 million students in 2016 to 18.5 million students in 2020.

Our Market Position in South China

According to the Frost & Sullivan Report, the total number of private primary and secondary schools' students in South China is expected to increase from 3.4 million in 2016 to 4.0 million in 2020.

Premium private schools in China are defined to include private schools whose annual tuition fee is higher than the average per student public fiscal budget on education of the province they operate in, and these schools generally offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium private schools, according to the Frost & Sullivan Report.

In the 2015/2016 school year, the number of students enrolled in premium private primary and secondary schools in South China accounted for approximately 29% of the total student number in private primary and secondary schools in South China, and we were the largest provider of premium private primary and secondary education in South China, in terms of student enrolment, with a market share of approximately 2.8%, according to the Frost & Sullivan Report.

Outlook

Growth Drivers of Premium Private Education in China

i) Growing Number of Middle and High Income Class Families in China

According to the report released by The Economist Intelligence Unit in 2016, it is expected that about 35% of China's population by 2030 will belong to the upper-middle income class and high income class whose annual personal disposal income measured in 2015 prices range from RMB67,000 to RMB200,000 and above RMB200,000, respectively.

We expect that the growth in the number of these middle and high income class families and the rise in their corresponding disposable income may drive their spending on premium private fundamental education. Parents from these families normally consider premium private education as a preferred choice of education for their children because premium private schools generally pay more attention to develop quality all-rounded education and provide better facilities and ancillary services, helping students to gain better access to top universities in China.

According to the Frost & Sullivan Report, the overall penetration rate of private primary and secondary school, in terms of student enrolment, increased from 7.6% in 2012 to 9.0% in 2015 and it is expected that the penetration rate of private primary and secondary schools will continue to increase from 9.3% in 2016 to 10.8% to 2020.

ii) China's Two-child Policy

The Chinese government decided to end the one-child policy in October 2015 after more than three decades, allowing couples to have two children. According to the National Bureau of Statistics of China, the total number of live births in China in 2016 was approximately 17.9 million, representing an increase of more than 1 million compared with that of 2015. In particular, the number of newborn babies in Guangdong province in the same year was approximately 1.3 million, with a live birth rate of about 11.9%.

We expect that middle and high income class families will generally afford to have two children under this new policy and accordingly, this policy change will benefit premium private primary and secondary school in the medium and long term.

iii) A Supplement to Chinese Public Schools

Generally, it is difficult for Chinese students to get enrolled in quality public schools in local cities in China due to limited public education resources and local limitation policies such as those relating to students' registered permanent residence. Furthermore, education resources in public schools are generally not distributed equally in China. Premium private schools usually have more flexible enrolment plan and less restricted admission requirements and thus providing a supplement to quality public schools in China.

iv) The Development of Guangdong-Hong Kong-Macau Greater Bay Area

According to the Chinese government statistics, the gross domestic product ("**GDP**") of Guangdong province reached about RMB7.9 trillion and the population was about 109 million in 2016, both of which were ranked first in China. In March 2017, the Chinese government announced a plan for the development of a city cluster in the Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**"). The Greater Bay Area, covering 56,500 square kilometer, includes 9 cities in Guangdong province — Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing. The combined GDP of the Greater Bay Area reached United States Dollar 1.36 trillion in 2016, with an estimated population of 66.7 million.

The key initiative of developing Greater Bay Area is to connect the 11 cities which can combine resources in the areas of production, innovation and technology, financial and other services. It is expected that the development of the Greater Bay Area will further improve the transportation and the infrastructure in the relevant cities, facilitating the flow of capital and human resources from other regions in China to the Greater Bay Area. We expect that the Greater Bay Area development will boost the economy and provide more business opportunities for supporting social services such as premium private primary and secondary school education in Guangdong province.

Our Growth Plan

Geographic Focus in Guangdong Province

We are optimistic about the strong demand for private education in Guangdong province backed by the development of the Greater Bay Area. As such, we will focus on our expansion primarily in Guangdong province. However, we will not exclude any feasible expansion opportunity outside Guangdong province. When selecting a location for our expansion, we consider various factors including economic development, population, average household income, number of school-aged children, birth rate, social and cultural environment, government support, competition and the relevant costs and benefits for operating a private school in that location.

Expansion Strategies

In order to sustain our growth, we intend to (i) expand our school network through acquisition of local private schools, (ii) establish more greenfield schools and (iii) increase the capacity of our schools.

I) Acquisition of Local Private Schools

We are in the process of negotiating with certain independent third parties to acquire certain private schools providing private primary and secondary education in China. As at the date of this report, the Group has not entered into any formal or legal-binding agreement in relation to the proposed acquisitions. The proposed acquisitions may or may not proceed and further announcement(s) will be made if necessary.

II) Establishment of Own Greenfield Schools with Local Government

a) New School Under Construction — Expected Date of Commencement in September 2018

Yunfu, Guangdong province

On 19 July 2016, the Group entered into a cooperation agreement with the local government of Yunfu, Guangdong province to establish a school in Yunfu, providing, among other things, primary, middle and high school education, with a target maximum capacity of 10,680 students. Pursuant to the cooperation agreement, the local government of Yunfu agreed to allocate a parcel of land to the Group for educational purposes at a designated price and provide certain preferential policies and assistance to the school to facilitate its construction and operation, whereas Group is responsible for the construction of the school properties in several phases. It is originally expected that the school should have commenced operation in September 2017. However, since that the local government of Yunfu has recently identified another parcel of land with a larger site area and a better location than the original one allocated to the Group, the Group and the local government of Yunfu, from a future expansion perspective, have agreed to reschedule the commencement date of the school to September 2018.

Guang'an, Sichuan province

On 4 May 2016, the Group entered into a cooperation agreement with the local government of Guang'an, Sichuan province and the management committee of Guang'an Zaoshan Logistics and Trade Park to establish a new school in Guang'an, providing, among other things, primary, middle and high school education, as well as international programmes, with a target maximum capacity of approximately 9,280 students. Pursuant to the cooperation agreement, the local government of Guang'an agreed to allocate a parcel of land to the Group for educational purposes and provide certain preferential policies and assistance to the school to facilitate its construction, whereas the Group is responsible for the construction of the school in several phases. It is originally expected that the school should have commenced operation in September 2017. Due to the delay in obtaining the assistance from the local government of Guang'an to facilitate the school construction, the Group and the local government of Guang'an agreed to reschedule the commencement date of the school to September 2018.

b) Exploring more opportunities in Guangdong province

We are in the process of negotiating with certain local governments in the cooperation of the development of private primary and secondary schools in certain cities located in Guangdong province. As at the date of this report, we have not signed any formal or legal-binding agreement in relation to the proposed cooperation.

III) Expansion of Capacity of Our Schools

Except for that the land areas of Dongguan Guangming School and Dongguan Guangming Primary School campuses have been almost fully utilized, we will continue to increase the capacity of other schools where their campuses have extra land areas for our expansion in order to cope with the future growth in student enrolment of the relevant schools.

However, the expansion of our schools' capacity is subject to adjustment, depending on their actual student recruitment and capacity utilization. The following table sets out the expansion of each school's capacity and its target capacity:

Existing Schools	**Student Capacity as at 1 September 2016**	**Estimated Student Capacity as at 1 September 2017**	**Target Student Capacity (Notes)**
Dongguan Guangming School	10,744	10,744	10,744
Dongguan Guangming Primary School	6,060	6,060	6,060
Dongguan Guangzheng Preparatory School	9,706	13,500	15,226(1)
Huizhou Guangzheng Preparatory School	4,024	8,000	9,464(1)
Panjin Guangzheng Preparatory School	1,866	2,500	6,200(1)
Weifang Guangzheng Preparatory School	752	4,000	8,000(1)
Jieyang School acquired	N/A	5,000	18,000(2)
Sub-total	33,152	49,804	73,694
Greenfield Schools Under Construction — Expected commencement in 9/2017			
Yunfu Guangzheng Preparatory School	—	—	7,000(3)
Guang'an Guangzheng Preparatory School	—	—	7,860(4)
Sub-total	—	—	14,860
Total	33,152	49,804	88,554

Notes:

(1) The target student capacity for each of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School is calculated based on the estimated number of students that the student dormitories of the respective school were designed to accommodate according to the relevant school expansion plans by the 2020/2021 school year or earlier. The expansion of each school's target student capacity is subject to adjustment, depending on the actual student recruitment and the capacity utilization of the relevant school.

(2) 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. The expansion of Jieyang School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.

(3) The target student capacity of 7,000 for Yunfu Preparatory School is based on the initial total capacity for primary school, middle school and international programme students (i.e. without high school) as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Yunfu Preparatory School is estimated to be 10,680 students, which is based on the final total capacity for primary, middle and high school education, and international programme as set forth in the relevant cooperation agreement. The expansion of Yunfu Preparatory School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.

(4) The target student capacity of 7,860 for Guang'an Guangzheng Preparatory School is based on the initial total capacity for primary school, middle school and international programme students (i.e. without high school) as set forth in the cooperation agreement with the relevant local government authority. The maximum capacity for Guang'an Guangzheng Preparatory School is estimated to be 9,280 students, which is based on the final total capacity for primary, middle and high school education, and international programme as set forth in the relevant cooperation agreement. The expansion plan of Guang'an Guangzheng Preparatory School's target student capacity is subject to adjustment, depending on its actual student recruitment and capacity utilization.

Future Capital Expenditure and Financing

We expect that the Group's future capital expenditure will primarily be financed by its net proceeds from the Listing (see the paragraph headed "Use of Proceeds" below), cash flow generated from operating activities, bank borrowings and other financing options available from capital markets if necessary.

Teacher's Recruitment, Training and Retention

We employ our teachers through different channels and methods, including campus recruitment, general public recruitment, candidate self-nominations and the use of online recruiting websites. Our newly hired teachers undergo training programmes in which they familiarize themselves with the requirements and expectations of their respective school and our Group, and get to know their work environment and colleagues. We also 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 reward teachers with high performance evaluations and require teachers who do not meet out expectations to improve within a prescribed period of time. We implement strict rules prohibiting our teachers from accepting gifts of monetary value from parents and students.

Conclusion

We will focus our resources to expand our business in Guangdong province. With our successful expansion track record and multiple expansion strategies, we are confident to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China.

Use of Proceeds

The net proceeds from the Listing (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 31 August 2017, the Company has applied the net proceeds as follows:

Use of Proceeds	% of the Net Proceeds	Proceeds Allocated (RMB'000)	Amount Utilized (RMB'000)	Unutilized Balance (RMB'000)
— Expansion of our school network, in particular, through the development of new schools;	65%	474.5	89.2	385.3
— 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	2.3	12.3
— Acquisition of schools to supplement our school network	18%	131.4	91.0	40.4
— Provision of scholarships and subsidies to our students	2%	14.6	1.2	13.4
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	278.6	451.4

The unutilized net proceeds are generally placed in licensed financial institutions as short-term interest-bearing deposits.

Regulatory Update

Our Schools under The Law for Promoting Private Education

According to the Law for Promoting Private Education (which was effective on 1 September 2003 and was subsequently amended on 29 June 2013) and its implementing rules (which were effective on 1 April 2004) in the PRC, school sponsors of private schools may or may not require reasonable return. Private schools with school sponsors not requiring reasonable returns should be eligible for tax incentives that are the same as public schools, such as enterprise income tax ("**EIT**") exemption, subject to the local government and tax bureau's approval. On the other hand, any preferential tax treatment policies for private schools with school sponsors requiring reasonable returns shall be separately formulated by the relevant authorities. However, there were no formal PRC tax rules or regulations elaborating the tax incentives applicable to private schools with school sponsors requiring reasonable returns and there were no formula or guidelines for determining what constitutes a reasonable return. As such, even though all of our schools were private schools with the school sponsors requiring reasonable returns classified under the Law for Promoting Private Education, our schools were subject to EIT of 25% before the effective date of The Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) approved by the Standing Committee of the National People's Congress on 7 November 2016 ("**Decision**").

The Decision on Amending the Law for Promoting Private Education

The Decision, which has been effective since 1 September 2017, made certain amendments to the Law for Promoting Private Education of the PRC. The Decision removed the article that school sponsors of private schools may choose to require reasonable returns. According to the Decision, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, except that schools which provide compulsory education (i.e. primary and middle schools offering PRC curriculum) can only be established as not-for-profit entities, and sponsors of not-for-profit schools are not entitled to any distribution of profits from the schools they operate. All operation surplus of not-for-profit schools shall be used for the operation of the schools. Not-for-profit schools are entitled to enjoy EIT exemption as public schools.

The Decision Has No Material Impact on Our Business and Operation

Since 1 September 2017, all of our primary and middle schools providing compulsory education have been classified as not-for-profit schools according to the Decision and we have also decided to change our high schools to not-for-profit schools based on the cost and benefit considerations though implementation regulations in relation to the Decision have not been promulgated. We expect our effective tax rate of the Group, being the income tax divided by profit before taxation, will be reduced if all our schools are classified as not-for-profit schools which are entitled to the same EIT exemption as public schools. Other than those mentioned above, we do not expect the Decision will have material impact on our business and operation.

The Decision Has No Material Impact on Our Group Structure

Our PRC legal adviser has advised us that, the Decision has no material impact on the contractual arrangements ("**Contractual Arrangements**") adopted in our Group's variable interest entity structure ("**VIE**") and that the Contractual Arrangements will remain legal and effective (including the payment of fees pursuant thereunder) after the Decision becomes effective, if the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) ("**Sino foreign Schools Regulation**"), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015 年 修 訂)) ("**Guidance Catalog**") and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements adopted in the Group's VIE structure.

Draft Foreign Investment Law

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation. Accordingly we conduct our private education business in the PRC through a "variable interest entity" structure, or VIE structure, through which we obtain control over and derive the economic benefits from our consolidated affiliated entities.

On 19 January 2015, the Ministry of Commerce of the PRC (中華人民共和國商務部) published the PRC Law on Foreign Investment (Draft for Comment) (《外國投資法（草案徵求意見稿）》) ("**Draft Foreign Investment Law**") and its accompanying explanatory notes ("**Explanatory Notes**") proposing major changes to the PRC foreign investment regulatory regime, which was expected to have a significant impact on businesses operated in the PRC by foreign invested enterprises primarily through contractual arrangements, including our business conducted through the Contractual Arrangements.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise or a foreign invested entity ("**FIE**"). Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the "negative list", it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

As a measure to ensure the Contractual Arrangements remain a domestic investment and are compliant with the Draft Foreign Investment Law, Mr. Liu Xuebin and Ms. Li Suwen, as our controlling shareholders, have each given an undertaking in favour of our Company that, among other things, they will continue to maintain their Chinese nationality and citizenship. Please refer to the sections headed "Regulations" and "Contractual Arrangements" in the Prospectus for further details relating to the Draft Foreign Investment Law and the measures we have adopted to ensure compliance with the Draft Foreign Investment Law and its Explanatory Notes. The Company is not aware of any non-compliance with such measures for the year ended 31 August 2017.

Qualification Requirement

Under the Sino-Foreign Regulation, foreign investors of Sino-foreign joint venture schools must be foreign educational institutions. According to the Sino-Foreign Regulation, such foreign investors must be foreign institutions with relevant qualifications and experience in a foreign country ("**Qualification Requirement**"). As part of our efforts to meet the Qualification Requirement, we entered into a memorandum of understanding with Dewey College on 10 February 2016 with respect to the parties' proposed cooperation in setting up a private school in Ontario, Canada, as well as other proposed cooperation in international education. As at the date of this report, we had established a subsidiary with Dewey International Holdings Limited in Canada for the potential development of the new school in Canada. Please refer to the section headed "Contractual Arrangements" in the Prospectus for further details of our efforts and actions undertaken to comply with the Qualification Requirement.

Financial Review

Revenue

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

The Group's total revenue increased by RMB278.4 million, or 39.7%, from RMB700.7 million for the year ended 31 August 2016 to RMB979.1 million for the year ended 31 August 2017. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB121.1 million and the increase in revenue from ancillary services by RMB157.3 million.

Revenue from tuition and boarding fees increased by 22.0% from RMB550.1 million for the year ended 31 August 2016 to RMB671.2 million for the year ended 31 August 2017, largely due to the increase in total student enrolment by 15.0% from 27,644 as at 1 September 2015 to 31,788 as at 1 September 2016 and the increase in tuition and boarding fee rates of Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School with effect from the 2016/2017 school year.

Revenue from ancillary services increased by 104.5% from RMB150.6 million for the year ended 31 August 2016 to RMB308.0 million for the year ended 31 August 2017, primarily due to the provision of additional services to our students and the increase in the total student enrolment as mentioned in the section headed "Management Discussion and Analysis" above.

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 goods sold for ancillary services, which primarily consist of cost of goods sold at our on-campus canteens, (iii) depreciation and amortization on property, plant and equipment and land and buildings used by our schools, (iv) utilities and maintenance costs for our schools and (v) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses.

	For the year ended 31 August			
	2017 RMB'000	**% of Revenue**	2016 RMB'000	% of Revenue
Staff costs	**248,158**	**25.3**	197,501	28.2
Cost of goods sold for ancillary services	**168,780**	**17.2**	76,336	10.9
Depreciation and amortization	**53,278**	**5.5**	46,739	6.7
Utilities and maintenance	**26,689**	**2.7**	26,096	3.7
Education expenses	**32,384**	**3.3**	23,680	3.4
Total cost of revenue	**529,289**	**54.0**	370,352	52.9

Cost of revenue increased by RMB158.9 million, or 42.9%, from RMB370.4 million for the year ended 31 August 2016 to RMB529.3 million for the year ended 31 August 2017. The increase in cost of revenue was generally in line with the increase in revenue.

Staff costs increased mainly because the number of teachers increased by 17.6% from as 1,666 at 1 September 2015 to 1,960 as at 1 September 2016, primarily attributable to the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and the new opening of Weifang Guangzheng Preparatory School. There was no material increase in the salary level of our teachers for the year ended 31 August 2017.

Increase in depreciation and amortisation was primarily to the enhancement and expansion of our Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, and the opening of Weifang Guangzheng Preparatory School with effect from September 2016.

Gross Profit

As a result of the foregoing, gross profit increased by 36.2% from RMB330.4 million for the year ended 31 August 2016 to RMB449.9 million for the year ended 31 August 2017. Our gross margin decreased slightly from 47.1% for year ended 31 August 2016 to 45.9% for the year ended 31 August 2017, primarily due to the change in revenue mix in which the proportion of our revenue from ancillary services increased.

Other Income

Other income primarily consists of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary and non-conditional subsidies we received from the PRC government authorities for 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 Gains and Losses

Other gains and losses for the year ended 31 August 2017 primarily consist of (i) unrealised exchange loss, and (ii) gains arising from change in fair value of investment properties.

Other gains and losses increased from a loss of RMB6.2 million for the year ended 31 August 2016 to a loss of RMB26.2 million for the year ended 31 August 2017. The depreciation of HK$ against RMB during the year ended 31 August 2017 resulted in the foreign exchange loss of RMB26.1 million for certain bank balances denominated in HK$.

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 bonuses, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools.

Selling expenses increased by 28.6% from RMB13.3 million for the year ended 31 August 2016 to RMB17.1 million for the year ended 31 August 2017, primarily as a result of increased advertising expenses in relation to the marketing and promotion of our Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. However, selling expenses as a percentage of revenue decreased from 1.9% for the year ended 31 August 2016 to 1.7% for the year ended 31 August 2017.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) rental expenses, (iii) depreciation of office buildings and equipment, (iv) office 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 34.0% from RMB93.9 million for the year ended 31 August 2016 to RMB125.8 million for year ended 31 August 2017, primarily as a result of the increase in salaries and other benefits in line with the Group's expansion plan. Administrative expenses as a percentage of revenue, however, decreased from 13.4% for the year ended 31 August 2016 to 12.8% for the year ended 31 August 2017.

Finance Income

Finance income consists of (i) imputed interest income on advances to Cinese Group Company Limited (富盈集團有限公司) (the "**Cinese Group**"); and (ii) bank interest income.

Finance income decreased from RMB64.1 million for the year ended 31 August 2016 to RMB6.9 million for the year ended 31 August 2017 primarily due to the decrease in imputed interest income on advances to Cinese Group as a result of the settlement of majority balances with Cinese Group during the current year.

Finance Costs

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

Finance cost decreased from RMB69.6 million for the year ended 31 August 2016 to RMB18.2 million for the year ended 31 August 2017 primarily due to the decrease in average bank borrowings during the current year.

Profit before Taxation

As a result of the foregoing, profit before taxation increased by 39.0% from RMB194.5 million for the year ended 31 August 2016 to RMB270.3 million for the year ended 31 August 2017. Profit before taxation as a percentage of revenue of the Group was 27.6% for the year ended 31 August 2017, which was comparable to that of 27.8% for the year ended 31 August 2016.

Taxation

Income tax expense of the Group increased from RMB40.2 million for the year ended 31 August 2016 to RMB70.1 million for the year ended 31 August 2017, mainly due to the increase in assessable profit of certain subsidiaries of the Company. All of our schools were classified as private schools with the school sponsors requiring reasonable returns before the Decision were effective on 1 September 2017. The effective tax rate of the Group for the year ended 31 August 2017 and the year ended 31 August 2016 was 25.9% and 20.7%, respectively. The increase in the Group's effective tax rates was primarily due to the unrealised exchange loss and share-based payments which were non-deductible for tax purpose.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 30.0% from RMB154.4 million for the year ended 31 August 2016 to RMB200.2 million for the year ended 31August 2017.

Core Net Profit

The Group defines its core net profit (formerly referred to as adjusted net profit in the Prospectus) as its profit for the year 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 of the Group to core net profit for the two financial years presented below:

	For the year ended	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**200,195**	154,363
Less:		
Imputed interest income on advances to Cinese Group (note)	**3,029**	63,950
Add:		
Finance costs in relation to advances to Cinese Group (note)	**9,709**	68,608
Listing expenses (note)	**10,257**	24,401
Unrealised exchange loss	**26,081**	—
Loss on disposal of subsidiaries	**—**	2,353
Share-based payments	**5,304**	—
Core net profit	**248,517**	185,775

Note: We do not expect to have these items in coming financial years.

Core net profit for the year ended 31 August 2017 was RMB248.5 million, representing an increase of RMB62.7 million or 33.8% from RMB185.8 million recorded for the year ended 31 August 2016. Core net profit margin decreased from 26.5% for the year ended 31 August 2016 to 25.4% for the year ended 31 August 2017, largely reflected the decrease in gross profit margin.

Capital Expenditure

For the year ended 31 August 2017, the Group paid RMB445.4 million for the acquisition of property, plant and equipment and paid RMB85.8 million for the acquisition of prepaid lease for the expansion of our existing schools.

Liquidity, Financial Resources and Capital Structure

The following table sets forth a summary of our cash flows for the two financial years:

	For the year ended	
	2017 RMB'000	2016 RMB'000
Net cash from operating activities	**395,551**	333,248
Net cash (used in) from investing activities	**(502,583)**	251,066
Net cash from (used in) financing activities	**397,272**	(492,838)
Net increase in cash and cash equivalents	**290,240**	91,476
Cash and cash equivalents at beginning of the year	**103,705**	12,229
Effect of foreign exchange rate changes	**(15,894)**	—
Cash and cash equivalents at end of the year	**378,051**	103,705

As at 31 August 2017, the Group's total pledged bank deposits, bank balances and cash amounted to RMB753.5 million, of which the majority were denominated in HK$ and RMB. The increase in pledged bank deposits, bank balances and cash primarily due to the net proceeds received from the Listing.

As at 31 August 2017, the Group's total bank borrowings amounted to RMB621.8 million comprising RMB154.9 million repayable within one year and RMB466.9 million repayable more than one year. Bank borrowings carried interest rates ranging from 4.4% to 6.9% per annum and all of the bank borrowings were denominated in RMB.

The Group recorded net current liabilities of RMB489.5 million as of 31 August 2017 (31 August 2016: RMB457.6 million) primarily as a result of the deferred revenue which represents the tuition fees and boarding fees received in advance prior to the beginning of next school term.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total bank borrowings net of pledged bank deposits, bank balances and cash divided by total equity at the end of the relevant year. The Group was in net cash position as at 31 August 2017. Net gearing ratio as at 31 August 2016 was 60.7%. The decrease in net gearing ratio was primarily due to the increase in the Group's total equity resulted from the issue of new shares of the Company in relation to the Listing.

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 expenditures are denominated in HK$. As at 31 August 2017, certain bank balances and cash were denominated in HK$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will only have an insignificant adverse effect on the Group's operation.

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.

Capital Commitments

	2017 **RMB'000**	2016 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	**427,572**	231,756

Pledge of Assets

As at 31 August 2017, the Group's bank borrowings were secured by bank deposits and the rights to receive the tuition fees and boarding fees of certain schools of the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save for the acquisition of Jieyang School as disclosed in the section headed "Recent Business Update" above, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2017.

Significant Investments Held

As at 31 August 2017, there was no significant investment held by the Group.

Directors and Senior Management

The biographical details of the directors ("**Directors**") and senior management of the Company, its subsidiaries and consolidated affiliated entities ("**Consolidated Affiliated Entities**") (collectively the "**Group**") are set out as follows:

Executive Directors

Mr. LIU Xuebin (劉學斌), aged 45, is the chairman of the Board and a co-founder of our Group. He was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. He is primarily responsible for the overall formulation, supervision and guidance of business strategies, planning and development of our Group. Out of his commitment in social responsibilities, Mr. Liu founded our Group by establishing 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) ("**Guangdong Guangzheng**") with Ms. Li in October 2002 and has acted as its director since then. Prior to joining our Group, since June 2002, Mr. Liu has acted as the chairman of 東莞市富盈房地產開發有限公司 (Dongguan Cinese Real Estate Development Co. Ltd.), a property developer in the People's Republic of China ("**PRC**"), in overseeing its business strategies, planning and development.

In addition to our Group, Mr. Liu also holds direct or indirect interests in other companies engaged in other business in the PRC including real estate, construction, hotel and tourism.

Mr. Liu completed a graduate programme on project management from the Economics Department of Peking University in March 2004. Mr. Liu was awarded the World Outstanding Chinese Award (世界傑出華人獎) by United World Chinese Association Limited (世界華人協會) in 2007.

Ms. LI Suwen (李素文), aged 44, is the chief executive officer of our Company and a co-founder of our Group. She was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. She is primarily responsible for the overall management and business development of our Group. Ms. Li founded our Group in establishing Guangdong Guangzheng with Mr. Liu in October 2002. Ms. Li has dedicated her career to the cause of education since the establishment in October 2002. She founded a number of educational institutions within our Group including Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

Ms. Li completed a graduate programme on project management from the Economics Department of Peking University in March 2004.

Mr. LI Jiuchang (李久常), aged 38, is the chief operating officer of our Company. He was appointed as an executive Director on 7 June 2016 and is primarily responsible for the overall management of the operation of our schools. Mr. Li has more than 14 years of experience in the educational sector. He joined Guangdong Guangzheng in September 2003 as a high school teacher. He has acted as the deputy general manager of Guangdong Guangzheng since September 2012, primarily responsible for the daily operation of the Group.

Mr. Li's dedication in education has been well recognised. He was awarded the Dongguan Outstanding Youth Volunteer (東莞市優秀青年志願者) by the Communist Youth League, Dongguan branch (共青團東莞市委) and Dongguan Young Volunteers Association (東莞市青年志願者協會) in April 2006. He was also appointed a core member of the Research Team for Project Studies under the Eleventh Five-Year Plan of the National Educational Science Programme of the MOE (全國教育 科學"十一五"教育部規劃課題研究組) and an Advanced Practitioner in Project Studies of the MOE (教育部課題研究先進工作者).

Mr. Li obtained a bachelor's degree in history from the Shaanxi Normal University (陝西師範大學).

Mr. NG Cheuk Him (吳卓謙), aged 42, is the chief financial officer and company secretary of our Company. He was appointed as an executive Director on 7 June 2016. Mr. Ng joined our Group in September 2015 and is primarily responsible for overall financial management and corporate governance of our Group.

Mr. Ng has over 20 years of experience in accounting and auditing, corporate financial management, investment and mergers and acquisitions, and he worked with companies listed on the Main Board as well as an international investment bank. Prior to joining our Group, Mr. Ng worked served as the chief financial officer and company secretary of Miko International Holdings Company Limited (stock code: 1247) and China Sunshine Paper Holdings Company Limited (stock code: 2002), companies listed on the main board of the Stock Exchange. Prior to such appointment, he held a senior position in BNP Paris Capital (Asia Pacific) Limited.

He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Independent Non-Executive Directors

Mr. SUN Kai Lit Cliff (孫啟烈), aged 64, was appointed as an independent non-executive Director on 3 January 2017. Since August 2002, he has served as a co-founder and a non-executive director of China South City Holdings Limited, a company listed on the Stock Exchange (stock code: 1668). Mr. Sun is an associate of the Institute of Industrial Engineers, Ohio and has over 30 years experience in the household products manufacturing industry. Since 1980, Mr. Sun has been the executive director of Kinox Enterprises Limited and Kin Hip Metal and Plastic Factory Ltd., both of which are principally engaged in the manufacturing of kitchenware and other metal and plastic products. Since June 2007, he has also acted as an independent non-executive director of Ka Shui International Holdings Ltd., a company listed on the Stock Exchange (stock code: 0822). From July 2007 to March 2016, he also acted as an independent non-executive director of Ming Fai International Holdings Ltd., a company listed on the Stock Exchange (stock code: 3828).

Mr. Sun was appointed Adjunct Professor of City University of Hong Kong in January 2017. He was also appointed as Justice of the Peace by the Government of Hong Kong in July 2003, and was awarded a Bronze Bauhinia Star (BBS) by the Government of Hong Kong Special Administration Region in July 2006. He is currently a member of the 11th Zhejiang Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆浙江省委員會) and has served as a standing committee member of both the CPPCC Shenzhen and Ningbo committee. He is currently chairman of ICAC Business Ethics Development Advisory Committee (廉政公署商業道德諮詢委員會主席), President of Shenzhen CPPCC HK and Macau members Association (深圳市政協歷屆港澳委員聯誼會會長), President of Shenzhen Overseas China International Association (深圳市僑商國際聯合會會長), Mr. Sun holds a number of honorary posts due to his past services in the respective organizations which include Honorary President of the Federation of Hong Kong industries, Honorary Chairman of the Hong Kong Exporter's Association, Honorary Chairman of the Hong Kong Q Mark Council, and Hong Kong Plastics Manufacturers Association Ltd. Mr. Sun also involves himself in educational institutions and served in the Vocational Training Council as council member for 6 years until end of 2015 and is currently a board governor of Australian International School.

Mr. TAM King Ching Kenny (譚競正), aged 68, was appointed as an independent non-executive on 3 January 2017. Mr. Tam serves as the Chairman of the Audit Committee, and a member of the Nomination Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Professional Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Insolvency SD Vetting Committee and the Small and Medium Practitioners Committee in the Hong Kong Institute of Certified Public Accountants. He is a past president of The Society of Chinese Accountants and Auditors. Mr. Tam also serves as an independent non-executive director of eight other listed companies on the Main Board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, CCT Fortis Holdings Limited, Starlite Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited (formerly Van Shung Chong Holdings Limited), BeijingWest Industries International Limited, West China Cement Limited and CCT Land Holdings Limited.

Mr. YAU Sze Ka (游思嘉), aged 45, was appointed as an independent non-executive Director on 3 January 2017.

Mr. Yau has over 23 years of experience in real estates, capital markets and corporate management. From 2011 to present, Mr. Yau has been the chief financial officer of CIFI Holdings (Group) Co. Ltd. ("CIFI Holdings"), a company listed on the Stock Exchange (stock code: 884) principally engaged in property development and property investment in China. Prior to that, Mr. Yau had held senior positions at Lai Sun Group of Hong Kong and various international investment banks.

Mr. Yau graduated from the University of California at Berkeley with a bachelor of science degree. He is also a holder of Chartered Financial Analyst.

Senior Management

Mr. Wayne Li Ying Wai (李英偉), aged 48, is the Executive Vice President of our Company. He joined our Group in November 2017 and is responsible for driving the group's strategy formation, implementation and business development.

Mr. Li possesses 25 years of experience from multinational financial service companies, and has been involved in developing their Asian Pacific business via organic growth, and merger and acquisitions. During his tenure at Standard & Poor's Platt's, Thomson Financials, Fitch Ratings and Deloitte Financial Advisory Services, Mr. Li has worked with various education groups advising them on financing and strategic development. Mr. Li has also built an extensive network and long term relationship with global investors as he has worked with a number of institutions in assessing investment opportunities across different industries in Asia Pacific, particularly in China.

Mr. LAU Chi Hung (劉志雄), aged 47, was appointed as vice president and chief investor relations officer of the Company on 7 March 2017.

Mr. Lau has accumulated over 20 years of experience in investor relations, financial management, accounting, auditing, company secretarial affairs and corporate finance, including initial public offerings, mergers and acquisitions, from his previous employment as senior management in several companies whose shares are listed on the Stock Exchange and his past career in Deloitte Touche Tohmatsu. Prior to joining the Company in March 2017, Mr. Lau was the vice president, head of investor relations and company secretary of China Maple Leaf Educational Systems Limited whose shares are listed on the Stock Exchange (stock code: 1317).

Mr. Lau is a practising member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, a certified tax adviser and an associate member of The Taxation Institute of Hong Kong. He is also an associate member of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Lau obtained a bachelor's degree in accountancy and a master's degree in business administration from The Hong Kong Polytechnic University.

Ms. CHEN Xi (陳曦), aged 51, is the principal of Huanan Shida Yuedong Preparatory School. She was appointed to such position in August 2017 and is primarily responsible for overseeing the daily operations of Huanan Shida Yuedong Preparatory School. Ms. Chen was the principal of the middle school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School and she was appointed to such positions in August 2012 and July 2015 respectively.

Ms. Chen has received various awards relating to education, including the Green School Gardener Award (綠色學校園丁獎) jointly granted by the MOE and the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部, previously known as the State Environmental Protection Administration of China (中國國家環境保護總局)) and the first prize of a dissertation competition held by the Chinese Society of Education (中國教育學會) with her dissertation on educational management.

Ms. Chen obtained a bachelor's degree of arts in education management from Guangdong University of Education (廣東第二師範學院) (previously known as Guangdong Institute of Education (廣東教育學院)). She also holds a degree in education from South China Normal University (華南師範大學).

Mr. DU Shuangxi (杜雙喜), aged 47, is the principal of Dongguan Guangming Primary School. He was appointed to such position in July 2015 and is primarily responsible for overseeing the daily operations of Dongguan Guangming Primary School.

Mr. Du joined our Group in August 2006. Prior to the appointment to his present position in our Group, he served on various positions in other schools in the PRC.

In recognition of his contributions in education, Mr. Du was recognised as a Core Teacher in Chinese Language Education in Primary Schools of Hunan Province (湖南省小學語文骨幹教師) by the Department of Education of Hunan (湖南省教育廳), an Outstanding Individual in the Project Study for the Tenth Five-Year Plan of Educational Technology Development of Hunan Province (湖南省現代教育技術"十五"課題研究先進個人) by the E-education Centre of Hunan (湖南省電化教育館) and Hunan Education Technology Association (湖南省教育技術協會) and one of the Top 100 Leading Scholars of Primary and Middle Schools in China (全國中小學百佳學術研究帶頭人) by the Chinese Society of Primary and Middle School Education (中國中小學教育學會).

Mr. Du obtained a bachelor's degree in public administration from the Central China Normal University through distance learning. Ms. Du obtained the qualification of Primary School Senior Teacher (小學高級教師) issued by the Education Office of Baizhi County (柏枝鄉教育辦).

Mr. WANG Yongchun (王永春), aged 36, is the principal of the Dongguan Guangming School. He was appointed to such position in September 2015 and is primarily responsible for overseeing the daily operations of the Dongguan Guangming School.

Mr. Wang joined our Group in August 2003. Prior to the appointment to his present position in our Group, Mr. Wang served on various positions in our schools, including the class teacher, grade leader, director of moral education and administrative officer. In particular, he acted as the vice principal of Dongguan Guangzheng Preparatory School.

In recognition of his contributions in education, Mr. Wang was recognised as an Outstanding Practitioner of Dongguan in the Middle School Education of Geography (東莞市優秀中學地理教育 工作者) by the Geography Teaching Research Society of Dongguan (東莞市地理教學研究會) and an Outstanding Individual of Dongguan Schools for Communist Youth League Work (東莞市學校共青團工作優秀個人) by the Dongguan Committee of the Communist Youth League (共青團東莞市委員會) and the Dongguan Education Bureau. Mr. Wang also received various awards for his dissertations, including the First Prize in Dissertations on Geography Education in Middle Schools of Guangdong Province issued by the Geographical Society of Guangdong (廣東省地理學會) and the Middle School Geography Teaching Committee of the Guangdong Society of Education (廣東教育學會中學地理教學專業委員會).

Mr. Wang holds a bachelor's degree of science from the Tourism and Environment College of Shaanxi Normal University (陝西師範大學旅遊與環境學院). He obtained various professional qualifications, including the qualification of First Grade Middle School Teacher in Geography Education (中學地理一級教師), Senior High School Teacher (高級中學教師) and Guangdong Province Primary and Middle School Principal (廣東省中小學校長).

Mr. ZHANG Jingfeng (章競峰), aged 38, is the principal of Huizhou Guangzheng Preparatory School. He was appointed to such position in September 2016 and is primarily responsible for overseeing the daily operations of the Huizhou Guangzheng Preparatory School.

He joined our Group in March 2006. Prior to the appointment to his present position in our Group, he served on various positions in our schools including teacher, officer-in-charge of the supervision and guidance office and the vice principal of Dongguan Guangming School.

Mr. Zhang was awarded the first prize for Guangdong Innovative Education Achievement Award (廣東省教育創新成果獎) jointly by, among others, the Guangdong Education Promotion Association (廣東省教育促進會), the Guangdong Society of Education (廣東教育學會) and Guangdong Television Station in December 2013.

Mr. Zhang obtained a bachelor's degree of arts in Chinese Language and Literature from Hubei University.

Mr. HE Shan (何山), aged 38, is the principal of Panjin Guangzheng Preparatory School. He was appointed to such position in September 2016 and is primarily responsible for overseeing the daily operations of Panjin Guangzheng Preparatory School.

Mr. He joined our Group in July 2003. Prior to the appointment to his present position in our Group, he served on various positions in Dongguan Guangming School, including class teacher, grade leader, human resources officer and assistant to the principal.

Mr. He received various awards for his achievements in education, including the third prize for Guangdong Primary and Middle School Innovative Education Achievement Award (廣東省中小學教育創新成果獎) awarded by Guangdong Education Promotion Association (廣東省教育促進會).

Mr. He obtained a bachelor's degree of arts in Chinese Language and Literature from Guangxi Normal University (廣西師範大學). He obtained the qualification of First Grade Middle School Teacher (中學一級教師) issued by the MOE and the qualification of Primary and Middle School Principals (中小學校長任職資格) issued by the Panjin Bureau of Education (盤錦市教育局).

Report of Directors

The board (the "**Board**") of directors ("**Directors**") of Wisdom Education International Holdings Company Limited (the "**Company**") present their report together with the audited financial statements of Company, its subsidiaries and consolidated affiliated entities ("**Consolidated Affiliated Entities**") (collectively the "**Group**") for the year ended 31 August 2017.

General Information

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 13 July 2010. The principal place of business of the Company in Hong Kong is located at Room 3302, 33/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company's shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2017 (the "**Listing Date**").

Principal Activities and Subsidiaries

The Group provides private education for primary, middle and high schools in the People's Republic of China ("**China**" or "**PRC**"). A list of the Company's subsidiaries, together with their places of incorporation and principal activities, is set out in note 1 to the financial statements.

Business Review

A fair review of the business of the Group during the year including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and events affecting the company that have occurred since the end of the financial year are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this report of Directors.

Principal Risks and Uncertainties Facing the Group

We are subject to various risks related to our business, our industry and regulatory changes. Major risks we face include, among others,

(i) our business depends on our ability to maintain or raise the tuition and boarding fee levels we charge at our schools;

(ii) we generate all of our revenue from a limited number of cities in China and from a limited number of schools;

(iii) our business depends on the market recognition of our brand and reputation that we may not be able to maintain;

(iv) we may fail to continue to attract and retain students in our schools;

(v) our students' academic performance may fall and satisfaction with our educational services may otherwise decline;

(vi) we may be subject to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures due to competition in the education sector;

(vii) our business depends on our ability to recruit and retain qualified and committed teachers and other school personnel;

(viii) we may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our educational and other services in China; and

(ix) our business, operation and group structure may be affected by changes to regulatory requirements in China.

Environmental Policies and Performance

The Group realizes the importance of environmental protection in pursuing a long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in our headquarters and schools such as turning off idle lightings, air-conditioning and electrical appliances. The Group also encourages the use of recycled papers and both sides of papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance. In accordance with Rule 13.91 of and Appendix 27 to the Listing Rules, the Company's Environmental, Social and Governance Report will be available on its website within three months from the publication of this annual report.

Compliance with the Relevant Laws and Regulations

During the year ended 31 August 2017, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Relations with Employees, Customers and Suppliers

The Group understands the importance of obtaining support from its employees, suppliers and customers to meet its corporate goals. Accordingly, the Group maintains a good relationship with its employees, suppliers and customers.

Financial Results

The results of the Group for the year ended 31 August 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 of this annual report.

Dividends

During the year ended 31 August 2017, the Company paid an interim dividend of RMB0.024 (equivalent to HK$0.027) per Share. The Board has resolved to recommend the payment of a final dividend of RMB0.026 (equivalent to HK$0.030) per Share for the year ended 31 August 2017, subject to the approval by the shareholders ("**Shareholders**") of the Company at the forthcoming annual general meeting ("**AGM**") to be held on 8 January 2018. Together with the interim dividend paid, this made up a total dividend of RMB0.050 (equivalent to HK$0.057) per Share for the year ended 31 August 2017. The proposed final dividend is expected to be paid on or about 30 January 2018 (Tuesday).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 8 January 2018 (Monday), the register of members of the Company will be closed from 3 January 2018 (Wednesday) to 8 January 2018 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, 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 2 January 2018 (Tuesday).

For determining the entitlement to the proposed final dividend (subject to the approval by Shareholders at the AGM) for the year ended 31 August 2017, the register of members of the Company will be closed from 16 January 2018 (Tuesday) to 18 January 2018 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final 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 15 January 2018 (Monday).

Financial Summary

A summary of the results and assets and liabilities of the Group for the most recent four financial years is set out in the section headed "Financial Summary" on pages 5 to 7 of this annual report.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

Investment Properties

Details of investment properties as at 31 August 2017 are set out in note 18 to the financial statements. The fair value of the investment properties at 31 August 2017 was RMB20.1 million.

As at 31 August 2017, there was no property held for investment for which the percentage ratios, as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), exceed 5%.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 August 2017 are set out in note 24 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

Reserves

Details of the movements in the reserves of the Group during the year ended 31 August 2017 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 78. The distributable reserves of the Company as at 31 August 2017 were RMB623.4 million.

Permitted Indemnity

In accordance with article 164 of the Company's articles of association ("**Articles of Association**"), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Directors

The Directors during the year ended 31 August 2017 and up to the date of this report were as follows:

Executive Directors:
Mr. Liu Xuebin ("**Mr. Liu**") (appointed on 7 June 2016)
Ms. Li Suwen ("**Ms. Li**") (appointed on 7 June 2016)
Mr. Li Jiuchang (appointed on 7 June 2016)
Mr. Ng Cheuk Him (appointed on 7 June 2016)

Independent Non-executive Directors:
Mr. Sun Kai Lit Cliff (appointed on 3 January 2017)
Mr. Tam King Ching Kenny (appointed on 3 January 2017)
Mr. Yau Sze Ka (appointed on 3 January 2017)

In accordance with Article 83(3) of the Articles of Association, Mr. Sun Kai Lit Cliff, Mr. Tam King Ching Kenny and Mr. Yau Sze Ka shall retire at the Annual General Meeting. In accordance with Article 84(2) of the Articles of Association, Ms. Li Suwen and Mr. Ng Cheuk Him shall retire at the forthcoming AGM.

Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all independent non-executive Directors are independent.

Directors' Service Contracts

Each of our executive Directors has entered into a service contract with the Company with effect from the Listing Date for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier).

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier) which may be terminated by either party by serving on the other party a prior written notice of not less than three months.

None of our Directors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

Directors' and Senior Executives' Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2017 are set out in note 13 to the financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' Interests in Contracts and Competing Businesses

Save as disclosed in note 36 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Connected Transactions" of this annual report below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2017 or at any time during the year ended 31 August 2017.

During the year ended 31 August 2017, neither our controlling shareholders ("**Controlling Shareholders**" as defined in the Listing Rules) nor any of our Directors were interested in the business of operating private education for primary, middle and high schools, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Contracts with Controlling Shareholders

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 August 2017.

Connected Transactions

Non-exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group.

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in the Company's prospectus dated 16 January 2017 (the "**Prospectus**"), due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct our business in China through our Consolidated Affiliated entities. We do not hold any equity interests in our Consolidated Affiliated Entities, which are beneficially owned by Mr. Liu as to 62% and Ms. Li as to 38%. Through a series of contractual arrangements (the "**Contractual Arrangements**") entered into between, among other entities, Dongguan Ruixing Business Services Co., Ltd.* (東莞瑞興商務服務有限公司) ("**Dongguan Ruixing**"), our Consolidated Affiliated Entities and shareholders of our Consolidated Affiliated Entities, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Dongguan Ruixing; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements include: (a) the Exclusive Management Consultancy and Business Cooperation Agreement, (b) the Exclusive Call Option Agreement, (c) the Equity Pledge Agreement, (d) the Powers of Attorney, (e) the Loan Agreement and (f) SP Liu Spouse's Undertaking (as such terms are defined in the section headed "Contractual Arrangements" in the Prospectus). Please refer to the section headed "Contractual Arrangements" in the Prospectus for detailed terms of these documents.

On 11 May 2017, Tibet Keteng Business Service Company Limited* (西藏科騰商務服務有限公司) (the "**Tibet WFOE**") was established as a wholly-owned subsidiary of the Company. The Tibet WFOE has been designated as one of the service providers to provide corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services under the Exclusive Management Consultancy and Business Cooperation Agreement to our Consolidated Affiliated Entities. Please refer to the Company's announcement dated 22 May 2017 for further details.

Contractual Arrangements in Place

Listing Rules implications

As detailed in the section headed "Connected transactions" of the Prospectus, our Consolidated Affiliated Entities and their shareholders are connected persons of the Company. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations to acquire, all or part of the entire equity interests in our Consolidated Affiliated Entities for nil consideration or at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Dongguan Ruixing by our Consolidated Affiliated Entities under the Exclusive Management Consultancy and Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has equity shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the independent Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Each of our Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 August 2017 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company has confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended 31 August 2017:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board; and

2. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions.

The Company confirms that among the related party transactions set out in note 36 to the consolidated financial statements of the Company, the hospitality expenses of the Group incurred with Dongguan Cinese Hotel Management Co. Ltd* (東莞市富盈酒店有限公司) constitute fully exempt connected transactions, and the remaining expenses were incurred pursuant to transactions which were entered into before the Listing Date or did not otherwise require disclosure under the applicable requirements of Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules during the financial year ended 31 August 2017.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2017.

Customers and Suppliers

Our customers primarily consist of our students and their parents or other sponsors. We did not have a single customer who accounted for more than 5% of our revenue for the two years ended 31 August 2017 and 2016.

Our suppliers primarily comprise food, educational services and educational material suppliers. For the year ended 31 August 2017, our five largest suppliers in aggregate accounted for approximately 8.3% (2016: 8.2%) of our cost of revenue and our largest supplier accounted for approximately 4.4% (2016: 3.9%) of our cost of revenue.

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 31 August 2017, 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 for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to 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 (Note 1)	Interest of controlled corporation	930,000,000 (Note 2)	—	930,000,000	45.61%
Ms. Li (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	27.95%
Mr. Ng Cheuk Him	Beneficial interest	2,000,000	6,000,000 (Note 4)	8,000,000	0.39%

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.

4. The interest in underlying Shares represents the interest in options granted to subscribe for the relevant number of Shares pursuant to the share option scheme adopted by the Company on 3 January 2017.

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

As at 31 August 2017, 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	45.61%
Bright Education Investment (Note 2)	Beneficial interest	570,000,000	27.95%

Notes:

(1) Bright Education Holdings is wholly-owned by Mr. Liu, and has a direct beneficial interest of 45.61% in the Company.

(2) Bright Education Investment is wholly-owned by Ms. Li and has a direct beneficial interest of 27.95% in the Company.

Save as disclosed above, as at 31 August 2017, 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.

Remuneration Policy

Employee Benefits

As at 31 August 2017, the Group had approximately 4,150 employees (as at 31 August 2016: approximately 3,360). 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 ("**Pre-IPO Share Option Scheme**"), share option scheme ("**Share Option Scheme**") and share award scheme ("**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. Staff costs (including directors' remuneration) for the year ended 31 August 2017 amounted to approximately RMB301.1 million (2016: RMB246.7 million).

Share Incentive 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 the Pre-IPO Share Option Scheme and Share Option Scheme on 3 January 2017.

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Participants (as defined in sub-paragraph (b)) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Group to recruit and retain high-calibre employees. In determining the basis of eligibility of each Eligible Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Eligible Participant(s)**"):

(i) any executive, non-executive or independent non-executive director of any member of our Group or an entity in which our Group holds an interest ("**Affiliate**");

(ii) any employee of any member of our Group or an Affiliate;

(iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;

(iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or

(v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

(c) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall be such number of Shares representing 10% of the enlarged issued share capital of the Company as at the Listing Date (i.e. 26 January 2017), subject to adjustment.

The maximum number of Shares in respect of which options may be granted will be adjusted, in such manner as the auditors of our Company or the independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction in the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction).

(d) Payment on grant

There is no monetary consideration for the grant of any option.

(e) Subscription price

Subject to any adjustments as described in the Pre-IPO Share Option Scheme, the subscription price in respect of each Share issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall be determined by the Board at its discretion and set out in the relevant grant letter(s), provided that it shall not be less than the nominal value of a Share as at the date of grant (the "**Subscription Price**").

(f) Lapse of options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the period commencing on the Listing Date and ending on the date immediately before the 9th anniversary of the Listing Date (the "**Exercise Period**");

(ii) the expiry of any of the periods referred to in the Pre-IPO Share Option Scheme;

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in the Pre-IPO Share Option Scheme;

(iv) subject to the compromise or arrangement referred to in the Pre-IPO Share Option Scheme;

(v) subject to the Pre-IPO Share Option Scheme, the date of the commencement of the winding-up of the Company;

(vi) in respect of an unvested option, the date on which the Grantee of such unvested option ceases to be an Eligible Participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Participant, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board to the effect that the employment or other relevant contract of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vii) the date on which the grantee commits a breach of transfer of options; or

(viii) the date on which the option is cancelled by the Board as provided in the Pre-IPO Share Option Scheme.

(g) Duration and Administration of the Pre-IPO Share Option Scheme

Subject to the termination provisions in Pre-IPO Share Option Scheme, no further options will be granted after the date of the Prospectus but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary or desirable to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the date of the Prospectus may continue to be exercisable in accordance with their terms of issue.

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

Subject to compliance with the provisions of the Pre-IPO Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Pre-IPO Share Option Scheme; (ii) to determine the Eligible Participants under the Pre-IPO Share Option Scheme and the number of Shares to be issued under the options; (iii) to determine the subscription price; (iv) to make such appropriate and equitable adjustments to the terms of options granted under the Pre-IPO Share Option Scheme as it deems necessary or desirable; and (v) to make such other appropriate decisions, determinations or regulations as it shall deem necessary or desirable in the administration of the Pre-IPO Share Option Scheme.

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme.

Name of Director	Date of Grant	Granted during the year	Exercised during the year	Outstanding Share Options as at 31 August 2017	Vesting Date(s)	Exercisable Period	Exercise Price
Mr. Ng Cheuk Him	3 January 2017	8,000,000	(2,000,000)	6,000,000	(i) 30% of the share options were vested on 26 January 2017 (ii) 30% of the share options shall be vested: on 26 January 2018 (iii) 40% of the share options shall be vested on 26 January 2019	From the relevant vesting date to 25 January 2026	HK$0.51, which represented a discount of 70% to the final offer price per share of the Company in its initial public offering in January 2017
Total		8,000,000	(2,000,000)	6,000,000			

Save as disclosed above, since the date of adoption of the Pre-IPO Share Option Scheme and up to 31 August 2017, no share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purposes of the scheme

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined in sub-paragraph (b) below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Eligible Person(s)**"):

(i) any executive, non-executive or independent non-executive director of any member of our Group or an entity in which our Group holds an interest ("**Affiliate**");

(ii) any employee of any member of our Group or an Affiliate;

(iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;

(iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or

(v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

(c) Maximum number of Shares in respect of which options may be granted

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date i.e. 200,000,000 Shares (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed".

The Board may, with the approval of the Shareholders in general meeting and subject to the limit set out in the immediately following paragraph, grant options to any Eligible Person(s) specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholder' approval and the date of the Board meeting approving such further grant shall be taken as the date of offer for the purpose of determining the exercise price of the options.

(e) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Subject to the restrictions set out in the Share Option Scheme, any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Subject to the provisions in the Share Option Scheme, any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of the Group or associated companies of the Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

An option-holder may exercise any or all of his options by notice of exercise in writing in such form as the Board may from time to time require delivered to the Chairman (or a person designated by him with the approval of the Board). The notice of exercise of the option must be completed, signed by the option-holder or by his appointed agent, and must be accompanied by the:

(i) relevant option certificate; and

(ii) correct payment in full in cleared funds of the total option price for the number of Shares being acquired.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance in writing or by facsimile transmission or (if the Board agree) by electronic communication received by the Chairman (or a person designated by him with the approval of the Board) for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The Company shall issue option certificates to any Eligible Person who has accepted an offer under the common seal of the Company (or the securities seal of the Company) within seven days after the end of the period for acceptance of the offer.

(g) Exercise price

Subject to any adjustment made as described in the Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the 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	Granted during the year and the outstanding Share Options as at 31 August 2017	Vesting Date(s) and Exercisable Period	Exercise Price
Employee	14 March 2017	3,000,000	(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 (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	HK$1.96 (Note)
Total		3,000,000		

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 31 August 2017, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 189,000,000 shares, representing approximately 9.3% of the total issued share capital of the Company.

Share Award Scheme

On 7 June 2017, the Company adopted the Share Award 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 ("**Award 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 Award Shares out of cash contributed by the Group and be held on trust for the selected participants until such Award Shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme. The Share Award Scheme shall be subject to administration of the Board and the Trustee in accordance with the Share Award Scheme rules and the trust deed dated 7 June 2017.

As at 31 August 2017, the Trustee purchased a total of 1,588,000 Shares on the Stock Exchange at a total consideration of approximately HK$4.4 million (equivalent to approximately RMB3.7 million) and no Shares under the Scheme were granted to Directors and employees of the Group.

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

Save for purchases made by the Trustee pursuant to the Share Award Scheme as disclosed in the section headed "Share Award Scheme" above, during the period from the Listing Date to 31 August 2017, 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 period from the Listing Date to 31 August 2017.

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. Since the Listing Date, 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. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

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 from the Listing Date to 31 August 2017.

PRE-Emptive Rights

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

Charitable Donations

The Group made charitable donations of approximately RMB0.85 million during the year ended 31 August 2017.

Litigation

Save as disclosed in note 35 to the financial statements, the Group did not have any material litigation outstanding as at 31 August 2017.

Continuing Disclosure Pursuant to Listing Rules

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Changes in Information of Directors

During the year ended 31 August 2017, there were no changes to information which is required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Events after the Reporting Period

On 1 September 2017, the Group completed the acquisition of 70% equity interest in Huanan Shida Yuedong Preparatory school (華南師大粵東實驗學校) and a land parcel and all the buildings and facilities thereon currently occupied by this school with an area of approximately 190 acres (equivalent to approximately 127,000 square metres) from independent third parties, at the consideration of RMB224 million.

Please refer to the Company's announcement dated 19 June 2017 for the details of the acquisition.

Audit Committee

The audit committee ("**Audit Committee**") has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2017 and has met with the independent auditor, Deloitte Touche Tohmatsu ("**Deloitte**"). 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.

Auditors

The consolidated financial statements for the year ended 31 August 2017 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company's auditors is to be proposed at the forthcoming AGM.

By order of the Board
Wisdom Education International Holdings Company Limited
Liu Xuebin
Chairman

Hong Kong, 21 November 2017

Corporate Governance Report

The board (the "**Board**") of directors ("**Directors**") of Wisdom Education International Holdings Company Limited (the "**Company**") are pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 August 2017.

Corporate Governance Code

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 26 January 2017 (the "**Listing Date**"). Since the Listing Date, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has complied with all the applicable code provisions.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model Code for Securities Transactions

Since the Listing Date, 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 its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this annual report.

Board of Directors

The Board currently comprises six members, consisting of four executive Directors and three independent non-executive Directors.

The composition of the Board since the Listing Date and up to the date of this annual report is as follows:

Executive Directors

Mr. Liu Xuebin ("**Mr. Liu**"), *Chairman*
Ms. Li Suwen ("**Ms. Li**"), *Chief Executive Officer*
Mr. Li Jiuchang
Mr. Ng Cheuk Him

Independent Non-executive Directors

Mr. Sun Kai Lit Cliff
Mr. Tam King Ching Kenny
Mr. Yau Sze Ka

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" in this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company are segregated and are not exercised by the same individual. Mr. Liu is the chairman of the Board who is primarily responsible for managing the Board. Mr. Liu also chairs the Board meetings and briefs the Board members on the issue arising at the Board meetings. Ms. Li is chief executive officer who is primarily responsible for day-to-day management of the Group's business. Ms. Li is also responsible for supervising the execution of decisions determined by the Board.

Board Meetings

During the period from the Listing Date to the date of this report, the Board convened 4 Board meetings. A summary of the attendance record of the Directors is set out in the following table below:

Name of Director	Attendance/Number of Board meetings
Executive Directors	
Mr. Liu	4/4
Ms. Li	4/4
Mr. Li Jiuchang	4/4
Mr. Ng Cheuk Him	4/4
Independent Non-executive Directors	
Mr. Sun Kai Lit Cliff	4/4
Mr. Tam King Ching Kenny	4/4
Mr. Yau Sze Ka	4/4

Since the Listing Date, the Board will meet at least four times in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Director and independent non-executive Directors without the presence of executive Directors during the period from the Listing Date to 31 August 2017.

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors have been appointed for a term of three years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's articles of association (the "**Articles of Association**"). The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with A.6.5 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 August 2017, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/seminars/ conferences	Reading books/ journals/articles
Mr. Liu	✓	✓
Ms. Li	✓	✓
Mr. Li Jiuchang	✓	✓
Mr. Ng Cheuk Him	✓	✓
Mr. Sun Kai Lit Cliff	✓	✓
Mr. Tam King Ching Kenny	✓	✓
Mr. Yau Sze Ka	✓	✓

In addition, the Company has arranged training courses for Directors in January 2017.

Corporate Governance

The Board is also responsible for the development and review of the policies and practices on corporate governance, compliance with legal and regulatory requirements and corporate governance disclosure.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

Audit Committee

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of 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, Mr. Sun Kai Lit Cliff and Mr. Yau Sze Ka, all being independent non-executive Directors of the Company. Mr. Tam King Ching Kenny is the chairman of the Audit Committee.

During the period from the Listing Date to date of this report, the Audit Committee held two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Tam King Ching Kenny	2/2
Mr. Sun Kai Lit Cliff	2/2
Mr. Yau Sze Ka	2/2

During the relevant meetings, the Audit Committee reviewed the interim results and report for six months ended 29 February 2017 and the annual results and report for the year ended 31 August 2017, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

During the period from the Listing Date to the date of this report, the Audit Committee also met with the external auditors without the presence of the executive Directors.

An explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the Chairman's Statement and the Management Discussion and Analysis sections in this report.

Remuneration Committee

The Company has established a remuneration committee ("**Remuneration Committee**") with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the specific remuneration packages of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The remuneration committee comprises three members, namely, Mr. Sun Kai Lit Cliff (an independent non-executive Director), Mr. Yau Sze Ka (an independent non-executive Director) and Mr. Liu (an executive Director). Mr. Sun Kai Lit Cliff is the chairman of Remuneration Committee.

During the period from the Listing Date to date of this report, the Remuneration Committee held one meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Sun Kai Lit Cliff	1/1
Mr. Yau Sze Ka	1/1
Mr. Liu	1/1

During the meeting(s), the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters of the Company.

During the year ended 31 August 2017, the total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong dollars ("**HK$**") is set out below:

Band	**Number of senior management**
Nil to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	2
Over HK$3,000,000	1

Nomination Committee

The Company has established a nomination committee ("**Nomination Committee**") with written terms of reference in compliance with paragraph D.3 of the CG Code. The primary duties of the nomination committee are to make recommendations to our Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters. The nomination committee comprises three members, namely, Mr. Yau Sze Ka (an independent non-executive Director), Mr. Tam King Ching Kenny (an independent non-executive Director) and Ms. Li (an executive Director). Mr. Yau Sze Ka is the chairman of the Nomination Committee.

During the period from the Listing Date to date of this report, the Nomination Committee held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	**Attendance/ Number of meeting**
Mr. Yau Sze Ka	1/1
Mr. Tam King Ching Kenny	1/1
Ms. Li	1/1

During the meeting, the Nomination Committee reviewed the structure, size, composition and diversity of the Board.

Board Diversity Policy

The Board Diversity Policy (the "**Policy**") was adopted by the Company. The Policy aims to set out the approach to diversity on the Board and achieve a sustainable and balanced development.

The Company sees increasing diversity at Board level as essential to supporting attainment of its strategic objectives and to achieve sustainable and balanced development. According to the Policy, in designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the diversity of the Board. The Board should have a balance of skills and experience and a diversity of perspectives appropriate to the requirements of the Company's business. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Nomination Committee is responsible for the monitoring and review of the Policy annually. During the period from the Listing Date to the date of this report, the Nomination Committee was satisfied with the diversity of the existing Board and did not, for the time being, set up any measurable objective regarding the diversity of the Board.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 71 to 74 in this annual report.

Auditors' Remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor for the year ended 31 August 2017. During the year ended 31 August 2017, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's independent auditor are set out below:

Items of auditors' services	**Amount** RMB'000
Audit service:	
Annual audit service	2,380
Non-audit services:	
Tax advisory services	250
Total	2,630

Internal Control and Risk Management

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. It should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has an internal audit and control department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During the financial year ended 31 August 2017, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The audit committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review during the financial year ended 31 August 2017 did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(3) Risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

Company Secretary

During the year ended 31 August 2017, the company secretary of the Company was an employee of the Company and the Company did not engage an external service provider as its company secretary. The company secretary took no less than 15 hours of the relevant professional training during the year ended 31 August 2017.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals at EGM

Pursuant to article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3302, 33/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong (For the attention of Company Secretary)
Fax:	(852) 3899 3522
Email:	ir@wisdomeducationintl.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, the chairmen of Audit Committee, Remuneration Committee, Nomination Committee or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

The Company has not made any changes to its Articles of Association from the Listing Date to 31 August 2017. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS 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)

Opinion

We have audited the 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 75 to 140, which comprise the consolidated statement of financial position as at 31 August 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue	
We identified revenue as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with a significant increase in amount recognised in the year, particularly from new ancillary services, including the provision of school uniform and arrangement of school buses and study tours to students. Revenue represents service income from tuition fees, boarding fees and ancillary services less returns, discounts and sales related tax. For the year ended 31 August 2017, revenue amounted to RMB979,140,000 of which details are included in note 6 to the consolidated financial statements.	Our procedures in relation to revenue included: • understanding of controls of the Group over the admission of students, collection of tuition fees and boarding fees and recognition of revenue from ancillary services; • checking, on a sample basis, the revenue of tuition fees, boarding fees and ancillary service income are recognised in accordance with IFRS with reference to evidence to determine whether the services are being provided or goods have delivered; • on a sample basis, observing the attendance and checking the identities of students for their existence; • performing trend analysis on tuition fees and boarding fees; and • performing substantive analytical procedures to test the accuracy and reasonableness of the amount of revenue recognised for tuition fees and boarding fees.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 November 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	6	979,140	700,741
Cost of revenue		(529,289)	(370,352)
Gross profit		449,851	330,389
Other income	7	10,999	7,499
Other gains and losses	8	(26,173)	(6,201)
Selling expenses		(17,063)	(13,271)
Administrative expenses		(125,765)	(93,945)
Listing expenses		(10,257)	(24,401)
Finance income	9	6,931	64,105
Finance costs	10	(18,216)	(69,640)
Profit before taxation		270,307	194,535
Taxation	11	(70,112)	(40,172)
Profit and total comprehensive income for the year	12	200,195	154,363
Attributable to:			
Owners of the Company		200,233	154,367
Non-controlling interests		(38)	(4)
		200,195	154,363
Earnings per share			
Basic (RMB)	15	0.11	0.10
Diluted (RMB)	15	0.11	N/A

Consolidated Statement of Financial Position

As at 31 August 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,779,440	1,344,405
Prepaid lease payments	17	298,816	226,324
Investment properties	18	20,100	19,700
Deferred tax assets	26	6,376	2,775
Deposits, prepayments and other receivables	19	425,311	170,000
Pledged bank deposits	20	197,919	—
		2,727,962	1,763,204
CURRENT ASSETS			
Inventories — goods for sale		8,816	4,522
Deposits, prepayments and other receivables	19	25,633	30,416
Amounts due from related parties	25	6,901	550,830
Prepaid lease payments	17	7,324	5,698
Pledged bank deposits	20	177,540	—
Bank balances and cash	21	378,051	103,705
		604,265	695,171
CURRENT LIABILITIES			
Deferred revenue	22	423,115	365,005
Trade and other payables	23	393,351	247,485
Amounts due to related parties	25	—	339,788
Income tax payable		122,438	58,218
Borrowings	24	154,900	142,279
		1,093,804	1,152,775
NET CURRENT LIABILITIES		(489,539)	(457,604)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,238,423	1,305,600

	NOTES	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	27	18,026	—
Reserves		1,727,864	830,775
Equity attributable to owners of the Company		1,745,890	830,775
Non-controlling interests		(38)	—
		1,745,852	830,775
NON-CURRENT LIABILITIES			
Borrowings	24	466,900	465,421
Deferred revenue	22	13,663	—
Deferred tax liabilities	26	12,008	9,404
		492,571	474,825
		2,238,423	1,305,600

The consolidated financial statements on pages 75 to 140 were approved and authorised for issue by the Board of Directors on 21 November 2017 and are signed on its behalf by:

Liu Xuebin
DIRECTOR

Li Suwen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 August 2017

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Capital reserve**	**Merger reserve**	**Share options reserve**	**Discretionary special reserve**	**Statutory surplus reserve**	**Shares held for share award scheme**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note i)			(note iii)	(note iv)					
At 1 September 2015	83,400	—	85,000	—	—	—	206,503	—	300,573	675,476	(225)	675,251
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	—	—	154,367	154,367	(4)	154,363
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	229	229
Deemed contribution from equity holders (note ii)	—	—	—	—	—	—	—	—	932	932	—	932
Transfer	—	—	—	—	—	182,519	35,404	—	(217,923)	—	—	—
Arising from reorganisation (note v)	(83,400)	—	—	83,400	—	—	—	—	—	—	—	—
At 31 August 2016	—	—	85,000	83,400	—	182,519	241,907	—	237,949	830,775	—	830,775
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	—	—	200,233	200,233	(38)	200,195
Transfer	—	—	—	—	—	64,771	37,447	—	(102,218)	—	—	—
Recognition of share-based payment expenses (note 28)	—	—	—	—	5,304	—	—	—	—	5,304	—	5,304
Issuance of ordinary shares (note 27(ii))	1	—	—	—	—	—	—	—	—	1	—	1
Capitalisation issue (note 27(iii))	13,259	(13,259)	—	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares upon listing and exercise of over-allotment option (note 27(iv) & (v))	4,748	802,486	—	—	—	—	—	—	—	807,234	—	807,234
Expenses incurred in connection with the issuance of ordinary shares	—	(45,923)	—	—	—	—	—	—	—	(45,923)	—	(45,923)
Shares purchased for share award scheme	—	—	—	—	—	—	—	(3,700)	—	(3,700)	—	(3,700)
Exercise of share option	18	2,893	—	—	(2,005)	—	—	—	—	906	—	906
Dividend recognised as distribution (note 14)	—	(48,940)	—	—	—	—	—	—	—	(48,940)	—	(48,940)
At 31 August 2017	18,026	697,257	85,000	83,400	3,299	247,290	279,354	(3,700)	335,964	1,745,890	(38)	1,745,852

Notes:

i. Pursuant to the trust financing arrangement between the Group, 惠州市光正投資有限公司 ("Huizhou Guangzheng"), a subsidiary of the Company and 東莞信託有限公司 ("Dongguan Trust"), 75% of equity interest of Huizhou Guangzheng was transferred to 富盈集團有限公司 ("Cinese Group"), a company controlled by Mr. Liu Xuebin ("Mr. Liu"), chairman and executive director of the Company, from Dongguan Trust upon the full repayment of RMB100,000,000 by Cinese Group in May 2013. The repayment by Cinese Group was settled with the Group's current accounts. In September 2013, the 75% equity interest in Huizhou Guangzheng was subsequent transferred from Cinese Group to the Group at a consideration of RMB15,000,000 and settled by the current accounts with Cinese Group. The difference of RMB85,000,000 between the consideration and the investment in Huizhou Guangzheng by Cinese Group of RMB100,000,000 is accounted for as a deemed contribution from equity holders.

ii. For the year ended 31 August 2016, the deemed contribution represented the gain on disposal of 江蘇省南通市光正投資有限公司 ("Nantong Guangzheng"), a former subsidiary of the Company to Mr. Liu and Ms. Li Suwen ("Ms. Li"), chief executive officer and executive director of the Company, amounted to RMB932,000, which represented the differences between the consideration received and the carrying amount of the assets and liabilities disposed of at the date of disposal.

iii. 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. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets and liabilities of the special reserve shall be used for the operation of other not-for profit schools. Upon the establishment of a special reserve committee in May 2016, the Group has transferred all the retained earnings of its on-campus canteens since the operation thereof to the discretionary special reserve. During the year ended 31 August 2017, surplus in the school campus canteen operations amounted to RMB64,771,000 had been transferred to the discretionary special reserve.

iv. 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 requires for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income 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.

v. Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (both defined in note 1).

Consolidated Statement of Cash Flows

For the year ended 31 August 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	270,307	194,535
Adjustments for:		
Finance costs	18,216	69,640
Interest income	(6,931)	(64,105)
Depreciation of property, plant and equipment	65,645	49,413
Increase in fair value of investment properties	(400)	(1,600)
Release of prepaid lease payments	7,173	5,503
Loss on disposal of subsidiaries	—	2,353
Loss on disposal of property, plant and equipment	155	827
Exchange loss	26,081	—
Share-based payment expenses	5,304	—
Operating cash flows before movements in working capital	385,550	256,566
Increase in inventories	(4,294)	(2,547)
(Increase) decrease in deposits, prepayments and other receivables	(4,186)	4,252
Increase in deferred revenue	57,826	79,859
(Decrease) increase in trade and other payables	(19,881)	30,253
(Decrease) increase in amounts due to related parties	(12,575)	6,605
Cash generated from operations	402,440	374,988
Income tax paid	(6,889)	(41,740)
NET CASH FROM OPERATING ACTIVITIES	395,551	333,248
INVESTING ACTIVITIES		
Interest received	1,706	155
Disposal of subsidiaries (note 32)	—	(30)
Receipts of government grants	13,947	—
Placement of pledged bank deposits	(383,449)	—
Refund of deposits paid for a school building project	—	95,380
Payments for acquisition of property, plant and equipment	(445,363)	(178,191)
Payments for acquisition of prepaid lease	(85,791)	(19,217)
Proceeds from disposal of property, plant and equipment	409	185
Advances to related parties	(6,901)	(989,821)
Advances to Dongguan Heying (defined in note 25)	(192,000)	—
Repayment from Dongguan Heying (defined in note 25)	192,000	—
Repayments from related parties	53,659	627,805
Repayment from Cinese Group	500,200	717,800
Payment for acquisition of Dongguan Guangzhong Preparatory School	—	(3,000)
Deposits for acquisition of Jieyang School (defined in note 19)	(151,000)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(502,583)	251,066

	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	566,200	50,000
Repayment of bank borrowings	(552,100)	(717,800)
Repayments to related parties	(377,213)	(383,108)
Advances from related parties	—	654,500
Interest paid	(26,236)	(88,296)
Issue costs paid	(28,879)	(8,134)
Payments for repurchase of ordinary shares under the share award scheme	(3,700)	—
Dividend paid	(48,940)	—
Proceeds from issue of ordinary shares	807,234	—
Proceeds from exercise of share options	906	—
Receipt in advance from an independent third party	60,000	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	397,272	(492,838)
NET INCREASE IN CASH AND CASH EQUIVALENTS	290,240	91,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	103,705	12,229
Effect of foreign exchange rate changes	(15,894)	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	378,051	103,705

Notes to the Consolidated Financial Statements

For the year ended 31 August 2017

1. General

The Company was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Bright Education (Holdings) Co. Limited ("Bright Education BVI") (incorporated in the British Virgin Islands) and its ultimate controlling parties are Mr. Liu, who is also the chairman and executive director of the Company and Ms. Li, who is the chief executive officer and executive director of the Company. (Mr. Liu and Ms. Li collectively as the "Controlling Equity Holders"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is Room 3302, 33/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The subsidiaries of the Group are mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC.

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by 廣東光正教育集團有限公司 ("Guangdong Guangzheng") and its subsidiaries, which were established in the PRC. The Company and its subsidiaries comprising the Group are under the control of Mr. Liu and Ms. Li, of which Mr. Liu and Ms. Li effectively owns 70% and 30% interests respectively in the Company and Guangdong Guangzheng. On 7 August 2016, Mr. Liu and Ms. Li have executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Company and Guangdong Guangzheng. In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the reorganisation through entering into contractual arrangements (the "Contractual Arrangements") between Guangdong Guangzheng and 東莞瑞興商務服務有限公司 ("Dongguan Ruixing"), an indirect subsidiary of the Company as detailed below.

Pursuant to the reorganisation, the Company became the holding company of the companies now comprising the Group on 1 July 2016. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities as defined below) is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company had been always been the holding company of the Group using the principle of merger accounting.

The shares of the Company have been listed on the Stock Exchange with effect from 26 January 2017.

1. General — continued

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Guangdong Guangzheng, 東莞市光明中學 ("Dongguan Guangming School"), 東莞市光明小學 ("Dongguan Guangming Primary School"), 東莞市光正實驗學校 ("Dongguan Guangzheng Preparatory School"), Huizhou Guangzheng, 惠州市光正實驗學校 ("Huizhou Guangzheng Preparatory School"), 盤錦光正投資有限公司 ("Panjin Guangzheng"), 盤錦光正實驗學校 ("Panjin Guangzheng Preparatory School"), 濰坊光正實驗學校投資有限公司 ("Weifang Guangzheng"), 濰坊光正實驗學校 ("Weifang Guangzheng Preparatory School"), 東莞市文匯教育投資有限公司 ("Dongguan Wenhui"), 廣安光正教育發展有限公司 ("Guang'an Guangzheng"), 雲浮市光正投資有限公司 ("Yunfu Guangzheng"), 東莞市華生教育投資有限公司 ("Dongguan Huasheng") and 揭陽光正投資有限公司 ("Jieyang Guangzheng") ("Consolidated Affiliated Entities") in the PRC. A wholly-owned subsidiary of the Company, Dongguan Ruixing, has entered into the contractual arrangements (the "Contractual Arrangements") with Guangdong Guangzheng and their respective equity holders, which enable Dongguan Ruixing and the Group to:

— exercise effective financial and operational control over the Consolidated Affiliated Entities;

— exercise equity holders' voting rights of the Consolidated Affiliated Entities;

— receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services provided by Dongguan Ruixing. Such services include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions, educational software and course materials research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time; and

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Dongguan Ruixing may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dongguan Ruixing.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2017

1. General — continued

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and therefore is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang'an Guangzheng, Yunfu Guangzheng, Dongguan Huasheng and Jieyang Guangzheng in the consolidated financial statements of the Group during both years.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities' subsidiaries were included in the consolidated financial statements:

	2017 **RMB'000**	2016 RMB'000
Revenue	**864,472**	700,741
Profit before taxation	**286,495**	220,559

	2017 **RMB'000**	2016 RMB'000
Non-current assets	**2,521,421**	1,763,204
Current assets	**134,341**	685,401
Current liabilities	**(1,072,598)**	(1,121,173)
Non-current liabilities	**(492,571)**	(474,825)

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Basis of Preparation of the Consolidated Financial Statements

As of 31 August 2017, the Group recorded net current liabilities of RMB489,539,000 (2016: RMB457,604,000). In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are satisfied that the Group will 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.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 And IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IAS 16 And IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
IFRS 16	Leases[3]
IFRS 17	Insurance Contracts[6]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]
IFRIC 23	Uncertainty over Income Tax Treatments[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Transfers of Investment Property[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014–2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
[6] Effective for annual periods beginning on or after 1 January 2021

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 August 2017, application of IFRS 9 in the future may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company has already commenced an assessment of the impact of IFRS 15 to the Group. Based on the preliminary analysis, the directors of the Company anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on recognition of service income from tuition fees, boarding fees and ancillary services.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 August 2017, the Group as lessee has non-cancellable operating lease commitments of RMB67,002,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with IAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not expect the adoption of amendments to IAS 7 would be result in significant impact on the disclosures on the Group's consolidated financial statements.

The directors of the Company consider that the application of other new and amendments to IFRSs do not have material impact to the consolidated financial statements of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. Significant Accounting Policies — continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

4. Significant Accounting Policies — continued

Basis of consolidation — continued

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity thereon.

4. Significant Accounting Policies — continued

Basis of consolidation — continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated returns, discounts and sales related tax.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Service income includes tuition fees and boarding fees from primary schools, middle schools and high schools of the Group.

Tuition and boarding fees received from primary schools, middle schools and high schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to release to profit or loss within one year.

Revenue from ancillary services, including the services provided at the on-campus canteens and medical rooms, provision of school uniform and arrangement of school buses and study tours, is recognised when the goods are delivered and titles have passed or the services have been rendered, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. Significant Accounting Policies — continued

Revenue recognition — continued

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Donations are recognised when entitlement of the Group to receive donations is established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

4. Significant Accounting Policies — continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses of losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

4. Significant Accounting Policies — continued

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Share-based payment arrangements

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Share award scheme to directors and employees

Share award scheme

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

When a trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as treasury shares for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

When awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares for share award scheme will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

4. Significant Accounting Policies — continued

Taxation — continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group recognised deferred tax relating to land appreciation tax and Enterprise Income Tax ("EIT") on changes in fair value of such investment properties.

4. Significant Accounting Policies — continued

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4. Significant Accounting Policies — continued

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties and borrowings, subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments

The following is the critical judgment, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has included the financial information of Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang'an Guangzheng, Yunfu Guangzheng, Dongguan Huasheng and Jieyang Guangzheng in the consolidated financial statements during both years.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Dongguan Ruixing, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management of the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management of the Group will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. In the opinion of the directors of the Company, there was no indicator of impairment identified for the property, plant and equipment at the end of the reporting period. As at 31 August 2017, the carrying amount of property, plant and equipment are RMB1,779,440,000 (2016: RMB1,344,405,000). Any change in these estimates may have a material impact on the results of the Group.

6. Revenue and Segment Information

The Group is mainly engaged in the provision of education services in the PRC.

Revenue represents service income from tuition fees, 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 purpose 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 are 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 year of the Group as presented in the 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 described in note 4. 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:

	2017 **RMB'000**	2016 RMB'000
Tuition fees	**596,000**	489,561
Boarding fees	**75,170**	60,555
Ancillary services (note)	**307,970**	150,625
	979,140	700,741

Note:

During the year ended 31 August 2017, revenue from new ancillary services mainly includes the provision of school uniform and arrangement of school buses and study tours to students, amounting to RMB114,669,000 (2016: nil).

Major customers

No single customer contributes over 10% or more of total revenue of the Group in both years.

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2017

7. Other Income

	2017 RMB'000	2016 RMB'000
Rental income from investment properties	1,116	1,043
Government grants (note)	1,858	1,956
Donations	50	680
Staff quarter income	2,581	2,649
Others	5,394	1,171
	10,999	7,499

Note:

Government grants mainly represent non-conditional subsidies from government for organising schools activities and outstanding academic performance of the schools.

8. Other Gains and Losses

	2017 RMB'000	2016 RMB'000
Exchange loss	(26,081)	—
Loss on disposal of property, plant and equipment, net	(155)	(827)
Gain on change in fair value of investment properties (note 18)	400	1,600
Penalties and late surcharges	(337)	(4,553)
Loss on disposal of subsidiaries	—	(2,353)
Others	—	(68)
	(26,173)	(6,201)

9. Finance Income

	2017 RMB'000	2016 RMB'000
Bank interest income	3,902	155
Imputed interest income on advances to Cinese Group	3,029	63,950
	6,931	64,105

10. Finance Costs

	2017 RMB'000	2016 RMB'000
Interest expense on borrowings	26,251	80,008
Less: amounts capitalised in the cost of property, plant and equipment	(8,035)	(10,368)
	18,216	69,640

Borrowing costs capitalised during the year ended 31 August 2017 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.2% (2016: 5.4%) per annum to expenditure on property, plant and equipment (construction in progress).

11. Taxation

	2017 RMB'000	2016 RMB'000
The income tax expense comprises:		
Current tax:		
PRC EIT	71,109	38,748
Deferred tax (note 26)	(997)	1,424
	70,112	40,172

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2017 RMB'000	2016 RMB'000
Profit before taxation	270,307	194,535
Tax at PRC EIT rate of 25%	67,577	48,634
Tax effect of expenses not deductible for tax purposes	11,177	7,482
Tax effect of income not taxable for tax purposes	(1,654)	(15,988)
Tax effect of tax loss not recognised	3,663	265
Utilisation of tax loss previously not recognised	(1,028)	—
Effect of different tax rates on inter-company offshore royalty income	(9,453)	—
Others	(170)	(221)
Income tax expense for the year	70,112	40,172

11. Taxation — continued

The Company was incorporated in the Cayman Islands and Bright Education BVI was incorporated in the British Virgin Islands ("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.

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

Withholding income tax has been provided at 10% of the royalty income paid from PRC subsidiaries of the Group to a subsidiary incorporated outside the PRC.

All other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% in both years.

As at 31 August 2017, the Group had estimated unused tax losses of approximately RMB53,652,000 (2016: RMB43,112,000) available for offset against future profits. Deferred tax asset has been recognised in respect of RMB7,668,000 of the tax losses as at 31 August 2017 (2016: RMB7,668,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses amounted to RMB45,984,000 (2016: RMB35,444,000) due to the unpredictability of future profit stream.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB8,586,000 at 31 August 2017 (2016: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. Profit for the Year

	2017 **RMB'000**	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**266,059**	225,383
— retirement benefit scheme contributions	**29,755**	21,299
— share-based payment expenses	**5,304**	—
Total staff costs	**301,118**	246,682
Depreciation of property, plant and equipment	**65,645**	49,413
Release of prepaid lease payments	**7,173**	5,503
Auditors' remuneration	**2,380**	182

13. Directors' and Employees' Emoluments

Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 August 2017

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (note iii)	Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors (note i)						
Mr. Liu Xuebin	2,221	—	—	—	—	2,221
Ms. Li Suwen	1,835	360	—	—	—	2,195
Mr. Li Jiuchang	143	486	75	—	39	743
Mr. Ng Cheuk Him	143	1,626	—	4,773	16	6,558
Independent non-executive directors (note ii)						
Mr. Sun Kai Lit, Cliff	143	—	—	—	—	143
Mr. Tam King Ching, Kenny	143	—	—	—	—	143
Mr. Yau Sze Ka	143	—	—	—	—	143
	4,771	2,472	75	4,773	55	12,146

13. Directors' and Employees' Emoluments — continued

Directors' emoluments — continued

For the year ended 31 August 2016

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (note iii)	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors (note i)					
Mr. Liu Xuebin	—	—	—	—	—
Ms. Li Suwen	—	300	—	—	300
Mr. Li Jiuchang	—	333	—	18	351
Mr. Ng Cheuk Him	—	1,360	—	—	1,360
	—	1,993	—	18	2,011

Notes:

i. The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

ii. The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

iii. The cash bonus payments are determined based on the Group's and directors' personal performance.

iv. Ms. Li Suwen is also the Chief Executive Officer of the Company during both years.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company. Details of the share option scheme are set out in note 28.

13. Directors' and Employees' Emoluments — continued

Employees' emoluments

The five highest paid individuals of the Group during the year included four directors (2016: three directors) whose emoluments are included in the disclosures above. The emoluments of the remaining one individual (2016: two) are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	751	673
Retirement benefit scheme contributions	6	43
Share-based payments	531	—
	1,288	716

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	2017	2016
Nil to Hong Kong dollars ("HK$") 1,000,000	—	2
HK$1,500,001 to HK$2,000,000	1	—

During the year, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, a non-director employee was granted share options, in respect to his services to the Group, under the share option scheme of the Company. Details of the share option scheme are set out in note 28.

14. Dividends

During the year ended 31 August 2017, an interim dividend of RMB0.024 per share amounting to RMB48,940,000 was paid to the shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2017 of RMB0.026 per share amounting to RMB53,018,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

15. 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:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	200,233	154,367

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,818,877	1,500,000
Effect of dilutive potential ordinary shares:		
Share options	2,353	—
Over-allotment option	203	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,821,433	N/A

The weighted average number of ordinary shares shown above have been arrived at after deducting 1,588,000 shares held by a share award scheme trust.

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share for the year ended 31 August 2016 has been retrospectively adjusted for the effect of the issuance of ordinary shares as part of the group reorganisation and capitalisation issue as described more fully in note 27.

No diluted earnings per share is presented for the year ended 31 August 2016 as the Group had no dilutive potential ordinary shares in issue during the prior year.

16. Property, Plant and Equipment

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 September 2015	1,011,362	42,623	3,655	71,148	10,961	1,139,749
Additions	20,169	15,850	340	27,607	323,952	387,918
Transfer	172,380	6,194	—	—	(178,574)	—
Disposals	—	—	(750)	(6,519)	—	(7,269)
At 31 August 2016	1,203,911	64,667	3,245	92,236	156,339	1,520,398
Additions	16,895	44,371	2,446	23,749	413,783	501,244
Transfer	130,880	5,907	—	1,266	(138,053)	—
Disposals	—	—	(178)	(7,575)	—	(7,753)
At 31 August 2017	1,351,686	114,945	5,513	109,676	432,069	2,013,889
DEPRECIATION						
At 1 September 2015	(77,355)	(14,537)	(1,675)	(39,270)	—	(132,837)
Provided for the year	(24,921)	(10,937)	(268)	(13,287)	—	(49,413)
Eliminated on disposals	—	—	680	5,577	—	6,257
At 31 August 2016	(102,276)	(25,474)	(1,263)	(46,980)	—	(175,993)
Provided for the year	(27,511)	(19,104)	(451)	(18,579)	—	(65,645)
Eliminated on disposals	—	—	177	7,012	—	7,189
At 31 August 2017	(129,787)	(44,578)	(1,537)	(58,547)	—	(234,449)
NET BOOK VALUES						
At 31 August 2017	1,221,899	70,367	3,976	51,129	432,069	1,779,440
At 31 August 2016	1,101,635	39,193	1,982	45,256	156,339	1,344,405

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Buildings	30–50 years
Leasehold improvements	4–5 years
Motor vehicles	4–5 years
Furniture and fixtures	4–5 years

At 31 August 2017, the Group is in the process of obtaining the property certificate for the buildings with an aggregate carrying value of RMB554,977,000 (2016: RMB529,635,000) which are located in the PRC.

17. Prepaid Lease Payments

The Group's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Current assets	**7,324**	5,698
Non-current assets	**298,816**	226,324
	306,140	232,022

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 50–65 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 August 2017, the carrying value of the land use rights of RMB34,951,000 (2016: RMB35,800,000) was allocated by the government without land use right certificates. The Group is legally entitled to use them for 50 to 65 years which are stated in the corresponding acquisition agreements. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

18. Investment Properties

	RMB'000
FAIR VALUE	
At 1 September 2015	18,100
Unrealised gain in fair value (included in other gains and losses)	1,600
At 31 August 2016	19,700
Unrealised gain in fair value (included in other gains and losses)	400
At 31 August 2017	20,100

The Group's investment properties are office units located in Dongguan, PRC and are leased out.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

18. Investment Properties — continued

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The fair value of the Group's investment properties at 31 August 2017 was RMB20,100,000 (2016: RMB19,700,000). The fair value has been arrived at based on a valuation carried out by DTZ Cushman & Wakefield Limited ("DTZ"), an independent valuer not connected with the Group. DTZ is a member of the Hong Kong Institute of Surveyors. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

Income capitalisation method has been adopted for valuing the Group's commercial property units. Key inputs used in valuing the Group's commercial property units were the monthly market rent per square meter which is RMB73 (2016: RMB71) for the year ended 31 August 2017 and the discount rate of 5.5% (2016: 5.5%) used. Market rent per square meter is extrapolated using zero growth rate. An increase in the market rent per square meter or discount rate used would result in an increase or decrease in fair value measurement of the commercial property units, and vice versa.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 August 2017, the Group's investment properties are categorised as Level 3 fair value measurements.

There were no transfers into or out of Level 3 in both years.

19. Deposits, Prepayments and Other Receivables

	2017 RMB'000	2016 RMB'000
Deposits paid for construction of properties	14,430	3,001
Other deposits	12,387	8,334
Staff advances	1,441	3,660
Other receivables	3,787	3,925
Prepayments	5,852	3,362
Deposits paid for the acquisition of a new private school (note i)	151,000	—
Deferred listing expenses	—	8,134
Prepayments for construction to a related company (note ii)	262,047	170,000
	450,944	200,416

	2017 RMB'000	2016 RMB'000
Current	25,633	30,416
Non-current	425,311	170,000
	450,944	200,416

Notes:

i During the year ended 31 August 2017, deposits of RMB151,000,000 were made to independent third parties in relation to the acquisition of 70% equity interest of school sponsor's interest in 華南師大粵東實驗學校 ("Jieyang School"), a private school established in the PRC and 70% equity interest in a land parcel of currently occupied by Jieyang School. The deposits were subsequently utilised upon the completion of the acquisition on 1 September 2017.

ii During the year ended 31 August 2017, the Group entered into an agreement (2016: two agreements) with 東莞市富盈房地產開發有限公司 ("Dongguan Cinese Real Estate"), a related company controlled by Mr. Liu, to construct the school premises in Yunfu (2016: Weifang and Guanguan) and RMB50,000,000 (2016: RMB370,000,000) has been prepaid in accordance with the agreements and settled by the current accounts with Cinese Group.

Based on the construction progress of the schools, RMB157,953,000 (2016: RMB200,000,000) has been recognised as construction-in-progress as at 31 August 2017, out of the total prepayment amount of RMB420,000,000 (2016: RMB370,000,000). During the year ended 31 August 2017, based on the agreed construction progress of the schools, instead of settling the construction payables through the prepayments to a related party, the Group has made payments to the construction suppliers directly amounting to RMB92,661,000. As such, RMB92,661,000 previously transferred from prepayments to a related party to construction-in-progress was being reversed.

As at 31 August 2017, RMB262,047,000 (2016: RMB170,000,000) remains as prepayments to a related Company.

20. Pledged Bank Deposits

Pledged bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. Deposits amounting to RMB177,540,000 (2016: nil) have been pledged to secure short-term borrowings and are therefore classified as current assets. The remaining deposits amounting to RMB197,919,000 (2016: nil) have been pledged to secure long-term borrowings and are therefore classified as non-current assets. As at 31 August 2017, the pledged bank deposits carried a weighted-average interest rate of 2.6% (2016: nil).

21. 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 31 August 2017, the Group's bank deposits carried a weighted-average interest rate of 0.09% (2016: 0.71%) per annum.

	2017 RMB'000	2016 RMB'000
HK$ denominated bank balances and cash	286,639	9
RMB denominated bank balances and cash	90,685	103,696
Canadian dollar ("CAD") denominated bank balances and cash	727	—
	378,051	103,705

22. Deferred Revenue

	2017 RMB'000	2016 RMB'000
Tuition fees	340,890	297,690
Boarding fees	42,742	37,804
Ancillary services	39,199	29,511
Government grants (note)	13,947	—
	436,778	365,005

	2017 RMB'000	2016 RMB'000
Current	423,115	365,005
Non-current	13,663	—
	436,778	365,005

22. Deferred Revenue — continued

Note:

Government grants mainly represent subsidies from government granted to a subsidiary of the Company for the development of school.

23. Trade and other Payables

	2017 RMB'000	2016 RMB'000
Trade and construction payables (note i)	54,200	90,789
Accruals for construction	190,600	64,360
Receipt in advance (note ii)	60,000	—
Other payables	21,122	17,586
Accrued staff benefits and payroll	19,758	24,044
Accrued listing expenses	17,499	20,037
Payables for land use right (note iii)	7,948	12,448
Other tax payables	9,644	6,304
Consideration payable for the acquisition of Dongguan Guangzheng Preparatory School (note iii)	4,000	4,000
Discretionary government subsidies receipt in advance	5,506	5,224
Deposits received	3,074	2,693
	393,351	247,485

Notes:

i. The credit period granted by suppliers on purchase of goods and construction is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit time frame. As at 31 August 2017 and 2016, the trade payables were aged within 180 days.

ii. In August 2016, a subsidiary of the Company has entered into an investment agreement with a non-controlling shareholder of a subsidiary to set up a new subsidiary which will engage in provision of middle school and primary school full time education. In January 2017, the Group received an advance payment of RMB60,000,000 from the non-controlling shareholder of a subsidiary. The advance payment received by the Group will be used as the capital injection and the working capital for the potential joint development of the new subsidiary of the Company.

iii. The amounts were interest free, unsecured and repayable on demand.

24. Borrowings

	2017 RMB'000	2016 RMB'000
Secured borrowings	621,800	607,700
Carrying amounts repayable:		
— Within one year	154,900	142,279
— More than one year, but not exceeding two years	156,900	119,279
— More than two years, but not exceeding five years	212,200	235,337
— More than five years	97,800	110,805
	621,800	607,700
Less: Amounts due within one year shown under current liabilities	(154,900)	(142,279)
	466,900	465,421
The exposure of borrowings:		
— Fixed rate	155,000	23,000
— Variable rate	466,800	584,700
	621,800	607,700

The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowing are as follows:

	2017	2016
Effective interest rate:		
Fixed rates bank borrowings	4.4%–4.8%	4.6%
Variable-rate bank borrowings	4.4%–6.9%	4.8–6.9%

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School and pledged bank deposits.

25. Amounts due from (to) Related Parties

Included in the amounts due from (to) related parties are (i) amounts due from (to) directors, (ii) borrowings provided by the Group to Cinese Group and amounts due from (to) Cinese Group, (iii) amounts due from (to) other related parties in non-trade nature and (iv) amounts due from (to) other related parties in trade nature.

Director's and related company current amount disclosed pursuant to the CO are as follows:

	Relationship	At 31 August		Maximum amount outstanding during year ended 31 August	
		2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Mr. Liu (note i)	Controlling Equity Holders and director	**6,901**	50,691	**50,691**	235,222
Ms. Li (note i)	Controlling Equity Holders and director	—	41,478	**41,478**	54,221
Cinese Group (note ii) — borrowings	Controlled by Mr. Liu	—	212,171	**212,171**	1,163,021
Cinese Group (note ii)	Controlled by Mr. Liu	—	192,269	**192,269**	657,469
Dongguan Cinese Real Estate (note iii)	Controlled by Mr. Liu	—	44,228	**44,228**	44,228
東莞市富盛實業投資有限公司 Dongguan Fusheng Industrial Investment Co. Ltd ("Dongguan Fusheng") (note iii)	Controlled by Ms. Li	—	266	**266**	266
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co. Ltd ("Dongguan Cinese Hotel") (note iii)	Controlled by Mr. Liu	—	787	**787**	1,837
東莞文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd ("Dongguan Wenfeng") (note v)	Controlled by a close family member of Mr. Liu	—	8,940	**8,940**	8,941
東莞市合盈實業有限公司 Dongguan Heying Industrial Investment Co. Ltd ("Dongguan Heying") (note 36)	Controlled by Ms. Li	—	—	**192,000**	—
		6,901	550,830		

25. Amounts due from (to) Related Parties — continued

	Relationship	At 31 August 2017 RMB'000	2016 RMB'000
Mr. Liu (note i)	Controlling Equity Holders and director	—	(155,877)
Ms. Li (note i)	Controlling Equity Holders and director	—	(7,764)
Cinese Group (note ii)	Controlled by Mr. Liu	—	(25,715)
Dongguan Cinese Hotel (note iii)	Controlled by Mr. Liu	—	(247)
Dongguan Fusheng (note iii)	Controlled by Ms. Li	—	(200)
東莞石碣富盈酒店有限公司 Dongguan Shijie Cinese Hotel Co. Ltd (note iii)	Controlled by Mr. Liu	—	(50)
東莞市萬盛房地產開發有限公司 Dongguan Wansheng Real Estate Development Co. Ltd. (note iii)	Controlled by Mr. Liu	—	(131,282)
東莞市興大教育投資有限公司 Dongguan Xingda Education Investment Co. Ltd (note iii)	Controlled by Ms. Li	—	(4,385)
東莞市合興教育投資有限公司 Dongguan Hexing Education Investment Co. Ltd (note iii)	Controlled by Ms. Li	—	(598)
東莞市富勤實業投資有限公司 Dongguan Fuqin Industrial Investment Co. Ltd (note iii)	Controlled by Mr. Liu	—	(1,095)
東莞市盈威食品有限公司 Dongguan Yingwei Foods Co. Ltd ("Dongguan Yingwei") (note iv)	Controlled by Mr. SP Liu	—	(7,162)
東莞市厚街長盈食品經營店 Dongguan Houjie Chang Ying Food Store ("Dongguan Changying") (note iv)	Controlled by Mr. SP Liu	—	(2,609)
東莞市厚街盈發副食店 Dongguan Houjie Yingfa Grocery Store ("Dongguan Yingfa") (note iv)	Controlled by Mr. SP Liu	—	(1,186)
Dongguan Wenfeng (note iv)	Controlled by a close family member of Mr. Liu	—	(1,618)
		—	(339,788)

25. Amounts due from (to) Related Parties — continued

Notes:

i. The amounts due from/(to) directors represented advance from/(to) Mr. Liu and Ms. Li, both are directors of the Company. The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand. In the opinion of the directors of the Company, the amount due from a director as at 31 August 2017 was expected to be settled within twelve months after the end of the reporting period, and therefore the amount is classified as current asset.

ii. The amount due from Cinese Group mainly represented borrowings provided by the Group to Cinese Group with carrying amount of RMB212,171,000 as at 31 August 2016. The borrowings were unsecured, non-interest bearing and repayable in two years terms. The nominal value of the borrowings as at 31 August 2016 were RMB215,200,000 with effective interest rate of 8.2% per annum. The imputed interest income recognised in profit or loss for the year ended 31 August 2017 was RMB3,029,000 (2016: RMB63,950,000).

   The remaining amounts due from/(to) Cinese Group are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

iii. The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

iv. The amounts are trade in nature, unsecured, non-interest bearing and repayable on demand. As at 31 August 2016, these amounts were aged within 180 days based on invoice date.

v. The amounts due from Dongguan Wenfeng mainly represented prepayments for construction.

26. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the year:

	Revaluation of investment properties	Fair value change of properties and prepaid lease payments	Deferred tax arising on interest capitalisation	Tax losses	Deferred tax arising on government grant	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 September 2015	2,488	(625)	2,874	—	—	468	5,205
Charge (credit) to profit or loss	622	13	2,592	(1,917)	—	114	1,424
At 31 August 2016	3,110	(612)	5,466	(1,917)	—	582	6,629
Charge (credit) to profit or loss	286	13	2,009	—	(3,487)	182	(997)
At 31 August 2017	3,396	(599)	7,475	(1,917)	(3,487)	764	5,632

26. Deferred Taxation — continued

For the purpose of presentation of deferred tax assets and deferred tax liabilities, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	2017 RMB'000	2016 RMB'000
Deferred tax assets	(6,376)	(2,775)
Deferred tax liabilities	12,008	9,404
	5,632	6,629

27. Share Capital

	Par value	Number of shares	Nominal amount US$	Nominal amount HK$
Ordinary shares				
Authorised:				
At 1 September 2015 and 31 August 2016	US$1	50,000	50,000	—
Cancellation (note ii)	US$1	(50,000)	(50,000)	—
Increase (note ii)	HK$0.01	10,000,000,000	—	100,000,000
At 31 August 2017	HK$0.01	10,000,000,000	—	100,000,000

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27. Share Capital — continued

	Par value	Number of shares	Nominal amount US$	Nominal amount HK$	Nominal amount equivalent to RMB	Shown in the consolidated financial statements as RMB'000
Issued and fully paid:						
At 1 September 2015	US$1	10	10	—	60	—
Issue of shares to shareholders (note i)	US$1	90	90	—	590	—
At 31 August 2016	US$1	100	100	—	650	—
Share repurchased and cancelled (note ii)	US$1	(100)	(100)	—	(650)	—
Issuance of ordinary shares (note ii)	HK$0.01	78,000	—	780	690	1
Capitalisation issued (note iii)	HK$0.01	1,499,922,000	—	14,999,220	13,259,310	13,259
Issuance of ordinary shares upon listing (note iv)	HK$0.01	500,000,000	—	5,000,000	4,420,000	4,420
Exercise of over-allotment option (note v)	HK$0.01	37,154,000	—	371,540	328,441	328
Issuance of shares on exercise of share options (note vi)	HK$0.01	2,000,000	—	20,000	17,750	18
At 31 August 2017	HK$0.01	2,039,154,000	—	20,391,540	18,026,191	18,026

27. Share Capital — continued

Notes:

i. On 24 June 2016, the Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment, respectively at nominal value of US$1 each. Bright Education Holdings then transferred eight shares in the Company to Bright Education Investment, upon which 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of the Company.

ii. On 3 January 2017, the authorised share capital of the Company was increased by HK$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK$0.01 each, following which the Company issued fully paid (i) 48,360 shares of a nominal value of HK$0.01 each to Bright Education (Holdings) Co. Limited ("Bright Education Holdings"), a company wholly owned by Mr. Liu, and (ii) 29,640 shares of a nominal value of HK$0.01 each fully paid to Bright Education Investment Co. Limited ("Bright Education Investment"), a company wholly owned by Ms. Li. On the same date, the Company repurchased and cancelled (i) 62 shares of a nominal value of US$1.00 each registered in the name of Bright Education Holdings, and (ii) 38 shares of a nominal value of US$1.00 each registered in the name of Bright Education Investment. Following the repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US$1.00 each in the capital of the Company.

iii. On 26 January 2017, the Company capitalised the sum of HK$14,999,000 (equivalent to RMB13,259,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 1,499,922,000 shares of nominal value of HK$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company immediately before the listing of the shares of the Company on the Stock Exchange.

iv. On 26 January 2017, the Company issued 500,000,000 ordinary shares of nominal value of HK$0.01 each pursuant to the global offering at the price of HK$1.70 per share (equivalent to approximately RMB1.50 per share) and the Company's shares were listed on the Stock Exchange on the same date.

v. On 22 February 2017, the Company issued an additional 37,154,000 ordinary shares of nominal value of HK$0.01 each at the price of HK$1.70 per share (equivalent to approximately RMB1.50 per share) by means of exercise of the over-allotment option.

vi. During the year ended 31 August 2017, share options to subscribe for 2,000,000 ordinary shares of HK$0.01 were exercised at HK$0.51 per share. These shares rank pari passu with other shares in issue in all respect.

28. Share-Based Payments

Share Award Scheme

The Company has adopted the share award scheme with effect from 7 June 2017 (the "Share Award Scheme") 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"). Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

In order to allow the release of shares to beneficiaries upon vesting of each share award under the Share Award Scheme, the Company will allot and issue such number of shares representing up to 10% of the shares in issue of the Company. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the number of issued share capital of the Company in issue.

The Company has set up a trustee (the "Trustee") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee may also purchase the Company's shares being awarded from the open market using cash contributed by the Company.

For the year ended 31 August 2017, the Trustee purchased 1,588,000 shares of the Company on the Stock Exchange in a total consideration of HK$4,394,000 (equivalent to RMB3,700,000) for the Share Award Scheme.

No awarded shares have been granted under the Share Award Scheme during the year ended 31 August 2017.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 January 2017 and valid and effective for a period of ten years commencing on 26 January 2017 (being the date of listing of the shares of the Company on the Stock Exchange). The purpose of the Scheme is to incentivise and reward eligible persons for their contributions to the Group and to align their interest with that of the Company. Under the Scheme, the directors of the Company may grant options to eligible participants, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 August 2017, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 9,000,000, representing 0.44% of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 26 January 2017, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. Options granted to substantial shareholders or independent non-executive directors of the Company in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 at the date of grant must be approved in advance by the Company's shareholders in general meeting.

28. Share-Based Payments — continued

Share Option Scheme — continued

Options granted must be taken up within 28 days after the date of grant, upon payment of subscription price and relevant fees and charges. Options may be exercised at any time during the period as determined by the directors of the Company. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of share of options granted during the year ended 31 August 2017 are as follows:

Date of grant	Number of options	Vesting date	Exercisable period	Exercise price
3.1.2017	2,400,000	Immediately vested	27.1.2017 to 25.1.2026	HK$0.51
3.1.2017	2,400,000	26.1.2018	27.1.2018 to 25.1.2026	HK$0.51
3.1.2017	3,200,000	26.1.2019	27.1.2019 to 25.1.2026	HK$0.51
14.3.2017	1,000,000	1.3.2018	2.3.2018 to 14.3.2025	HK$1.96
14.3.2017	1,000,000	1.3.2019	2.3.2019 to 14.3.2025	HK$1.96
14.3.2017	1,000,000	1.3.2020	2.3.2020 to 14.3.2025	HK$1.96

The following table discloses movements of the Company's share options held by an executive director and an employee during the year ended 31 August 2017:

	Exercise price	Date of grant	Outstanding at 1/9/2016 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31/8/2017 '000
Executive director						
Mr. Ng Cheuk Him	HK$0.51	3 January 2017	—	8,000	(2,000)	6,000
Employee	HK$1.96	14 March 2017	—	3,000	—	3,000
Total			—	11,000	(2,000)	9,000
Exercisable at the end of the year						400
Weighted average exercise price			N/A	HK$0.91	HK$0.51	HK$0.99

28. Share-Based Payments — continued

Share Option Scheme — continued

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year ended 31 August 2017 was HK$1.82.

During the year ended 31 August 2017, options were granted on 3 January 2017 and 14 March 2017. The estimated fair values of the options granted on those dates are RMB8,495,000 (equivalent to HK$9,599,000) and RMB1,748,000 (equivalent to HK$2,075,000), respectively (2016: nil).

The following assumptions were used to calculate the fair values of share options granted at the dates of grant:

	Granted on	
	3 January 2017	**14 March 2017**
Grant date share price (HK$)	1.70	1.96
Exercise price (HK$)	0.51	1.96
Risk-free rate (note i)	1.92%	1.78%
Expected volatility (note ii)	52.59%	51.59%
Expected dividend yield	2.50%	2.0%
Expected life	9.05 years	8 years
Exercise multiples (note iii)	2.8	2.2

Notes:

i. The risk-free rate was determined with reference to the yield rate of Hong Kong government bills and bonds with duration similar to the expected life of the options.

ii. The expected volatility was determined with reference to the historical volatilities of comparable companies of the Company.

iii. The holder of the options will exercise the options when the share price of the underlying security of the options rises to 280% or 220% of the exercise price.

The binomial option pricing model has been used to estimate the fair value of the options granted. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share option expense amounted to RMB5,304,000 was recognised for the year ended 31 August 2017 in relation to share options granted by the Company.

29. Retirement Benefit Plans

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme for the years are disclosed in note 12.

30. Capital Risk Management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 24 net of bank balances and cash and pledged bank deposits, and equity attributable to owners of the Company, comprising share capital, reserves (excluding discretionary special reserves) and accumulated profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, payment of dividend, the issue of new debts as well as the redemption of the existing debts.

31. Financial Instruments

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Other receivables	**5,228**	7,585
Amounts due from related parties	**6,901**	541,890
Bank balances and cash	**378,051**	103,705
Pledged bank deposits	**375,459**	—
	765,639	653,180
Financial liabilities		
Trade and other payables	**90,652**	127,988
Amounts due to related parties	**—**	339,788
Borrowings	**621,800**	607,700
	712,452	1,075,476

31. Financial Instruments — continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, trade and other payables, amounts due to related parties and borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

(i) Currency risk

Majority of the Group's deposits placed with the banks are denominated in HK$, which is different from the functional currency of the Company and most of its subsidiaries (i.e. RMB).

The carrying amounts of the Group's HK$ denominated bank deposits at the end of the reporting period are as follows:

	2017 **RMB'000**	2016 RMB'000
Pledged bank deposits	**252,263**	—
Bank balances and cash	**286,639**	9

As at 31 August 2017, the Group did not have significant amount of monetary liabilities and other monetary assets that are denominated in currencies other than RMB.

The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

31. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Market risk — continued

(i) Currency risk — continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in HK$ against RMB. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding HK$ denominated pledged bank deposits and bank balances and cash and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% (2016: 5%) against RMB. For a 5% (2016: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	2017 **RMB'000**	2016 RMB'000
Profit or loss	**26,945**	—

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings and pledged bank deposits. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and borrowings (note 24 for details of borrowings) which carried interest at prevailing market interest rates. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

31. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Market risk — continued

(ii) Interest rate risk — continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period and assumed that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2017 would decrease/increase by RMB1,751,000 (2016: RMB2,193,000). This is mainly attributable to the Group's exposure to interest rates on its borrowings with variable rate.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the respective year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group, which is primarily attributable to and concentrated on bank balances and pledged bank deposits, is limited because the counterparties are reputable financial institutions.

In order to minimise the credit risk on other receivables and amounts due from related parties, the management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Liquidity risk

As of 31 August 2017, the Group recorded net current liabilities of RMB489,539,000 (2016: RMB457,604,000). In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future 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.

31. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Liquidity risk — continued

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 August 2017								
Non derivative financial liabilities								
Trade and other payables	—	90,652	—	—	—	—	90,652	90,652
Borrowings								
— fixed rate	4.5	586	1,172	88,321	75,315	—	165,394	155,000
— variable rate	5.4	2,080	4,160	71,288	318,357	103,551	499,436	466,800
		93,318	5,332	159,609	393,672	103,551	755,482	712,452

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 August 2016								
Non derivative financial liabilities								
Trade and other payables	—	127,988	—	—	—	—	127,988	127,988
Amounts due to related parties	—	339,788	—	—	—	—	339,788	339,788
Borrowings								
— fixed rate	4.6	88	175	23,788	—	—	24,051	23,000
— variable rate	6.3	2,899	5,798	137,601	382,233	116,234	644,765	584,700
		470,763	5,973	161,389	382,233	116,234	1,136,592	1,075,476

(c) Fair value measurements of financial instruments

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

32. Disposal of Subsidiaries

During the year ended 31 August 2016, the Group disposed of 東莞市光正醫藥有限公司, a subsidiary with 60% equity interest, Nantong Guangzheng and 東莞市光正物業服務有限公司, wholly-owned subsidiaries for a consideration of RMB600,000, RMB1,000,000 and RMB200,000, respectively.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Bank balances and cash	30
Trade and other receivables	56
Inventories	3
Amounts due from related parties	4,744
Other payables	(794)
Amounts due to directors	(645)
Amounts due to related parties	(402)
Net assets disposed of	2,992
Consideration received or receivable:	
Deferred cash consideration	1,800
Loss on disposal of subsidiaries:	
Consideration received	1,800
Net assets disposed of	(2,992)
Non-controlling interests	(229)
Loss on disposal	(1,421)
Included as:	
— loss on disposal of subsidiaries	(2,353)
— deemed contribution from equity holders (note)	932
	(1,421)

Note: Nantong Guangzheng was sold to Mr. Liu and Ms. Li for RMB1,000,000. The gain on disposal is accounted for as a deemed contribution from equity holders.

Net cash outflow arising on disposal:	
Cash consideration	—
Bank balances and cash disposed of	(30)
	(30)

33. Operating Leases

The Group as lessee

Minimum lease payments paid under operating leases during the years:

	2017 RMB'000	2016 RMB'000
Premises	6,492	5,787

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	9,405	4,701
In the second to fifth year inclusive	22,275	12,812
Over five years	35,322	34,543
	67,002	52,056

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff apartments. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

The Group as lessor

Property rental income earned during the year ended 31 August 2017 was RMB1,116,000 (2016: RMB1,043,000). The direct outgoings to generate property rental income is insignificant throughout the years. Certain of the properties held have committed tenants for the next 4 years (2016: 5 years).

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 RMB'000	2016 RMB'000
Within one year	1,134	1,116
In the second to fifth year inclusive	2,762	3,998
	3,896	5,114

Notes to the Consolidated Financial Statements (Continued)
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34. Capital Commitments

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment and a new private school	427,572	231,756

35. Contingent Liability

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 Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5,000,000 and the interests thereof. During the current year, the plaintiff has presented a new evidence to the court to support his claim. However, the new evidence is still under identification by identification agencies. Court proceeding will resume upon the release of the result. As of the date of the issuance of these consolidated financial statements, the outcome of this legal proceeding was yet to be finalised. In the opinion of the directors of the Company, no provision is made in the consolidated financial statements.

36. Related Party Transactions and Balances

During the year ended 31 August 2017 and 2016, the Group entered into the following transactions with Mr. Liu, Mr. Liu Shoupeng ("Mr. SP Liu"), Mr. Liu Jiefung ("Mr. JF Liu") and related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	2017 RMB'000	2016 RMB'000
Dongguan Yingwei	Controlled by Mr. SP Liu	Purchase of goods	—	13,150
Dongguan Changying	Controlled by Mr. SP Liu	Purchase of goods	—	5,854
Dongguan Yingfa	Controlled by a close family member of Mr. Liu	Purchase of goods	—	3,661
Dongguan Cinese Hotel	Controlled by Mr. Liu	Hospitality expenses	1,698	1,263
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Construction expenses	18,614	48,674
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	50,614	212,500
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Management service fees for constructions	30,000	21,429
Mr. Liu	Controlling equity holder and director	Payment of expenses on behalf	6,901	—
Mr. Liu	Controlling equity holder and director	Acquisition of subsidiary	—	10
Mr. JF Liu	Close family member of Mr. Liu	Disposal of subsidiaries	—	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	—	80

36. Related Party Transactions and Balances — continued

In previous years, certain bank balances were kept in personal bank accounts under the name of Mr. Liu, Ms. Li and a senior management of the Group. All usage of personal bank accounts has ceased since 1 June 2016.

During the year ended 31 August 2017, the Group has made two remittance payments in aggregate amounting to RMB192,000,000 to Dongguan Heying, a related company controlled by Ms. Li. Each remittance was repaid to the Group on the same date.

During the year ended 31 August 2017, the Group has entered into the following construction contracts with related parties, which are controlled by Mr. Liu and/or his close family members:

Related party	Relationship	Nature of transactions	2017 RMB'000	2016 RMB'000
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Contract amounts entered	—	51,774
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Contract amounts entered	250,000	590,000

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the years are as follows:

	2017 RMB'000	2016 RMB'000
Short-term benefits	9,716	3,669
Post-employment benefits	245	133
Share-based payments	5,304	—
	15,265	3,802

Balances and other arrangements with related parties are set out in the consolidated statement of financial position, consolidated statement of changes in equity and in notes 19 and 25.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2017

37. Events after the Reporting Period

On 1 September 2017, the Group completed the acquisition of 70% equity interest in Jieyang School and a land parcel and all the buildings and facilities thereon currently occupied by Jieyang School with an area of approximately 190 acres (equivalent to approximately 127,000 square metres) from independent third parties, at a total consideration of RMB224 million.

Jieyang School is principally engaged in the provision of full spectrum private fundamental education, including primary and middle school in the PRC. The acquisition has been accounted for using purchase method. At the date of the issuance of these consolidated financial statements, the initial accounting of the business combination is incomplete.

38. Particulars of Subsidiaries of the Company

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Name of Subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group 2017	2016	Principal activities
Bright Education Co. Limited 光正教育有限公司	The BVI	USD1	100%	100%	Investment holding (note ii & iii)
Bright Education (HK) Co. Limited 光正教育（香港）有限公司	Hong Kong	HK$1	100%	100%	Investment holding (note ii)
廣東光正教育集團有限公司 Guangdong Guangzheng Educational Group Co., Ltd.*	The PRC	RMB83,400,000	100%	100%	Education Investment (note iv)
東莞瑞興商務服務有限公司 Dongguan Ruixing Business Services Co., Ltd.*	The PRC	HK$1,000,000	100%	100%	Educational consultancy service (note iv & vi)
東莞悦興教育諮詢有限公司 Dongguan Yuexing Education Consulting Co., Ltd.*	The PRC	HK$—(note i)	100%	100%	Educational consultancy service (note iv & vi)
盤錦光正投資有限公司 Panjin Guangzheng Investment Co., Ltd.*	The PRC	RMB80,000,000	100%	100%	Education Investment (note iv)
盤錦市光正實驗學校 Panjin Guangzheng Preparatory School*	The PRC	RMB5,000,000	100%	100%	Provision of middle school and primary school full time education (note iv)
惠州市光正投資有限公司 Huizhou Guangzheng Investment Co., Ltd.*	The PRC	RMB20,000,000	100%	100%	Education Investment (note iv)
惠州市光正實驗學校 Huizhou Guangzheng Preparatory School*	The PRC	RMB5,000,000	100%	100%	Provision of middle school and primary school full time education (note iv)

38. Particulars of Subsidiaries of the Company — continued

Name of Subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group 2017	2016	Principal activities
東莞市光明中學 Dongguan Guangming School*	The PRC	RMB232,524,000	100%	100%	Provision of high school and middle school full time education (note iv)
東莞市光明小學 Dongguan Guangming Primary School*	The PRC	RMB85,912,900	100%	100%	Provision of primary school full time education (note iv)
東莞市光正實驗學校 Dongguan Guangzheng Preparatory School*	The PRC	RMB50,434,794	100%	100%	Provision of high school, middle school and primary school full time education (note iv)
深圳光正優越科技開發有限公司 Shenzhen Guangzheng Youyue Technology Development Co., Ltd*	The PRC	RMB—(note i)	100%	100%	Software development (note iv & vi)
東莞市文匯教育投資有限公司 Dongguan Wenhui Education Investment Co., Ltd*	The PRC	RMB—(note i)	100%	100%	Education investment (note iv)
濰坊光正實驗學校投資有限公司 Weifang Guangzheng Preparatory School Investment Co., Ltd*	The PRC	RMB—(note i)	100%	100%	Education investment (note iv)
濰坊光正實驗學校 Weifang Guangzheng Preparatory School*	The PRC	RMB20,000,000	100%	100%	Provision of middle school and primary school full time education (note iv)
廣安光正教育發展有限公司 Guang'an Guangzheng Education Development Co., Ltd.*	The PRC	RMB—(note i)	100%	100%	Education investment (note iv)
雲浮市光正投資有限公司 Yunfu Guangzheng Investment Co., Ltd.*	The PRC	RMB—(note i)	75%	75%	Education investment (note iv)

38. Particulars of Subsidiaries of the Company — continued

Name of Subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group 2017	Equity interests attributable to the Group 2016	Principal activities
東莞市華生教育投資有限公司 Dongguan Huasheng Education Investment Co., Ltd.*	The PRC	RMB—(note i)	92.86%	—	Education investment (note iv)
西藏科騰商務服務有限公司 Tibet Keteng Business Service Company Limited*	The PRC	RMB—(note i)	100%	—	Education investment (note iv & vi)
揭陽光正投資有限公司 Jieyang Guangzheng Investment Co., Ltd.*	The PRC	RMB—(note i)	65%	—	Education investment (note iv)
Brighter Dewey Education Corporation	Canada	CAD100	100%	—	Education investment (note v)

* The English names are for identification purpose only.

Notes:

i. As at the date of issuance of these consolidated financial statements, no registered capital has been paid.

ii. The subsidiary operates in Hong Kong.

iii. This subsidiary is directly held by the Company. Other subsidiaries are indirectly held by the Company.

iv. The subsidiary operates in the PRC.

v. The subsidiary operates in Canada.

vi The subsidiary is a wholly foreign owned enterprise.

vii. Except for Dongguan Ruixing, Dongguan Yuexing Education Consulting Co., Ltd, Shenzhen Guangzheng Youyue Technology Development Co., Ltd and Tibet Keteng Business Service Company Limited, all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in Note 1.

viii. The legal forms of Guangdong Guangzheng, Huizhou Guangzheng, Panjin Guangzheng, Weifang Guangzheng, Dongguan Wenhui, Guang'an Guangzheng, Yunfu Guangzheng, Dongguan Huasheng and Jieyang Guangzheng were limited liability companies incorporated in the PRC. All other entities established in the PRC are private schools, including high schools, middle schools, elementary schools and preschools.

ix. None of the subsidiaries have issued any debt securities during the year and at the end of the reporting period.

39. Statement of Financial Position and Reserves of the Company

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	2,419	—
Pledged bank deposits	197,919	—
Investment in a subsidiary	—	—
	200,338	—
Current assets		
Prepayments and other receivables	2,039	—
Amounts due from subsidiaries	1,784	—
Deferred listing expenses	—	8,134
Pledged bank deposits	177,540	—
Bank balances and cash	285,620	—
	466,983	8,134
Current liabilities		
Other payables and accrued expenses	2,831	—
Amounts due to subsidiaries	6,007	759
Accrued listing expenses	17,499	20,037
Amounts due to directors	—	10,724
	26,337	31,520
Net current assets (liabilities)	440,646	(23,386)
Net assets (liabilities)	640,984	(23,386)
Capital and reserves		
Share capital	18,026	—
Reserves	622,958	(23,386)
Total equity	640,984	(23,386)

39. Statement of Financial Position and Reserves of the Company — continued

Movement in the Company's reserves

	Share premium RMB'000	Share options reserve RMB'000	Treasury shares of share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2015	—	—	—	(63)	(63)
Loss and total comprehensive expense for the year	—	—	—	(23,323)	(23,323)
At 31 August 2016	—	—	—	(23,386)	(23,386)
Loss and total comprehensive expense for the year	—	—	—	(50,512)	(50,512)
Recognising of share-based payments expenses	—	5,304	—	—	5,304
Capitalisation issue	(13,259)	—	—	—	(13,259)
Issuance of ordinary shares upon listing and exercise of over-allotment option	802,486	—	—	—	802,486
Expenses incurred in connection with the issuance of ordinary shares	(45,923)	—	—	—	(45,923)
Shares purchased for share award scheme	—	—	(3,700)	—	(3,700)
Exercise of share options	2,893	(2,005)	—	—	888
Dividend recognised as distribution	(48,940)	—	—	—	(48,940)
At 31 August 2017	697,257	3,299	(3,700)	(73,898)	622,958