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 2019

以誠心服務社會

以愛心培育人才

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo *(appointed on 14 March 2019)*
Mr. Yau Sze Ka *(resigned on 14 March 2019)*

AUDIT COMMITTEE

Mr. Tam King Ching Kenny *(Chairman)*
Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Huang Weiguo *(appointed on 14 March 2019)*
Mr. Yau Sze Ka *(resigned on 14 March 2019)*

REMUNERATION COMMITTEE

Prof. Sun Kai Lit Cliff *BBS, J.P. (Chairman)*
Mr. Liu Xuebin
Mr. Huang Weiguo *(appointed on 14 March 2019)*
Mr. Yau Sze Ka *(resigned on 14 March 2019)*

NOMINATION COMMITTEE

Mr. Huang Weiguo *(Chairman)*
(appointed on 14 March 2019)
Mr. Tam King Ching Kenny
Ms. Li Suwen
Mr. Yau Sze Ka *(resigned on 14 March 2019)*

COMPANY SECRETARY

Ms. Leung Suet Lun
(appointed on 13 September 2019)
Mr. Ng Cheuk Him *(resigned on 13 September 2019)*

AUTHORIZED REPRESENTATIVES

Mr. Liu Xuebin
Ms. Leung Suet Lun
(appointed on 13 September 2019)
Mr. Ng Cheuk Him *(resigned on 13 September 2019)*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Allen & Overy

As to PRC law
Commerce & Finance Law Offices

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 68 Guangming Da Dao
Dongcheng District
Dongguan
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

6068

COMPANY WEBSITE

www.wisdomeducationintl.com

INVESTOR RELATIONS

Mr. Derek Lau
Email: ir@wisdomeducationintl.com

Corporate Profile

Established in 2003, Wisdom Education International Holdings Company Limited (the "**Company**"), its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") are one of the largest private education groups in South China operating premium primary and secondary schools as measured by student enrolment. Our schools target students primarily from the middle class or above families in China.

Our Schools and Educational Curriculum

During the year ended 31 August 2019, we operated 11 schools, with three of them located in two campuses in Dongguan, one in Huizhou and one in Jieyang of Guangdong province. Two of the schools are located in Weifang of Shandong province, and two are in Zhangzhou of Fujian province. The other two schools are in Panjin of Liaoning province and Guang'an of Sichuan province respectively.

The following table sets forth the category of education that we provide in each of our nine campuses:

		Primary School	Middle School	High School	International Programmes
1.	Dongguan Guangming School together with Dongguan Guangming Primary School ("**Dongguan Guangming Secondary and Primary Schools**")	√	√	√	√
2.	Dongguan Guangzheng Preparatory School	√	√	√	√
3.	Huizhou Guangzheng Preparatory School	√	√	√	√
4.	Panjin Guangzheng Preparatory School	√	√	√	N/A
5.	Weifang Guangzheng Preparatory School	√	√	√	N/A
6.	Jieyang Jiedong Guangzheng Preparatory School (formerly known as Huanan Shida Yuedong Preparatory School) ("**Jieyang School**")	√	√	√	N/A
7.	Weifang Weizhou Foreign Language School ("**Weifang Weizhou School**")	√	N/A	N/A	N/A
8.	Guang'an Guangzheng Preparatory School	√	√	√	N/A
9.	Zhang Pu Longcheng Schools	√	√	√	N/A

Our primary and middle schools primarily 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 mainly designed to prepare high school students for the examinations required for obtaining the International General Certificate of Secondary Education and the United Kingdom General Certificate of Education Advanced Level qualification.

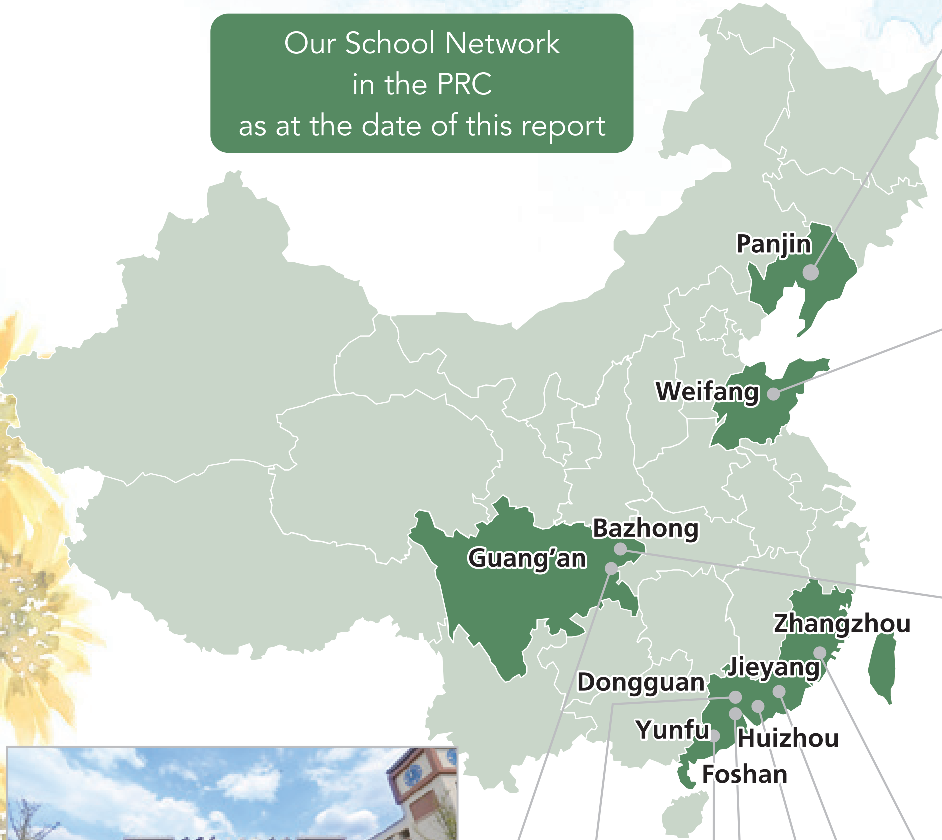
Our Educational Philosophy

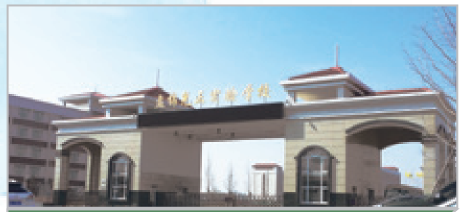
Our educational objectives are "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會，以愛心培育人才). To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture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

Our School Characteristics

Our schools are boarding schools with on-campus student dormitories. To promote the 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 in the national high school basketball competition for the 2018/2019 school year.

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

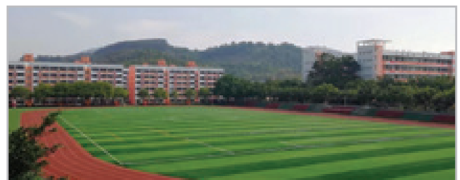


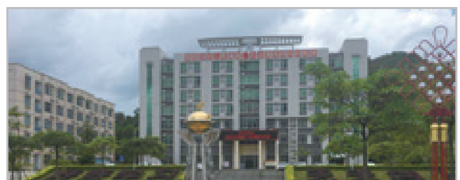

Panjin Guangzheng Preparatory School


Weifang Guangzheng Preparatory School


Weifang Weizhou Foreign Language School

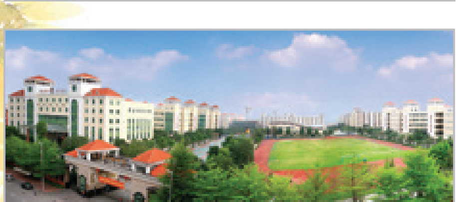

Bazhong Guangzheng Preparatory School


Zhang Pu Longcheng Schools


Jieyang Jiedong Guangzheng Preparatory School


Huizhou Guangzheng Preparatory School


Guang'an Guangzheng Preparatory School


Dongguan Guangming Secondary and Primary Schools


Dongguan Guangzheng Preparatory School


Yunfu Guangming Foreign Language School


Shunde Guangzheng Preparatory School

Financial Summary

Results

	Year ended 31 August				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	568,715	700,741	979,140	1,246,920	**1,681,530**
Cost of revenue	(289,194)	(370,352)	(529,289)	(702,054)	**(939,836)**
Gross profit	279,521	330,389	449,851	544,866	**741,694**
Profit before taxation	212,342	194,535	270,307	345,561	**409,275**
Taxation	(30,045)	(40,172)	(70,112)	(38,379)	**(55,697)**
Profit for the year	182,297	154,363	200,195	307,182	**353,578**
Core net profit (Note)	172,687	185,775	248,517	321,967	**428,610**
Gross profit margin	49.1%	47.1%	45.9%	43.7%	**44.1%**
Net profit margin	32.1%	22.0%	20.4%	24.6%	**21.0%**
Core net profit margin	30.4%	26.5%	25.4%	25.8%	**25.5%**

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.

Dividend Per Share

	Year ended 31 August				
	2015	2016	2017	2018	**2019**
	HK$	HK$	HK$	HK$	**HK$**
Interim dividend	—	—	0.027	0.040	**0.049**
Final dividend	—	—	0.030	0.040	**0.049**
Total	—	—	0.057	0.080	**0.098**

Financial Summary (Continued)

Assets and Liabilities

	At 31 August				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Non-current assets	1,433,344	1,763,204	2,727,962	4,003,316	**4,676,090**
Current assets	1,531,639	695,171	604,265	1,468,347	**1,595,205**
Current liabilities	1,546,199	1,152,775	1,093,804	1,643,291	**2,479,732**
Net current liabilities	(14,560)	(457,604)	(489,539)	(174,944)	**(884,527)**
Total assets less current liabilities	1,418,784	1,305,600	2,238,423	3,828,372	**3,791,563**
Equity attributable to owners of the Company	675,476	830,775	1,745,890	1,911,065	**2,161,298**
Non-controlling interests	(225)	—	(38)	66,276	**85,517**
Non-current liabilities	743,533	474,825	492,571	1,851,031	**1,544,748**
	1,418,784	1,305,600	2,238,423	3,828,372	**3,791,563**

	At 31 August				
Selected Major Items	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Property, plant and equipment	1,006,912	1,344,405	1,779,440	2,492,447	**3,035,707**
Bank balances and cash, including pledged bank deposits	12,229	103,705	753,510	1,192,987	**1,161,412**
Total bank borrowings	1,275,500	607,700	621,800	1,707,220	**2,169,430**
Convertible loan notes	—	—	—	422,143	**479,134**
Contract liabilities and deferred revenue	285,146	365,005	436,778	617,023	**750,820**

	At 31 August				
Liquidity	2015	2016	2017	2018	**2019**
Net gearing ratio (Note 1)	187.0%	60.7%	Net Cash	47.4%	**66.2%**
Adjusted net gearing ratio (Note 2)	187.0%	60.7%	Net Cash	24.1%	**51.0%**

Notes:

1. Net gearing ratio is calculated as total of bank borrowings and other borrowings net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant financial year.

2. Adjusted net gearing ratio is calculated as the net gearing ratio (as calculated in note 1 above) with available-for-sale investments and financial assets at fair value through profit or loss ("**FVTPL**") treated as cash and cash equivalents.

Operating Cash Flows

	Year ended 31 August				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Net cash from operating activities	319,148	333,248	395,551	623,355	**576,702**

Capital Expenditure

	Year ended 31 August				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Payments for acquisition of property, plant and equipment	193,628	178,191	445,363	641,892	**618,667**
Payments for acquisition of prepaid lease	—	19,217	85,791	101,485	**285,104**
Total	193,628	197,408	531,154	743,377	**903,771**

Chairperson's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present the annual report of the Company comprising the consolidated results of the Group for the year ended 31 August 2019.

Compared with the 2017/2018 school year, total student enrolment increased by 25.9% to 54,420 students and the total student capacity of our schools increased by approximately 21.3% to 63,000 for the 2018/2019 school year. For the year ended 31 August 2019, total revenue of the Group reached RMB1,681.5 million, representing an increase of 34.9% as compared to RMB1,246.9 million for the pervious financial year. Profit for the year increased by 15.1% to RMB353.6 million whereas core net profit increased by 33.1% to RMB428.6 million. The Board has resolved to recommend the payment of a final dividend of RMB0.042 (equivalent to HK$0.049) per share. Together with the interim dividend of RMB0.042 (equivalent to HK$0.049) per share, this will make up a total dividend of RMB0.084 (equivalent to HK$0.098) per share for the year ended 31 August 2019.

During the year ended 31 August 2019, we added a boarding school in Fujian Province and acquired a parcel of land in Shunde, Foshan city for educational purposes and as detailed below.

(i) Addition of a Boarding School in Fujian Province

Pursuant to an agreement entered into between the Group and independent third parties (the "**Sellers**") on 20 August 2018, the Sellers conditionally agreed to transfer to the Group the entire equity interest in an investment holding company ("**Target Company**") established in China ("**Transfer**"). The Target Company owns the entire sponsor's interests in Zhang Pu Longcheng School* (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively, "**Zhang Pu Longcheng Schools**"), which are located in Zhangzhou, Fujian province, China, and the entire interest in a parcel of land with a site area of approximately 100 mu (畝) occupied by Zhang Pu Longcheng Schools.

Zhang Pu Longcheng Schools are private boarding schools established in accordance with the first-level of provincial standard, offering education for grade 1 to grade 12 students in China with a total student enrolment of approximately 2,900.

During the year ended 31 August 2019, the Group completed the necessary registration procedures and obtained the relevant licences in relation to the operation of Zhang Pu Longcheng Schools and the other conditions precedent of the Transfer have been completed. The financial statements of the Target Company and Zhang Pu Longcheng Schools have been consolidated in the financial statements of the Group with effect from November 2018.

(ii) Acquisition of Land in Shunde, Foshan city for Building a Primary and Secondary School

In October 2018, the Group made a successful bid for the land use rights of a parcel of land of approximately 98,800 square meters (equivalent to approximately 148 mu (畝)) with a term of 50 years, which is situated at Shunde district, Foshan in Guangdong province for educational purposes. The Group has entered into an agreement with the Land Reserve Development Centre of Jun'an town, Shunde district in Foshan in respect of the acquisition of the land at the consideration of approximately RMB276 million, and the proposed development of a boarding school on the land. Pursuant to the agreement, the Group is required to build a boarding school comprising, among other things, primary, middle and high school sections with a total capacity of no less than 4,440 students. Please refer to the Company's announcement dated 9 October 2018 for further details of the transaction.

In March 2019, the Group obtained an approval from the Ministry of Education of Shunde District, Foshan for setting up a private not-for-profit primary and secondary school for grade 1 to grade 12 students on a total land area of approximately 191,000 square meters (equivalent to approximately 286 mu (畝)). In addition to the original parcel of land of approximately 98,800 square meters acquired in October 2018 through bidding, the Group is allowed to rent additional parcels of land of approximately 92,200 square meters for educational purposes and the total maximum capacity of the school will be increased to 9,210 students with this approval. This demonstrates that the local government supports the Group to establish a private school in Shunde District, Foshan for the Group's maximum benefit. The Group has commenced the first phase of student recruitment before September 2019.

Chairperson's Statement (Continued)

(iii) Establishment of an Education Industry Fund

In March 2019, the Group entered into a strategic cooperation agreement ("**Strategic Cooperation**") with Guangdong Huiyin Haide Equity Investment Fund Management Company Limited (廣東匯垠海德股權投資基金管理有限公司) ("**Huiyin Haide**") in relation to the establishment of an education industry fund principally for the investment of schools in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") ("**Industry Fund**") with a target size of investment of approximately RMB2,500 million, which will be raised by phases on a project basis, of which RMB1,000 million to be contributed by the Group as to RMB700 million and Huiyin Haide as to RMB300 million. Guangzhou Huiyintianyue Equity Investment Fund Management Co. Ltd (廣州匯垠天粵股權投資基金管理有限公司), a wholly-owned subsidiary of Guangzhou Industrial Investment Fund Management Co. Ltd (廣州產業投資基金管理有限公司), is the largest shareholder of Huiyin Haide.

The Industry Fund will set up a platform company and different project companies for holding interests in different schools. The platform company will apply the fund raised from the Industry Fund towards financing, among other things, the expenditures in establishing new schools and the operation expenses of schools. Huiyin Haide will be the fund manager of the Industry Fund and the Group will provide management services to such schools held by the project companies in return for a service fee. The Group will be entitled to a right of first refusal for acquiring any investment project proposed to be disposed of by the Industry Fund on the same conditions offered to third party purchasers. For details of the Industry Fund and the reasons of the Strategic Cooperation, please refer to the Company's announcement dated 20 March 2019.

As at the date of this report, the Industry Fund has not been set up.

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 our Group.

Li Suwen
Wisdom Education International Holdings Company Limited
Chairperson

Hong Kong, 25 November 2019

Operational and Financial Highlights

Operational Information	Year ended 31 August			Percentage
	2019	2018	Change	Change
School Year	2018/2019	2017/2018		
Total number of students enrolled	54,420	43,230	+11,190	+25.9%
Total student capacity	63,000	51,924	+11,076	+21.3%
Overall school utilization	86.4%	83.3%	N/A	N/A
Total number of teachers	3,410	2,670	+740	+27.7%

Selected Financial Information RMB'000 (unless otherwise stated)	Year ended 31 August			Percentage
	2019	2018	Change	Change
Revenue	1,681,530	1,246,920	+434,610	+34.9%
Gross profit	741,694	544,866	+196,828	+36.1%
Core net profit (Note)	428,610	321,967	+106,643	+33.1%
Profit for the year	353,578	307,182	+46,396	+15.1%
Interim dividend per share (HK$)	0.049	0.040	+0.009	+22.5%
Final dividend per share (HK$)	0.049	0.040	+0.009	+22.5%

Note: Core net profit is derived from the profit for the year 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	
	2019 RMB'000	2018 RMB'000
Profit for the year	353,578	307,182
Less:		
Exchange gain	—	(4,788)
Add:		
Exchange loss	16,748	—
Loss on change in fair value of convertible loan notes	786	3,944
Share-based payments	8,708	3,948
Amortisation of intangible assets arising from the acquisition of schools	25,590	11,681
Adjusted interest expenses on convertible loan notes based on actual coupon rate*	23,200	—
Core net profit	428,610	321,967

* The adjustment represented the difference of (a) the actual interest payable by the Group for the HK$500 million convertible loan notes with coupon rate of 6.8% of approximately RMB30.2 million, whereas the difference for the year ended 31 August 2018 was immaterial and (b) the interest charged to "Finance costs" in profit and loss of approximately RMB53.4 million based on the theoretical effective interest rate of 12.2% by using effective interest method as disclosed in note 30 to the consolidated financial statements.

Operational and Financial Highlights (Continued)

Selected Financial Information RMB'000 (unless otherwise stated)	As at 31 August	
	2019	2018
Bank balances and cash, including pledged bank deposits	**1,161,412**	1,192,987
Total bank borrowings	**2,169,430**	1,707,220
Convertible loan notes	**479,134**	422,143
Contract liabilities and deferred revenue	**750,820**	617,023
Net gearing ratio (Note 1)	**66.2%**	47.4%
Adjusted net gearing ratio (Note 2)	**51.0%**	24.1%

Notes:

1. Net gearing ratio is calculated as total of bank borrowings and other borrowings net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year.

2. Adjusted net gearing ratio is calculated as the net gearing ratio (as calculated in note 1 above) with available-for-sale investments and financial assets at FVTPL treated as cash and cash equivalents.

Management Discussion and Analysis

BUSINESS REVIEW

Student Placement

For the 2018/2019 school year, over 90% and over 50% of our high school graduates from Dongguan Guangming Secondary School were admitted to universities in China and 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, respectively.

Revenue

We derive our revenue from tuition fees and boarding fees collected from our students and from ancillary services provided to our students. As all the ancillary services are currently provided by the Company's indirect wholly-owned subsidiaries and the management evaluated the performance of ancillary services based on service category, total revenue by school has not been presented accordingly.

	For the year ended 31 August			
Revenue by Service	**2019 RMB'000**	**% of Total**	2018 RMB'000	% of Total
Tuition and boarding fees	**1,145,461**	**68.1**	841,243	67.5
Ancillary services	**536,069**	**31.9**	405,677	32.5
Total revenue	**1,681,530**	**100**	1,246,920	100

Tuition and boarding fees

Our school year normally runs from 1 September to 31 August (including a summer vacation) and each school year is divided into two school terms. Our tuition and boarding fees are generally paid in advance prior to the commencement of each school term, and we initially record such payments as contract liabilities for the year ended 31 August 2019 (for the year ended 31 August 2018: deferred revenue). We then recognise tuition and boarding fees as revenue proportionately over the relevant period in each school year.

Comparing with that for the year ended 31 August 2018, tuition and boarding fees for the year ended 31 August 2019 increased by 36.2%, with approximately 30.0% organic growth in our existing schools.

Ancillary services

In order to enhance the quality of student life in our schools where our students normally live in our dormitories from Monday to Friday during school terms, our wholly-owned service companies provide our students with ancillary services, including various on-campus services and daily necessities for students.

Comparing with that for the year ended 31 August 2018, revenue from ancillary services for the year ended 31 August 2019 increased by 32.1% primarily due to the increase in overall student enrolment and the increase in average selling price of certain ancillary service items.

Management Discussion and Analysis (Continued)

Student Enrolment

For both the 2018/2019 and 2017/2018 school years, the number of students withdrawn from our schools and the number of transferred students were insignificant. Accordingly, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective school year and no average student enrolment is presented.

The following tables set forth the student enrolment for the 2018/2019 and 2017/2018 school years:

Student Enrolment by School	For the School Year 2018/2019	2017/2018	Change	Percentage Change
Dongguan Guangming Secondary and Primary Schools	**17,358**	16,477	+881	+5.3%
Dongguan Guangzheng Preparatory School	**12,645**	10,620	+2,025	+19.1%
Huizhou Guangzheng Preparatory School	**8,413**	6,011	+2,402	+40.0%
Panjin Guangzheng Preparatory School	**3,119**	2,170	+949	+43.7%
Weifang Guangzheng Preparatory School	**2,133**	1,401	+732	+52.2%
Jieyang School	**5,375**	4,501	+874	+19.4%
Sub-total	**49,043**	41,180	+7,863	+19.1%
Addition of schools				
Weifang Weizhou School — Consolidated with effect from June 2018	**2,318**	2,050	+268	+13.1%
Guang'an Guangzheng Preparatory School — Opened in September 2018	**159**	N/A	+159	N/A
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**2,900**	N/A	+2,900	N/A
Sub-total	**5,377**	2,050	+3,327	+162.3%
Total number of students	**54,420**	43,230	+11,190	+25.9%

Management Discussion and Analysis (Continued)

Total student number increased by 25.9%, primarily due to the increase in student enrolment in Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and the consolidation of Zhang Pu Longcheng Schools.

The student enrolment of Zhang Pu Longcheng Schools was consolidated to the Group's student enrolment with effect from November 2018 for the 2018/2019 school year, whereas the student enrolment of Weifang Weizhou School was consolidated to the Group's student enrolment with effect from June 2018 for the 2017/2018 school year. Accordingly, the normalised annual growth rate of the total number of students was adjusted to 29.4%.

Student Enrolment by Section	For the School Year 2018/2019	% of Total	For the School Year 2017/2018	% of Total
High school	**11,555**	**21.3**	9,037	20.9
Middle school	**23,680**	**43.5**	18,217	42.1
Primary school	**18,943**	**34.8**	15,669	36.3
International programmes	**242**	**0.4**	307	0.7
Total number of students	**54,420**	**100**	43,230	100

Student Recruitment

To recruit students to our high schools, 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 administer additional tests to evaluate applicants' skills in sports, music or art and recruit specialty students who have talents in those areas. For our middle schools, 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 2018/2019 school year, approximately 99% of our primary school graduates were enrolled in our middle schools, and approximately 50% of our middle school graduates were enrolled in our high schools.

Management Discussion and Analysis (Continued)

Average Tuition and Boarding Fees Per Student

Average Annual Tuition and Boarding Fees per student by School	For the year ended 31 August 2019 RMB (Note)	2018 RMB (Note)	Percentage Change
Dongguan Guangming Secondary and Primary Schools	**26,005**	22,930	+13.4%
Dongguan Guangzheng Preparatory School	**25,634**	22,716	+12.8%
Huizhou Guangzheng Preparatory School	**19,852**	19,459	+2.0%
Panjin Guangzheng Preparatory School	**17,161**	15,065	+13.9%
Weifang Guangzheng Preparatory School	**15,244**	14,504	+5.1%
Jieyang School	**10,972**	10,212	+7.4%
Before addition of schools	**22,176**	20,277	+9.4%
Addition of schools			
Weifang Weizhou School — Consolidated with effect from June 2018	**12,426**	3,046#	+2.0%#
Guang'an Guangzheng Preparatory School — Opened in September 2018	**16,473**	N/A	N/A
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**9,131***	N/A	N/A
Overall	**21,049**	19,460	+8.2%

* The financial statements of Zhang Pu Longcheng Schools have been consolidated in the Group's financial statements with effect from November 2018 after the completion of the acquisition. Accordingly, only tuition and boarding fees of Zhang Pu Longcheng Schools for the period from November 2018 to August 2019 were consolidated in the Group's total tuition and boarding fees, whereas the student enrolment of Zhang Pu Longcheng Schools has been fully consolidated in the Group's total student enrolment. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools assuming that there was no material change in student enrolment during the year ended 31 August 2019, the normalised average annual tuition and boarding fees per student for Zhang Pu Longcheng Schools would have been adjusted to approximately RMB10,957.

Management Discussion and Analysis (Continued)

Since the acquisition of Weifang Weizhou School was completed on 31 May 2018, the financial statements of Weifang Weizhou School have been consolidated in the Group's financial statements with effect from June 2018. Accordingly, only tuition and boarding fees of Weifang Weizhou School for the period from June to August 2018 were consolidated in the Group's total tuition and boarding fees, whereas the student enrolment of Weifang Weizhou School has been fully consolidated in the Group's total student enrolment. If we annualised the tuition and boarding fees of Weifang Weizhou School assuming that there was no material change in student enrolment during the year ended 31 August 2018, the normalised average annual tuition and boarding fees per student for Weifang Weizhou School would have been adjusted to approximately RMB12,184.

Note:

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective year by the number of student enrolment for the respective school year. For both the 2018/2019 and 2017/2018 school years, the number of students withdrawn from our schools and the number of transferred students were insignificant. Accordingly, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective school year and no average student enrolment for the respective school year is presented for the calculation of the average tuition and boarding fees per student.

For the year ended 31 August 2019, the average tuition and boarding fees per student before taking into consideration of the additions of Weifang Weizhou School, Guang'an Guangzheng Preparatory School and Zhang Pu Longcheng Schools increased by 9.4% to RMB22,176 primarily due to the increase in tuition and boarding fees for the new students in Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School.

The overall average tuition and boarding fees per student of the Group increased by 8.2% to RMB21,049 primarily due to the increase in tuition and boarding fees for the new students in Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School. If we had annualised the tuition and boarding fees of Zhang Pu Longcheng Schools during the year ended 31 August 2019 assuming that there was no material change in student enrolment during the same period, the normalised overall average tuition and boarding fees would have been adjusted to RMB21,146 (2018: RMB19,893), representing a year-on-year increase of 6.3%.

Management Discussion and Analysis (Continued)

School Capacity and Utilization

As 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 for the relevant school year. The following table sets forth the capacity for students and the utilization of our schools for the 2018/2019 and 2017/2018 school years:

Student Capacity and Utilization by School	School Year 2018/2019 Student Capacity	School Year 2018/2019 Utilization	School Year 2017/2018 Student Capacity	School Year 2017/2018 Utilization
Dongguan Guangming Secondary and Primary Schools	**18,300**	**94.9%**	16,804	98.1%
Dongguan Guangzheng Preparatory School	**15,000**	**84.3%**	13,500	78.7%
Huizhou Guangzheng Preparatory School	**8,500**	**99.0%**	8,000	75.1%
Panjin Guangzheng Preparatory School	**4,000**	**78.0%**	2,500	86.8%
Weifang Guangzheng Preparatory School	**4,000**	**53.3%**	4,000	35.0%
Jieyang School	**7,000**	**76.8%**	5,000	90.0%
Sub-total	**56,800**	**86.3%**	49,804	82.7%
Addition of schools				
Weifang Weizhou School — consolidated with effect from June 2018	**2,200**	**105.4%**	2,120	96.7%
Guang'an Guangzheng Preparatory School — Opened in September 2018	**1,000**	**15.9%**	N/A	N/A
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**3,000**	**96.7%**	N/A	N/A
Sub-total	**6,200**	**86.7%**	2,120	96.7%
Overall	**63,000**	**86.4%**	51,924	83.3%

Total student capacity increased from 51,924 for the 2017/2018 school year to 63,000 for the 2018/2019 school year primarily due to the expansion of capacity of Dongguan Guangming Secondary and Primary Schools (after the acquisition of an adjacent campus), Dongguan Guangzheng Preparatory School, the opening of Guang'an Guangzheng Preparatory School in September 2018 and the consolidation of Zhang Pu Longcheng Schools.

Teachers

For the 2018/2019 school year, over 80% of our PRC-qualified teachers held bachelor's or higher degrees. The number of teachers increased from approximately 2,670 for the 2017/2018 school year to approximately 3,410 for the 2018/2019 school year, primarily due to the recruitment of additional teachers for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, and the consolidation of Zhang Pu Longcheng Schools. The overall student-teacher ratio remained relatively stable.

Teacher turnover rate

For the 2018/2019 school year, the turnover rate of our teachers, including our termination, was approximately 7.0%.

RECENT BUSINESS UPDATE FOR THE 2019/2020 SCHOOL YEAR

(i) Openings of three greenfield schools from the 2019/2020 school year

Bazhong Guangzheng Preparatory School ("Bazhong Guangzheng School")

The Group has commenced operation of the first phase of Bazhong Guangzheng School, which is located in Bazhong, Sichuan province, since September 2019. Bazhong Guangzheng School is one of the key development projects promoted by the Local Government of Bazhong which has provided the Group with a parcel of land with a total site area of approximately 320 mu (畝) (equivalent to approximately 210,000 square metres) with the land use right of 50 years for educational purposes.

Bazhong Guangzheng School is a boarding school comprising, among other things, primary, middle and high school sections with a total capacity of approximately 10,000 students if the development of all phases is completed. The Company considers that the opening of Bazhong Guangzheng School can bring the Group an excellent opportunity to further expand its coverage in Sichuan and enhance its school brand influence in the region.

Yunfu Guangming Foreign Language School ("Yunfu Guangming School")

The Group has commenced operation of the first phase of Yunfu Guangming School, which is located in Yunfu, Guangdong province, since September 2019. The local government of Yunfu allocated a parcel of land with a total site area of approximately 355 mu (畝) (equivalent to approximately 237,000 square metres) to the Group for educational purposes.

Yunfu Guangming School is a boarding school comprising, among other things, primary, middle and high school sections with a total capacity of 10,680 students if the development of all phases is completed.

Management Discussion and Analysis (Continued)

Shunde Guangzheng Preparatory School

As mentioned in the section headed "Major Business Developments" under "Business Review For The 2018/2019 School Year", Shunde Guangzheng Preparatory School has commenced operation from the 2019/2020 school year as planned. However, as certain facilities of the school are not ready for use, its students are currently using the facilities of other school campuses of the Group.

(ii) Student Enrolment Growth

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

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

(iii) Major Tuition and Boarding Fees Increments

From the 2019/2020 school year, apart from the increase in tuition and boarding fees of Jieyang School, tuition and boarding fees of newly recruited high school students of Dongguan Guangming School and Dongguan Guangzheng Preparatory School have been increased by approximately 29% and 42%, respectively.

(iv) Expansion of Schools' Capacity

Apart from opening three greenfield schools as mentioned above, the Group has expanded the capacity of certain schools for the 2019/2020 school year in order to cope with the growth in student enrolment. Accordingly, the overall student capacity increased from approximately 63,000 for the 2018/2019 school year to approximately 70,000 for the 2019/2020 school year, representing a year-on-year growth of about 11.1%.

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

MARKET REVIEW

China has planned to promote in-depth integration of resources and coordinated economic development in the Greater Bay Area, which comprises nine cities in Guangdong province and the two administrative regions of Hong Kong and Macao. The eleven cities, which include Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing, generated a combined United States Dollar 1.51 trillion in gross domestic product ("**GDP**") and host a population of 69.6 million in 2018 accounting for 12% and 5% of the national total respectively, according to the data compiled by the National Bureau of Statistics.

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

OUTLOOK

Favorable Environment for The Group's Business

i) The Outline Development Plan for The Greater Bay Area

On 18 February 2019, the central government of China issued an Outline Development Plan ("**Outline Development Plan**") for the Greater Bay Area, which has drawn a road map to further transform the Greater Bay Area into a world-class city cluster and an international hub for technology and innovation. Particularly, one of the objectives set out in Chapter 8 of the Outline Development Plan is to create an education and talent hub in the Greater Bay Area and there are several initiatives, among other things, for promoting fundamental education in the area, such as:

- to enhance exchange and cooperation in fundamental education;
- to encourage primary and secondary schools in Guangdong, Hong Kong and Macao to link up as "sister schools";
- to establish schools or provide classes with boarding services in Guangdong for the admission of Hong Kong and Macao children;
- to enhance school constructions and expand the supply of student places;
- to further improve the schooling policies for children accompanying parents who are under cross-region employments;
- to ensure eligible children who accompany parents residing in the places where they work will be able to take the university entrance examinations smoothly at their places of residence; and
- to consider allowing eligible children of Hong Kong and Macao residents who are working and living in the nine cities of the Pearl River Delta to enjoy the same rights as mainland residents on compulsory education and senior secondary education.

In order to attract more professionals to the nine cities in Guangdong, in March 2019, the Chinese government launched a subsidy scheme for foreign talent to make up for the difference in individual income tax between mainland China and Hong Kong.

We expect that the above initiatives, together with more convenient transportation and comprehensive facilities, will enhance the inflow of talent to the Greater Bay Area, which will in turn drive up demand for quality private primary and secondary schools as these people would generally have higher income level and put emphasis on the quality of their children's education.

ii) China's Education Modernization 2035 and its Implementation Plan (2018–2022)

With our proven track record in providing all-rounded quality private primary and secondary school education, we believe our schools will be one of the beneficiaries under the policy China's Education Modernization 2035.

In February 2019, the central government of China issued China's Education Modernization 2035 《中國教育現代化2035》and the Implementation Plan to Accelerate the Modernization of Education (2018–2022) 《加快推進教育現代化實施方案 (2018–2022年) 》("**Implementation Plan**"), which, among other things, aim to achieve quality and balanced compulsory education and promote senior secondary education. Certain objectives of the ten key tasks set out in the Implementation Plan bode well for the development of primary and secondary education. For instance, the second task puts emphasis on, among other things, the development of quality and characteristic ordinary high schools and supporting the launch of afterschool services in primary and secondary schools. The final task intends to, among other things, implement the Law for Promoting Private Education, revise its implementation rules, and proactively encourage social resources to set up schools with a view to developing private education in a sustainable and healthy manner.

iii) Motivation of Local Governments to Support Private Education Development

The growing demand for education resources coupled with the heavy share of public education expenditure by Chinese local governments would probably add pressure to provincial and municipal coffers, providing great opportunities for the development of private education. Public spending on education in China has increased over the years, and reached over RMB3.6 trillion in 2018, representing an 8.31% year-on-year growth, according to Chinese government statistics. Over 90% of the public education expenditure meanwhile is borne by local governments, making it a high percentage to their income and overall spending. For example, in Guangdong province, public education expenditure made up around 17% of the total government spending and was around 24% to its income in 2016. Serving an important function of bridging the shortage of public education resources, the private education sector is therefore expected to continue growing rapidly.

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

Increasing Our Brand Influence

We believe that maintaining a good reputation and a strong brand awareness are critical success factors for running private primary and secondary education in China. Thanks to our educational quality, we have a proven track record in replicating our business by leveraging our school brands. We will continue to put emphasis on our all-rounded quality education and expand our school network in order to enhance our reputation.

With our increasing brand influence, we believe our school properties are quality assets for operating our visible and promising primary and secondary business in future decades and we prefer to own our school properties for large-scale schools. However, we will also explore any asset-light business opportunity for operating small-scale schools.

Management Discussion and Analysis (Continued)

Our Growth Strategies

Greater Bay Area Focus

Given the favorable environment of Guangdong province in terms of GDP, population and the Outline Development Plan for the Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area.

Apart from the existing schools in Dongguan, Huizhou and Foshan, we have entered into cooperation or framework agreements with the local governments of Jiangmen, Guangzhou and Zhaoqing, respectively, in respect of the proposed establishment of a private boarding school in each of these cities, making up to the potential coverage of six Guangdong cities in the Greater Bay Area in the future.

Meanwhile, we will also explore any attractive expansion opportunities outside Guangdong province.

Two-pronged Expansion

I) Expanding Capacity of Our Schools

The estimated total capacity of the Group's existing schools for the 2019/2020 school year is approximately 70,000 students. Subject to certain government approvals, the estimated maximum capacity of the Group may be expanded to more than 140,000 students assuming all available lands of the existing schools for expansion and those of the greenfield schools under development are fully utilized.

We will evaluate the capacity of each of our schools based on the estimated number of students that the dormitories were designed to accommodate. The expansion of capacity of each of our schools is subject to evaluation and adjustment from time to time, depending on, among others, the respective school's actual student recruitment, utilization and the potential growth in student number.

The following table sets out the expansion of student capacity of the Group's schools, if any, from the 2018/2019 school year to the 2019/2020 school year and their estimated maximum student capacity:

Existing Schools	2018/2019 school year student capacity	2019/2020 school year estimated student capacity	Estimated maximum student capacity (Notes)
Dongguan Guangming Secondary and Primary Schools	18,300	18,300	18,300
Dongguan Guangzheng Preparatory School	15,000	17,000	20,000(1)
Huizhou Guangzheng Preparatory School	8,500	10,500	12,000(1)
Panjin Guangzheng Preparatory School	4,000	4,000	6,200(2)
Weifang Guangzheng Preparatory School	4,000	4,000	8,000(2)
Jieyang School	7,000	7,000	18,000(3)
Weifang Weizhou School	2,200	2,200	2,200
Guang'an Guangzheng Preparatory School	1,000	1,000	9,280(2)
Zhang Pu Longcheng Schools	3,000	3,000	3,500
Bazhong Guangzheng Preparatory School	N/A	1,500	10,000(2)
Yunfu Guangming Foreign Language School	N/A	1,500	10,680(2)
Shunde Guangzheng Preparatory School	N/A	—(4)	9,210(4)
Sub-total	63,000	70,000	127,370
Greenfield Schools Under Development — Expected commencement in 2021/2022 school year			
A boarding school in Chaozhou	—	—	8,000(5)
A boarding school in Kaiping, Jiangmen	—	—	7,500(5)
Sub-total	—	—	15,500
Total	63,000	70,000	142,870

Management Discussion and Analysis (Continued)

Notes:

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

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

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

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

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

II) *Open More New Schools*

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

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

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

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

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

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

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

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

c) Proposed greenfield schools under negotiation

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

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

Future Capital Expenditure and Financing

During the year ended 31 August 2019, we raised new borrowings from certain banks primarily for the future expansion of the Group's business. In order to have a better use of our unutilized financial resources, the Group has purchased certain investment products which were classified as financial assets at fair value through profit and loss. The Group is allowed to early redeem such investment management products, in whole or in part. The Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products.

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

Teacher's Recruitment, Training and Retention

We realize the importance of our teachers' quality in our expansion. In this regard, we cooperate with a number of well-known normal universities in China where we recruit talent graduates as our trainee teachers. We have a teacher mentoring program in which we train our outstanding teachers to prepare for the role of principal of our schools in the future. We normally assign some of our experienced teachers from the existing schools to involve in the operation of any new greenfield school.

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 our 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

With the Outline Development Plan for the Greater Bay Area and our proven track record and two-pronged development 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, and increase our market share in other regions in China.

USE OF PROCEEDS

The net proceeds from the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (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 the date of this report, the Company has applied the net proceeds as follows:

Use of Proceeds	**% of the Net Proceeds**	**Proceeds Allocated** (RMB million)	**Amount Utilized** (RMB million)	**Unutilized Balance** (RMB million)
— Expansion of our school network, in particular, through the development of new schools	65%	474.5	474.5	—
— Further expansion of three existing schools, namely Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and Panjin Guangzheng Preparatory School	8%	58.4	58.4	—
— Maintenance, renovation and upgrade of two existing schools, namely Dongguan Guangming School and Dongguan Guangming Primary School	2%	14.6	14.6	—
— Acquisition of schools to supplement our school network	18%	131.4	131.4	—
— Provision of scholarships and subsidies to our students	2%	14.6	7.8	6.8
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	723.2	6.8

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

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 Law for Promoting Private Education of the PRC was further slightly amended in 2018. 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 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 Special Administrative Measures (Negative List) for Admission of Foreign Investment (2019 Version) (《外商投資准入特別管理措施（負面清單）（2019年版》) ("**Negative List**") and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Negative List 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.

Foreign Investment Law

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and stipulate that foreign capital may just operate high schools by way of Sino-foreign cooperation (where the domestic party shall play a dominant role). Accordingly we conduct our private education business in the PRC through a VIE structure, through which we obtain control over and derive the economic benefits from our consolidated affiliated entities.

On 15 March 2019, the National People's Congress passed the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**Foreign Investment Law**") after deliberation, which will come into force on 1 January 2020. It will replace the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law on Sino-Foreign Contractual Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法 》). The Foreign Investment Law stipulates that the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in the sectors or industries prohibited by the negative list for the market entry of foreign investment.

The Foreign Investment Law adopts a more moderate stance than the draft Foreign Investment Law on the definition of foreign investment, and does not expressly impose restrictive requirements on the business operated in the PRC through contractual arrangement. Therefore, the Foreign Investment Law will not have a material impact on the overall contractual arrangement and each of the agreements which constitutes the contractual arrangement. The contractual arrangement and the relevant agreements will remain legal, valid and binding on the parties thereto. Notwithstanding the above, the Foreign Investment Law stipulates that "foreign investment includes the investment made in the PRC by foreign investors through any other ways under the laws, administrative regulations and provisions required by the State Council". If the future laws, administrative regulations and provisions of the State Council state contractual arrangement as one of the ways of foreign investment, our contractual arrangement may be deemed as foreign investment.

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. We will also take reasonable measures in good faith with reference to the circumstances. As at 31 August 2019, our Company was not aware of any non-compliance with the Foreign Investment Law.

Draft Amendments to the Implementation Rules for the Law for Promoting Private Education

On 10 August 2018, the Ministry of Justice of the PRC published the draft amendments to the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) (the "**Draft Amendments**"). Given that the Draft Amendments are only in draft form, which may remain subject to further revisions, the Company is of the view that it is still premature to assess the impact (if any) on the Group by virtue of the Draft Amendments, according to the provisions as contemplated or otherwise. The Group has not been affected by the Draft Amendments in any material respect as at the date of this report, and the Company currently does not expect that the Draft Amendments will have any material negative impact on the Group based on its preliminary assessment.

Qualification Requirement

Under the Sino-foreign Schools Regulation, foreign investors of Sino-foreign joint venture schools must be foreign educational institutions. According to the Sino-foreign Schools 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 have already established a subsidiary with Dewey International Holdings Limited 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

For the year ended 31 August 2019, total revenue increased by 34.9% to RMB1,681.5 million. Profit for the year and core net profit increased by 15.1% and 33.1%, respectively, to RMB353.6 million and RMB428.6 million, respectively, as compared to that for the year ended 31 August 2018.

Revenue

For the components of our revenue, please refer to the section headed "Business Review For The 2018/2019 School Year" above.

The Group's total revenue increased by RMB434.6 million, or 34.9%, from RMB1,246.9 million for the year ended 31 August 2018 to RMB1,681.5 million for the year ended 31 August 2019. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB304.2 million and the increase in revenue from ancillary services by RMB130.4 million.

Revenue from tuition and boarding fees increased by 36.2% from RMB841.2 million for the year ended 31 August 2018 to RMB1,145.5 million for the year ended 31 August 2019, largely due to the increase in total student enrolment and the increase in tuition and boarding fees for the new students in Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School. Total student enrolment increased by 25.9% from 43,230 for the 2017/2018 school year to 54,420 for the 2018/2019 school year, primarily due to the increase in student enrolment of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, and the consolidation of Zhang Pu Longcheng Schools.

Revenue from ancillary services increased by 32.1% from RMB405.7 million for the year ended 31 August 2018 to RMB536.1 million for the year ended 31 August 2019, primarily due to the increase in overall student enrolment and the increase in average selling price of certain ancillary service items.

Cost of Revenue

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

	For the year ended 31 August			
	2019 RMB'000	**% of Revenue**	2018 RMB'000	% of Revenue
Staff costs	**470,896**	**28.0**	314,748	25.2
Cost of provision of ancillary services	**266,867**	**15.9**	217,780	17.5
Amortisation of intangible assets	**25,590**	**1.5**	11,681	0.9
Depreciation and amortisation	**94,953**	**5.7**	76,972	6.2
Utilities and maintenance	**38,981**	**2.3**	33,402	2.7
Education expenses	**42,549**	**2.5**	47,471	3.8
Total cost of revenue	**939,836**	**55.9**	702,054	56.3

Cost of revenue increased by RMB237.7 million, or 33.9%, from RMB702.1 million for the year ended 31 August 2018 to RMB939.8 million for the year ended 31 August 2019. The increase was largely due to increases in teaching staff costs, cost of provision of ancillary services, depreciation and amortisation of intangible assets arising from the acquisition of schools.

Staff costs increased mainly because the number of teachers increased from approximately 2,670 for the 2017/2018 school year to approximately 3,410 for the 2018/2019 school year, primarily attributable to the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and the consolidation of Zhang Pu Longcheng Schools and increase in average salaries of our teachers during the year ended 31 August 2019.

Cost of provision of ancillary service increased in line with the increase in revenue from ancillary services for the year ended 31 August 2019.

Increase in depreciation was primarily due to the enhancement and expansion of our Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and Jieyang School, and the consolidation of Zhang Pu Longcheng Schools.

Gross Profit

As a result of the foregoing, gross profit increased by 36.1% from RMB544.9 million for the year ended 31 August 2018 to RMB741.7 million for the year ended 31 August 2019. Our gross margin increased from 43.7% for the year ended 31 August 2018 to 44.1% for the year ended 31 August 2019, primarily due to the increase in tuition and boarding fees for the new students of Dongguan Guangming Secondary and Primary Schools and Dongguan Guangzheng Preparatory School. The adjusted gross profit margin for the year

Management Discussion and Analysis (Continued)

ended 31 August 2019 was 45.6% (31 August 2018: 44.6%) after adjusting for the amortisation of intangible assets arising from the acquisition of schools of RMB25.6 million (31 August 2018: RMB11.7 million).

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, (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other income decreased by RMB20.7 million from RMB54.1 million for the year ended 31 August 2018 to RMB33.4 million for the year ended 31 August 2019, primarily due to the decrease in government grants by RMB15.5 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gain on change in fair value of financial assets at FVTPL, i.e. interest income from investment products, of RMB18.4 million, and (ii) exchange loss of RMB16.7 million mainly resulting from the translation of monetary assets and liabilities denominated in Hong Kong dollars (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 32.3% from RMB19.5 million for the year ended 31 August 2018 to RMB25.8 million for the year ended 31 August 2019, primarily as a result of increased advertising expenses in relation to the marketing and promotion of our Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and the acquisition of Jieyang School, Guang'an Guangzheng Preparatory School and Zhang Pu Longcheng Schools. Selling expenses as a percentage of revenue slightly decreased from 1.6% for the year ended 31 August 2018 to 1.5% for the year ended 31 August 2019.

Administrative Expenses

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

Administrative expenses increased by 14.5% from RMB220.9 million for the year ended 31 August 2018 to RMB253.0 million for the year ended 31 August 2019, primarily as a result of the increase in salaries and other benefits and office expenses in line with the Group's expansion plan and the consolidation of Zhang Pu Longcheng Schools. Administrative expenses as a percentage of revenue decreased from 17.7% for the year ended 31 August 2018 to 15.0% for year ended 31 August 2019.

Finance Income

Finance income consists of (i) interest income from bank deposits and (ii) interest income from available-for-sale investments.

Finance income decreased from RMB46.2 million for the year ended 31 August 2018 to RMB20.3 million for the year ended 31 August 2019 primarily due to the classification of interest income from investment products of RMB18.4 million as "Gain on change in fair value of financial assets at FVTPL" in other gains and losses for the year ended 31 August 2019 due to the adoption of International Financial Reporting Standard ("IFRS") 9.

Finance Costs

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

Finance cost increased from RMB57.5 million for the year ended 31 August 2018 to RMB107.1 million for the year ended 31 August 2019, primarily due to the increase in bank borrowings and interest expenses on convertible loan notes charged to the profit and loss for the year ended 31 August 2019. Adjusted finance costs for the year ended 31 August 2019 was RMB83.9 million, after adjusting for the difference of actual interest payable for the convertible loan notes and the interest expenses charged to the profit and loss based on the theoretical effective interest rate as disclosed in note 30 to the consolidated financial statements (see also note to reconciliation of Core Net Profit).

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 18.4% from RMB345.6 million for the year ended 31 August 2018 to RMB409.3 million for the year ended 31 August 2019. Profit before taxation as a percentage of revenue of the Group was 24.3% for the year ended 31 August 2019 compared with 27.7% for the year ended 31 August 2018.

Taxation

Income tax expense of the Group increased from RMB38.4 million for the year ended 31 August 2018 to RMB55.7 million for year ended 31 August 2019. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same EIT exemption as public schools since 1 September 2017. We have decided not to classify our high school sections as for-profit schools.

Management Discussion and Analysis (Continued)

The effective tax rate of the Group for each of the years ended 31 August 2019 and 31 August 2018 was 13.6% and 11.1%, respectively. The increase in the Group's effective tax rates was primarily due to the increase in profit generated from our wholly-owned services companies.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 15.1% from RMB307.2 million for the year ended 31 August 2018 to RMB353.6 million for the year ended 31 August 2019.

Core Net Profit

The Group defines its core net profit 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 and investors. The following table reconciles from profit for the year to core net profit for the two financial years presented below:

	For the year ended 31 August	
	2019 RMB'000	2018 RMB'000
Profit for the year	**353,578**	307,182
Less:		
Exchange gain	**—**	(4,788)
Add:		
Exchange loss	**16,748**	—
Loss on change in fair value of convertible loan notes	**786**	3,944
Share-based payments	**8,708**	3,948
Amortisation of intangible assets arising from the acquisition of schools	**25,590**	11,681
Adjusted interest expenses on convertible loan notes based on actual coupon rate (Note)	**23,200**	—
Core net profit	**428,610**	321,967

Note: The adjustment represented the difference of (a) the actual interest payable by the Group for the HK$500 million convertible loan notes with coupon rate of 6.8% of approximately RMB30.2 million, whereas the difference for the year ended 31 August 2018 was immaterial and (b) the interest charged to "Finance costs" in profit and loss of approximately RMB53.4 million based on the theoretical effective interest rate of 12.2% by using effective interest method as disclosed in note 30 to the consolidated financial statements.

Core net profit for year ended 31 August 2019 increased by RMB106.6 million or 33.1% from RMB322.0 million for the year ended 31 August 2018 to RMB428.6 million for the year ended 31 August 2019. Core net profit margin slightly decreased from 25.8% for the year ended 31 August 2018 to 25.5% for the year ended 31 August 2019.

Capital Expenditure

For the year ended 31 August 2019, the Group paid approximately RMB618.7 million for the acquisition of property, plant and equipment and paid approximately RMB285.1 million for the acquisition of land for the Group's expansion.

Liquidity, Financial Resources and Capital Structure

The Group recorded a slight decrease in net cash inflow from operating activities for the year ended 31 August 2019 as compared to that for the year ended 31 August 2018, primarily due to the decrease in trade and other payable and accrued expenses.

During the year ended 31 August 2019, the capital expenditures for the acquisition of property, plant and equipment, prepaid lease payments and the deposits for the acquisition of new schools were partly financed by the net proceeds from the Company's global offering in January 2017, and the net proceeds from new bank borrowings raised and convertible loan note.

The combined effect of the above resulted in a net decrease in cash and cash equivalents of RMB259.7 million for the year ended 31 August 2019 (For the year ended 31 August 2018: net increase in cash and cash equivalent of RMB522.3 million).

As at 31 August 2019, the Group's total pledged bank deposits, bank balances and cash amounted to RMB1,161.4 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2018: RMB1,193.0 million).

As at 31 August 2019, the Group's total of bank and other borrowings amounted to RMB2,648.6 million comprising RMB1,108.1 million repayable within one year and RMB1,540.5 million repayable more than one year. Bank and other borrowings carried interest rates ranging from 4.4% to 7.3% per annum. All the bank borrowings were denominated in RMB and other borrowings were denominated in HK$. During the year ended 31 August 2019, the Group raised certain borrowings from banks for the capital expenditure required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.

As at 31 August 2019, in order to have a better use of our unutilised financial resources, the Group purchased certain investment products during the year ended 31 August 2019. The Group is allowed to early redeem these investment products and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. These investment products were classified as "Financial assets at fair value through profit or loss" as at 31 August 2019.

Please refer to the note 22 to the consolidated financial statements for details.

Management Discussion and Analysis (Continued)

The Group recorded net current liabilities of RMB884.5 million as at 31 August 2019 (as at 31 August 2018: RMB174.9 million) primarily as a result of the recognition of tuition and boarding fees received in advance as "contract liabilities" (previously classified as "deferred revenue") which was included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year. The Group's net gearing ratio as at 31 August 2019 was 66.2% (as at 31 August 2018: 47.4%).

As explained in the sections headed "Future Capital Expenditure and Financing" and Liquidity, Financial Resources and Capital Structure" above, as at 31 August 2019, in order to have a better use of our unutilised financial resources, the Group purchased certain wealth management products which were classified as financial assets at fair value through profit and loss. The Group is allowed to redeem these wealth management products, in whole or in part, with prior written notice and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these investments products of RMB342.0 million as at 31 August 2019 for short-term cash management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 31 August 2019 would have been reduced to 51.0% (as at 31 August 2018: 24.1%).

The increase in net gearing ratio was mainly due to the increase in bank borrowings as at 31 August 2019 for the construction of new schools and the acquisition of a parcel of land in Shunde, Foshan city for building a primary and secondary school.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK$. As at 31 August 2019, certain bank balances and cash, pledged bank deposits and other borrowings were denominated in HK$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

On 19 March 2015, an individual, who is an independent third party, initiated court proceedings against one of the subsidiary of the Company 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 accrued thereon. As at the date of this report, the outcome of such legal proceedings was yet to be finalized. In the opinion of the Directors, after consultation with our external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision has been made in the financial statements.

Pledge of Assets

As at 31 August 2019, the Group's bank borrowings were secured by the 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 acquisitions of Zhang Pu Longcheng Schools as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2019.

SIGNIFICANT INVESTMENTS HELD

As at 31 August 2019, the Group held certain wealth management products which were classified as financial assets at fair value through profit or loss of approximately RMB342.0 million in aggregate. For the reasons for holding these investment products, please refer to the sections headed "Future Capital Expenditure and Financing" and "Liquidity, Financial Resources and Capital Structure" above.

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

Ms. LI Suwen (李素文), aged 46, is the chairperson, 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 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) ("**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. LIU Xuebin (劉學斌), aged 47, is 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 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 businesses in the PRC, which include 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.

Mr. LI Jiuchang (李久常), aged 40, 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 to 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 as 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).

Directors and Senior Management (Continued)

Mr. WANG Yongchun (王永春), aged 38, is the executive Director of our Company. He was appointed as an executive Director on 8 January 2018. He is also 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 as 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. He was also employed as a master tutor for South China Normal University (華南師範大學) and Shaanxi Normal University (陝西師範大學). 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).

Independent Non-Executive Directors

Prof. SUN Kai Lit Cliff (孫啟烈), *BBS, J.P.* aged 66, was appointed as an independent non-executive Director on 3 January 2017. He is a co-founder of China South City Holdings Limited, a company listed on the Stock Exchange (stock code: 1668), and served as its non-executive director from August 2002 to July 2017. Prof. Sun is an associate of the Institute of Industrial Engineers, Ohio and has over 30 years of experience in the household products manufacturing industry. Prof. Sun is now the chairman 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).

Prof. 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 was 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 had served as a standing committee member of both the CPPCC Shenzhen and Ningbo committee. He is currently the chairman of ICAC Business Ethics Development Advisory Committee (廉政公署商業道德諮詢委員會主席) and 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). Prof. 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. Prof. Sun also involves himself in educational institutions and served in the Vocational Training Council as council member for 6 years until the end of 2015.

Directors and Senior Management (Continued)

Mr. TAM King Ching Kenny (譚競正), aged 70, was appointed as an independent non-executive Director 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. 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 Greater Bay Area Investments Group Holdings Limited (formerly CCT Land Holdings Limited).

Mr. HUANG Weiguo (黃維郭), aged 67, has over 40 years of management experience in corporate management and government department administration. Since 1976, Mr. Huang has held management positions and directorships in various companies in different business fields, including companies in home appliances industry, light industry and automobile industry. From December 1997 to March 2007, Mr. Huang worked in the People's Government of Foshan Municipality (佛山市政府) and served as a member of the Management Committee of the Foshan National High-tech Development Zone (佛山市國家高新開發區管理委員會) at the same time. From 2009 to 2014, he was the director of Guangdong Guangye Assets Management Company Ltd (廣東省廣業集團有限公司) and was primarily responsible for overseeing project investment and asset management.

Mr. Huang obtained a bachelor's degree from South China Institute of Technology and Chemical Engineering (華南理工化工學院).

Senior Management

Mr. DU Shuangxi (杜雙喜), aged 49, 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. LAU Chi Hung (劉志雄), aged 49, 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, a fellow 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 53, is the principal of Jieyang Jiedong Guangzheng Preparatory School (formerly Huanan Shida Yuedong Preparatory School). She was appointed to such position in August 2017 and is primarily responsible for overseeing the daily operations of Jieyang Jiedong Guangzheng 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).

Directors and Senior Management (Continued)

Mr. ZHANG Jingfeng (章競峰), aged 40, 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 40, 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 2019.

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 (the "**Companies Law**") 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 consolidated 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 "Chairperson'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;

Report of Directors (Continued)

(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 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2019, 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.

As disclosed in the Company's prospectus dated 16 January 2017 (the "**Prospectus**"), we did not make full contributions to the social insurance plans and the housing provident fund for our employees in certain years prior to the date of the Prospectus. We have made full contributions to the social insurance plans for all of our employees in the PRC and to the housing provident fund for the majority of our employees in the PRC. We intend to make full contributions to housing provident fund for all of our employees in the PRC as soon as reasonably practicable.

Also, we had obtained land use right certificates for several parcels of land used by our Dongguan Guangming Primary School and the construction permits for the buildings built on such land after listing. Please refer to the section headed "Business" in the Prospectus for further details of such historical non-compliance matters. We have received government approvals for the use of the land parcels where our schools operate.

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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83 of this annual report.

Dividends

The Board has resolved to recommend the payment of a final dividend of RMB0.042 (equivalent to HK$0.049) per share for year ended 31 August 2019 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 22 January 2020 (Wednesday). Subject to the approval by Shareholders at the forthcoming annual general meeting ("**AGM**") to be held on 13 January 2020 (Monday), the proposed final dividend is expected to be paid on or about 5 February 2020 (Wednesday).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 13 January 2020 (Monday), the register of members of the Company will be closed from 8 January 2020 (Wednesday) to 13 January 2020 (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 7 January 2020 (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 2019, the register of members of the Company will be closed from 20 January 2020 (Monday) to 22 January 2020 (Wednesday), 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 17 January 2020 (Friday).

Financial Summary

A summary of the results and assets and liabilities of the Group for the most recent five 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 consolidated financial statements.

Investment Properties

Details of investment properties as at 31 August 2019 are set out in note 20 to the consolidated financial statements. The fair value of the investment properties at 31 August 2019 was RMB22.0 million.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 August 2019 are set out in note 29 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 32 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year ended 31 August 2019 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 86 to 87. The distributable reserves of the Company as at 31 August 2019 were RMB220.1 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 2019 and up to the date of this annual report were as follows:

Executive Directors:
Ms. Li Suwen
Mr. Liu Xuebin
Mr. Li Jiuchang
Mr. Wang Yongchun

Independent Non-executive Directors:
Prof. Sun Kai Lit Cliff, *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo (appointed on 14 March 2019)
Mr. Yau Sze Ka (resigned on 14 March 2019)

In accordance with Article 83(3) of the Articles of Association, Mr. Huang Weiguo shall retire and will offer himself for re-election at the forthcoming AGM.

In accordance with Article 84(2) of the Articles of Association, Ms. Li Suwen and Mr. Tam King Ching Kenny shall retire and will offer themselves for re-election at the forthcoming AGM.

Circular containing details of the Directors to be re-elected at the forthcoming AGM will be despatched to the Shareholders in due course.

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 (the "**INEDs**") 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 2019 are set out in note 13 to the consolidated 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 42 to the consolidated 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 transaction, arrangement or 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 2019 or at any time during the year ended 31 August 2019.

During the year ended 31 August 2019, neither our 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.

Our controlling shareholders (being Mr. Liu Xuebin, Ms. Li Suwen, Bright Education Holdings Co. Limited and Bright Education Investment Co. Limited (collectively, the "**Controlling Shareholders**")) executed the deed of non-competition dated 3 January 2017 (the "**Deed of Non-Competition**") in favour of the Company. Pursuant to the Deed of Non-competition, the Controlling Shareholders have jointly and severally, unconditionally and irrevocably undertaken that they will not, and will use their reasonable endeavours to procure that their respective close associates will not, other than through their interests in the Group, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of the Group in relation to the provision of primary, middle and high school educational services (the "**Restricted Business**").

Report of Directors (Continued)

Each of the Controlling Shareholders has made a declaration (the "**Declaration**") as to the compliance with the terms of the Deed of Non-Competition for the year ended 31 August 2019 (the "**Relevant Period**"). In determining whether the Controlling Shareholders had fully complied with the Deed of Non-Competition during the Relevant Period, the INEDs noted that: (i) each of the Controlling Shareholders has made the Declaration; (ii) no Restricted Business was reported to be undertaken by the Controlling Shareholders (other than, for the avoidance of doubt, through the Group) during the Relevant Period; and (iii) there was no particular situation rendering the compliance with, and enforcement of, the Deed of Non-Competition being questionable. The INEDs were satisfied with the Controlling Shareholders' compliance with the Deed of Non-Competition during the Relevant Period.

Contracts with Controlling Shareholders

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their associates during the year ended 31 August 2019.

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 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 INEDs) 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.

Report of Directors (Continued)

(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

The INEDs have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 August 2019 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.

Report of Directors (Continued)

Confirmations from the Company's Independent Auditors

The auditors of the Company have confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended 31 August 2019:

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;

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; and

3. nothing has come to our attention that causes the auditors to believe that dividends or other distributions have been made by the Consolidated Affiliate Entities to their equity interest holders.

The Company confirms that among the related party transactions set out in note 42 to the consolidated financial statements, 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) and the construction expenses of the Group incurred with Dongguan Wenfeng Construction Co. Ltd (東莞市文峰建築有限公司) 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 2019.

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 2019.

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 years ended 31 August 2019 and 2018.

Our suppliers primarily comprise food, educational services and educational material suppliers. For the year ended 31 August 2019, our five largest suppliers in aggregate accounted for approximately 7.2% (2018: 7.9%) of our cost of revenue and our largest supplier accounted for approximately 5.0% (2018: 4.8%) 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 2019, 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	45.43%
Ms. Li (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	27.84%
	Beneficial interest	1,776,000	—	1,776,000	0.09%

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.

Report of Directors (Continued)

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

As at 31 August 2019, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

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

Notes:

(1) Bright Education Holdings is wholly-owned by Mr. Liu, and has a direct beneficial interest of 45.43% in the Company.

(2) Bright Education Investment is wholly-owned by Ms. Li and has a direct beneficial interest of 27.84% in the Company.

Save as disclosed above, as at 31 August 2019, 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

As at 31 August 2019, the Group had approximately 6,210 employees (as at 31 August 2018: approximately 5,720). 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 2019 amounted to approximately RMB607.4 million (2018: RMB393.6 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 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.

Report of Directors (Continued)

(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.

Grantee	Date of Grant	Outstanding Share Options as at 31 August 2018	Exercised during the year	Outstanding Share Options as at 31 August 2019	Vesting Date(s)	Exercisable Period	Exercise Price
Employee	3 January 2017	3,200,000	(3,200,000)	—	(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		3,200,000	(3,200,000)	—			

Save as disclosed above, since the date of adoption of the Pre-IPO Share Option Scheme and up to 31 August 2019, no share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme.

Report of Directors (Continued)

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.

Report of Directors (Continued)

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	Outstanding Share Options as at 31 August 2018	Number of options exercised during the year	Outstanding Share Options as at 31 August 2019	Vesting Date(s) and Exercisable Period	Exercise Price
Employee	14 March 2017	2,000,000	(1,000,000)	1,000,000	(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		2,000,000	(1,000,000)	1,000,000		

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 2019, 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 197,000,000 shares, representing approximately 9.6% 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 2019, the Trustee has purchased a total of 11,704,000 Shares (31 August 2018: 11,534,000 Shares) on the Stock Exchange. On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Awarded Shares to 12 Selected Participants. The Awarded Shares represent approximately 0.4% of the total issued shares of the Company as at the date of this report. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant. Save for Mr. LI Jiuchang and Mr. WANG Yongchun, being executive Directors, who has been granted not more than 1,500,000 Awarded Shares and not more than 1,200,000 Awarded Shares, respectively, none of the Selected Participants is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company.

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

Save for the purchases made by the Trustee pursuant to the Share Award Scheme as disclosed in the section headed "Share Award Scheme" above, during the year ended 31 August 2019, 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 year ended 31 August 2019.

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 during the year ended 31 August 2019.

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 RMB5.7 million during the year ended 31 August 2019 (year ended 31 August 2018: RMB4.1 million).

Litigation

Save as disclosed in note 41 to the consolidated financial statements, the Group did not have any material litigation outstanding as at 31 August 2019.

Continuing Disclosure Pursuant to Listing Rules

The Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules as at 31 August 2019.

Changes in Information of Directors

During the year ended 31 August 2019, 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

As of the date of this report, the Group had no significant events after the reporting period that are required to be disclosed.

Audit Committee

The audit committee ("**Audit Committee**") has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2019 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 2019 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
Li Suwen
Chairperson

Hong Kong, 25 November 2019

Corporate Governance Report

The board (the "**Board**") of directors (the "**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 2019.

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**"). During the year ended 31 August 2019, 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, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive ("**CEO**") should not be performed by the same individual. Please refer to the section headed "Chairman and Chief Executive Officer" for details.

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

During the year ended 31 August 2019, 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 year ended 31 August 2019, and up to the date of this report.

Board of Directors

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

For the year ended 31 August 2019 and up to the date of this report the composition of the Board is as follows:

Executive Directors

Ms. Li Suwen, *Chairperson and Chief Executive Officer*
Mr. Liu Xuebin
Mr. Li Jiuchang
Mr. Wang Yongchun

Independent Non-executive Directors

Prof. Sun Kai Lit Cliff, *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo *(appointed on 14 March 2019)*
Mr. Yau Sze Ka *(resigned on 14 March 2019)*

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.

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

Board Meetings

For the year ended 31 August 2019 and up 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 Xuebin	4/4
Ms. Li Suwen	4/4
Mr. Li Jiuchang	4/4
Mr. Wang Yongchun	4/4
Independent Non-executive Directors	
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	4/4
Mr. Tam King Ching Kenny	4/4
Mr. Huang Weiguo (appointed on 14 March 2019)*	3/3
Mr. Yau Sze Ka (resigned on 14 March 2019)*	1/1

* One Board meeting was held from 1 September 2018 to 14 March 2019, and three Board meetings were held from 15 March 2019 to 31 August 2019.

For the year ended 31 August 2019, the Board has met at least four times in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Corporate Governance Report (Continued)

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 for the year ended 31 August 2019.

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 2019, 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 Xuebin	✓	✓
Ms. Li Suwen	✓	✓
Mr. Li Jiuchang	✓	✓
Mr. Wang Yongchun	✓	✓
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	✓	✓
Mr. Tam King Ching Kenny	✓	✓
Mr. Huang Weiguo (appointed on 14 March 2019)	✓	✓
Mr. Yau Sze Ka (resigned on 14 March 2019)	✓	✓

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.

Corporate Governance Report (Continued)

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, Prof. Sun Kai Lit Cliff, *BBS, J.P.* and Mr. Huang Weiguo, all being independent non-executive Directors of the Company. Mr. Tam King Ching Kenny is the chairman of the Audit Committee.

For the year ended 31 August 2019 and up 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
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	2/2
Mr. Huang Weiguo (appointed on 14 March 2019)*	1/1
Mr. Yau Sze Ka (resigned on 14 March 2019)*	1/1

* One Audit Committee meeting was held from 1 September 2018 to 14 March 2019, and one Audit Committee meeting were held from 15 March 2019 to 31 August 2019.

During the relevant meetings, the Audit Committee reviewed the interim results and report for six months ended 28 February 2019 and the annual results and report for the year ended 31 August 2019, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

For the year ended 31 August 2019 and up 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, Prof. Sun Kai Lit Cliff, *BBS, J.P.* (an independent non-executive Director), Mr. Huang Weiguo (an independent non-executive Director) and Mr. Liu (an executive Director). Prof. Sun Kai Lit Cliff, *BBS, J.P.* is the chairman of Remuneration Committee.

For the year ended 31 August 2019 and up 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
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	1/1
Mr. Huang Weiguo	1/1
Mr. Liu Xuebin	1/1

During the meeting, 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.

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:

	Number of senior management	
Band	**For the year ended 31 August 2019 (Note)**	For the year ended 31 August 2018
Nil to HK$1,000,000	**2**	7
HK$1,000,001 to HK$2,000,000	**3**	2
HK$2,000,001 to HK$3,000,000	**6**	1
Over HK$3,000,000	**—**	2

Note: One of the senior management resigned during the year ended 31 August 2019 and one of the senior management resigned subsequent to 31 August 2019 but before the publication of this report.

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. Huang Weiguo (an independent non-executive Director), Mr. Tam King Ching Kenny (an independent non-executive Director) and Ms. Li Suwen (an executive Director). Mr. Huang Weiguo is the chairman of the Nomination Committee.

For the year ended 31 August 2019 and up 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 meetings
Mr. Huang Weiguo	1/1
Mr. Tam King Ching Kenny	1/1
Ms. Li Suwen	1/1

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

Policy on Director Nomination

In light of article 83 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Subject to the provisions of the Articles of Association and the Companies Law, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Dividend Policy

Subject to the Companies Law, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of the Articles of Association as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

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 the 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 2019.

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 77 to 82 in this annual report.

Auditors' Remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor for the year ended 31 August 2019. For the year ended 31 August 2019, 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	2,050
Non-audit services:	
Tax advisory services	35
Interim review	880
Other service	270
Total	3,235

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 2019, 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 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 2019 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 for 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

Ms. Leung Suet Lun ("**Ms. Leung**") who possesses the requisite qualification and experience of a company secretary as required under rule 3.28 of the Listing Rules, has been the company secretary of the Company since 13 September 2019. Ms. Leung is the senior manager of listing services department of TMF Hong Kong Limited. For the year ended 31 August 2019, Ms. Leung has received not less than 15 hours of relevant professional training to update her knowledge and skills.

Under Code Provision F.1.1 of the CG Code, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs. Ms. Leung is not an employee of the Company.

Mr. Li Jiuchang, an executive director of the Company, has been assigned as the main contact person of the Company with Ms. Leung. Information in relation to the performance, financial position and other major developments and affairs of the Group is speedily delivered to Ms. Leung through the contact person assigned.

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.

Corporate Governance Report (Continued)

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 Chief Investor Relations Officer)
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 during the year ended 31 August 2019. 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 83 to 186, which comprise the consolidated statement of financial position as at 31 August 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") 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") issued by International Auditing and Assurance Standards Board. 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.

Independent Auditor's Report (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the estimations involved in the discounted future cash flow model which was prepared and used by management in considering impairment of goodwill. The impairment assessments of Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校) (formerly known as Huanan Shida Yuedong Preparatory School) (華南師大粵東實驗學校), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校), and Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) requires an estimation of the recoverable amount of the cash generating units ("CGUs") to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. Significant estimates and assumptions were required by management of the Group in assessing the recoverable amounts of those CGUs. The recoverable amount of each CGUs have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the relevant CGUs' past performances and management's expectations for the market development, where the key assumptions and estimates included the revenue growth rate, estimated gross margin and discount rates used in the value in use calculations. The Group has goodwill amounted to RMB149,592,000 as at 31 August 2019 as set out in note 19 to the consolidated financial statements, and based on the management's assessment, no impairment loss in relation to goodwill has been recognised for the year ended 31 August 2019. Details of the key estimation uncertainties and the impairment assessment on goodwill are disclosed in notes 5 and 19, respectively, to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising on these acquisitions included: • Obtaining an understanding of process of the Group's impairment assessment and the relevant key controls over the assessment of impairment of goodwill; • Obtaining the recoverable amount calculation of the CGUs, on a sample basis, prepared by the management and checking its mathematical accuracy; • Assessing the appropriateness of the key estimations and assumptions adopted in the discounted cash flows model for impairment assessments, including revenue growth rates, gross margin and discount rate applied; • Evaluating the reasonableness of source data, on a sample basis, to supporting evidence, such as approved budgets; • Performing retrospective review of cash flow projection made by management by comparing the historical analysis made against the actual performance; and • Evaluating the reasonableness of conclusion made by the management of the Group from the impairment assessment.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — tuition and boarding fees and ancillary services 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 current year. 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 2019, revenue amounted to RMB1,681,530,000 (2018: RMB1,246,920,000) of which details are included in note 6 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Understanding of relevant controls of the Group over the admission of students, collection of tuition fees and boarding fees and recognition of revenue; • 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 supporting 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; • Checking, on a sample basis, the student payment records and tracing to the payment remittance receipts; • 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 issued by IASB 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 the 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.

Independent Auditor's Report (Continued)

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

25 November 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2019

	Notes	**2019 RMB'000**	2018 RMB'000
Revenue	6	**1,681,530**	1,246,920
Cost of revenue		**(939,836)**	(702,054)
Gross profit		**741,694**	544,866
Other income	7	**33,390**	54,053
Other gains and losses	8	**(176)**	(1,717)
Selling expenses		**(25,783)**	(19,455)
Administrative expenses		**(252,987)**	(220,916)
Finance income	9	**20,254**	46,192
Finance costs	10	**(107,117)**	(57,462)
Profit before taxation		**409,275**	345,561
Taxation	11	**(55,697)**	(38,379)
Profit and total comprehensive income for the year	12	**353,578**	307,182
Attributable to:			
Owners of the Company		**359,462**	310,390
Non-controlling interests		**(5,884)**	(3,208)
		353,578	307,182
Earnings per share			
Basic (RMB)	15	**0.17**	0.15
Diluted (RMB)	15	**0.17**	0.15

Consolidated Statement of Financial Position

As at 31 August 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,035,707**	2,492,447
Prepaid lease payments	17	**781,494**	502,116
Intangible assets	18	**26,471**	15,801
Goodwill	19	**149,592**	88,320
Investment properties	20	**22,000**	20,600
Deposits, prepayments and other receivables	21	**630,826**	519,532
Financial assets at fair value through profit or loss	22	**30,000**	—
Available-for-sale investments	23	**—**	364,500
		4,676,090	4,003,316
CURRENT ASSETS			
Inventories — goods for sale		**6,182**	5,489
Deposits, prepayments and other receivables	21	**97,056**	162,198
Prepaid lease payments	17	**18,555**	12,439
Financial assets at fair value through profit or loss	22	**312,000**	—
Available-for-sale investments	23	**—**	95,234
Pledged bank deposits	24	**498,958**	281,577
Bank balances and cash	25	**662,454**	911,410
		1,595,205	1,468,347
CURRENT LIABILITIES			
Contract liabilities	26	**750,820**	—
Deferred revenue	27	**—**	617,023
Trade and other payables and accrued expenses	28	**502,974**	616,226
Income tax payable		**117,844**	128,082
Borrowings	29	**628,960**	281,960
Convertible loan notes	30	**479,134**	—
		2,479,732	1,643,291
NET CURRENT LIABILITIES		**(884,527)**	(174,944)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,791,563**	3,828,372

Consolidated Statement of Financial Position (Continued)

As at 31 August 2019

	Notes	2019 RMB'000	2018 RMB'000
CAPITAL AND RESERVES			
Share capital	32	**18,093**	18,057
Reserves		**2,143,205**	1,893,008
Equity attributable to owners of the Company		**2,161,298**	1,911,065
Non-controlling interests		**85,517**	66,276
		2,246,815	1,977,341
NON-CURRENT LIABILITIES			
Borrowings	29	**1,540,470**	1,425,260
Convertible loan notes	30	**—**	422,143
Deferred tax liabilities	31	**4,278**	3,628
		1,544,748	1,851,031
		3,791,563	3,828,372

The consolidated financial statements on pages 83 to 186 were approved and authorised for issue by the Board of Directors on 25 November 2019 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 2019

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Merger reserve RMB'000	Share options reserve RMB'000	Discretionary special reserve RMB'000 (Note ii)	Statutory surplus reserve RMB'000 (Note iii)	Shares held for share award scheme reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 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
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	—	—	310,390	310,390	(3,208)	307,182
Transfer	—	—	—	—	—	125,828	15,078	—	(140,906)	—	—	—
Recognition of share-based payment expenses (note 33)	—	—	—	—	3,948	—	—	—	—	3,948	—	3,948
Shares purchased for share award scheme	—	—	—	—	—	—	—	(37,656)	—	(37,656)	—	(37,656)
Exercise of share options	31	6,708	—	—	(3,982)	—	—	—	—	2,757	—	2,757
Dividend recognised as distribution (note 14)	—	(121,560)	—	—	—	—	—	—	—	(121,560)	—	(121,560)
Over-accrual of issue costs (Note iv)	—	7,296	—	—	—	—	—	—	—	7,296	—	7,296
Non-controlling interests arising from acquisitions	—	—	—	—	—	—	—	—	—	—	69,522	69,522
At 31 August 2018	18,057	589,701	85,000	83,400	3,265	373,118	294,432	(41,356)	505,448	1,911,065	66,276	1,977,341
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	—	—	—	359,462	359,462	(5,884)	353,578
Transfer	—	—	—	—	—	167,665	21,618	—	(189,283)	—	—	—
Recognition of share-based payment expenses (note 33)	—	—	—	—	1,192	—	—	7,516	—	8,708	—	8,708
Shares purchased for share award scheme	—	—	—	—	—	—	—	(587)	—	(587)	—	(587)
Exercise of share options	36	7,220	—	—	(4,160)	—	—	—	—	3,096	—	3,096
Dividend recognised as distribution (note 14)	—	(155,321)	—	—	—	—	—	—	—	(155,321)	—	(155,321)
Capital contribution from a non-controlling shareholder (Note i)	—	—	34,875	—	—	—	—	—	—	34,875	25,125	60,000
At 31 August 2019	18,093	441,600	119,875	83,400	297	540,783	316,050	(34,427)	675,627	2,161,298	85,517	2,246,815

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"), 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.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 August 2019

In August 2016, Guangdong Guangzheng Education Group Co., Ltd. (廣東光正教育集團有限公司) ("Guangdong Guangzheng"), a subsidiary of the Company, and a non-controlling shareholder of in Yunfu Guangzheng Investment Co., Ltd. (雲浮市光正投資有限公司) ("Yunfu Guangzheng") entered into an investment agreement to subscribe for the registered capital of RMB1,250,000 for 25% of the equity interest in Yunfu Guangzheng, at a consideration of RMB60,000,000, to set up Yunfu Guangming Foreign Language School (雲浮市光明外國語學校) ("Yunfu School") which will engage in provision of middle school and primary school full time education in Yunfu, the PRC. In January 2017, the Group received an advance payment of RMB60,000,000 from the non-controlling shareholder of Yunfu Guangzheng and used as the capital injection and the working capital for the potential joint development of Yunfu School. Upon set up of Yunfu School, an amount representing the proportionate share of the carrying amount of the net assets of Yunfu Guangzheng is transferred to non-controlling interests. The difference of RMB34,875,000 between the capital contribution from the non-controlling interests and the proportionate share of the carrying amount of the net assets of Yunfu Guangzheng is recognised in capital reserve.

ii. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens and accumulated profits earned by not-for-profit schools, whose school sponsors do not require reasonable returns, for the construction or maintenance of the schools or procurement or upgrading of educational equipment. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets of the special reserve shall be used for the operation of other not-for profit schools after the settlement of the school's indebtedness. Also, pursuant to certain amendments made to the Law for Promoting Private Education of the People's Republic of China (中華人民共和國民辦教育促進法) which become effective on 1 September 2017, upon liquidation or wind-up of the schools, when the schools are registered as not-for-profit schools, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness. Upon the establishment of a special reserve committee in May 2016 the Group has transferred all the accumulated surplus of its on-campus canteens since the operation thereof to the discretionary special reserve. During the year ended 31 August 2019, surplus in the school campus canteen operations and education operation of not-for-profit schools amounted to RMB117,651,000 (2018: RMB80,593,000) and RMB50,014,000 (2018: RMB45,235,000) respectively, had been transferred to the discretionary special reserve.

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

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

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

iv. Over-accrual of issue costs is the reversal of the sponsor's fee and printing costs upon mutual agreed between the Company and payees.

Consolidated Statement of Cash Flows

For the year ended 31 August 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**409,275**	345,561
Adjustments for:		
Finance costs	**107,117**	57,462
Bank interest income	**(20,254)**	(13,320)
Interests income on available-for-sale investments	**—**	(32,872)
Depreciation of property, plant and equipment	**113,689**	85,977
Amortisation of intangible assets	**25,590**	11,681
Impairment loss under expected credit loss model	**5,447**	—
Increase in fair value of investment properties	**(1,400)**	(500)
Release of prepaid lease payments	**9,757**	8,718
Loss on disposal of property, plant and equipment	**602**	1,614
Gain on fair value changes of financial assets at fair value through profit or loss	**(18,370)**	—
Loss on fair value changes of convertible loan notes — embedded derivatives component	**786**	3,944
Unrealised exchange loss (gain)	**1,642**	(4,788)
Share-based payment expenses	**8,708**	3,948
Operating cash flows before movements in working capital	**642,589**	467,425
(Increase) decrease in inventories	**(680)**	3,373
Increase in deposits, prepayments and other receivables	**(43,103)**	(21,976)
Increase in contract liabilities	**123,559**	—
Increase in deferred revenue	**—**	154,006
(Decrease) increase in trade and other payables and accrued expenses	**(80,378)**	55,266
Cash generated from operations	**641,987**	658,094
Income tax paid	**(65,285)**	(34,739)
NET CASH FROM OPERATING ACTIVITIES	**576,702**	623,355

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 August 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Interest received	20,676	4,939
Withdrawal of pledged bank deposits	271,000	252,263
Placement of pledged bank deposits	(483,289)	(150,000)
Payments for acquisition of property, plant and equipment	(618,667)	(641,892)
Payments for acquisition of prepaid lease payments	(285,104)	(101,485)
Payment for purchase of financial assets at fair value through profit or loss	(467,000)	—
Payment for purchase of available-for-sale investments	—	(830,000)
Proceeds from disposal of property, plant and equipment	2,070	3,805
Proceeds on disposal of financial assets at fair value though profit or loss	604,370	—
Proceeds on disposal of available-for-sale investments	—	376,600
Interest income received from available-for-sale investments	—	25,272
Temporary payments to government	—	(21,315)
Repayment of temporary payment to government	20,000	—
Deposits placed for acquisition of new private schools	—	(220,975)
Net cash outflows for acquisitions of subsidiaries	(69,654)	(46,311)
NET CASH USED IN INVESTING ACTIVITIES	(1,005,598)	(1,349,099)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	869,770	1,634,600
Repayment of bank borrowings	(407,560)	(549,180)
Proceeds on issue of convertible loan notes	—	407,853
Interest paid	(140,192)	(80,550)
Issue costs paid	—	(8,217)
Payments for repurchase of ordinary shares under the share award scheme	(587)	(37,656)
Dividend paid	(155,321)	(121,560)
Proceeds from exercise of share options	3,096	2,757
NET CASH FROM FINANCING ACTIVITIES	169,206	1,248,047
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(259,690)	522,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	911,410	378,051
Effect of foreign exchange rate changes	10,734	11,056
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	662,454	911,410

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

1. General

Wisdom Education International Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of 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 Xuebin ("Mr. Liu"), who is executive director of the Company and Ms. Li Suwen ("Ms. Li"), who is the chairman of the board of the Company, and is also 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, an investment holding company, and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC.

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 and its subsidiaries listed in note 43 (collectively referred to as the "Consolidated Affiliated Entities") in the PRC. 東莞瑞興商務服務有限公司 ("Dongguan Ruixing"), a wholly-owned subsidiary of the Company, has entered into 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.

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 and its subsidiaries in the consolidated financial statements of the Group during both years.

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

	2019 RMB'000	2018 RMB'000
Revenue	**1,275,127**	1,088,616
Profit before taxation	**310,105**	279,652

	2019 RMB'000	2018 RMB'000
Non-current assets	**4,637,104**	3,634,931
Current assets	**460,278**	223,330
Current liabilities	**(2,349,894)**	(1,051,389)
Non-current liabilities	**(1,065,612)**	(1,428,888)

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 2019, the Group recorded net current liabilities of RMB884,527,000 (2018: RMB174,944,000). 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 of RMB768,930,000 available as at 31 August 2019 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")

New and Amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC Interpretation ("IFRIC") 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to International Accounting Standard ("IAS") 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

3.1 *IFRS 15 Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 September 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 September 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Tuition and boarding fees
- Ancillary services

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 6 and 4 respectively.

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

New and Amendments to IFRSs that are mandatorily effective for the current year — continued

3.1 IFRS 15 Revenue from Contracts with Customers — continued

Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 has no material impacts on accumulated profits at 1 September 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 September 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previous reported at 31 August 2018 RMB'000	**Reclassification** RMB'000	**Carrying amounts under IFRS 15 at 1 September 2018** RMB'000
Current liabilities			
Deferred revenue	617,023	(617,023)	—
Contract liabilities	—	610,575	610,575
Trade and other payables and accrued expenses	616,226	6,448	622,674

Note: As at 1 September 2018, deferred revenue of RMB610,575,000, in respect of tuition and boarding fees and ancillary services, received in advance from customers previously included in deferred revenue are reclassified to contract liabilities. For amounts received in advance from students pre-charged into charge cards at 1 September 2018, the amount is reclassified from deferred revenue to other payables.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 August 2019 and its consolidated statement of cash flow for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

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

New and Amendments to IFRSs that are mandatorily effective for the current year — continued

3.1 IFRS 15 Revenue from Contracts with Customers — continued

Summary of effects arising from initial application of IFRS 15 — continued

Impact on the consolidated statement of financial position

	Note	As reported RMB'000	Reclassification RMB'000	Amounts without application of IFRS 15 RMB'000
Current liabilities				
Deferred revenue	(i)	—	760,954	760,954
Contract liabilities	(i)	750,820	(750,820)	—
Trade and other payables and accrued expenses	(i)	502,974	(10,134)	492,840

Impact on the consolidated statement of cash flows

	Note	As reported RMB'000	Reclassification RMB'000	Amounts without application of IFRS 15 RMB'000
Operating activities				
Increase in deferred revenue	(i)	—	127,245	127,245
Increase in contract liabilities	(i)	123,559	(123,559)	—
Decrease in trade and other payables and accrued expenses	(i)	(80,378)	(3,686)	(84,064)

Note:

(i) The tuition and boarding fees and ancillary services fees receipts in advance from customers previously classified as deferred revenue are reclassified to contract liabilities upon adoption of IFRS 15. For the advance payments from students pre-charged into charge cards, the corresponding balances are reclassified into other payables.

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

New and Amendments to IFRSs that are mandatorily effective for the current year — continued

3.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 September 2018.

	Note	**Available-for-sale investments** RMB'000	**Financial assets at FVTPL** RMB'000
Closing balance at 31 August 2018			
— IAS 39			
— non-current		364,500	—
— current		95,234	—
Effect arising from initial application of IFRS 9:	(a)		
Reclassification from available-for-sale investments			
— non-current		(364,500)	364,500
— current		(95,234)	95,234
Opening balance at 1 September 2018			
— non-current		—	364,500
— current		—	95,234

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

New and Amendments to IFRSs that are mandatorily effective for the current year — continued

3.2 IFRS 9 Financial Instruments — continued

Summary of effects arising from initial application of IFRS 9 — continued

Notes:

(a) Available-for-sale ("AFS") investments

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's financial assets with a fair value of RMB459,734,000 were reclassified from AFS investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. There is no material difference between the fair value of these investments as at 1 September 2018 and their previously carrying amounts measured under IAS 39.

(b) Impairment under ECL model

The Group assessed ECL for all financial assets on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

Most of the banks which the Group placed deposits at are graded with top credit ratings. Therefore, these deposits are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits and other receivables, pledged bank deposits and the bank balances, other than graded in the top credit rating agencies, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

Based on the assessment by the directors of the Company, there would be no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 September 2018 as compared to the accumulated amount recognised under IAS 39 upon the application of the ECL model of IFRS 9.

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

New and Amendments to IFRSs that are mandatorily effective for the current year — continued

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	At 31 August 2018 RMB'000 (Audited)	**IFRS 15** RMB'000	**IFRS 9** RMB'000	**At 1 September 2018** RMB'000 (Restated)
Non-current assets				
AFS investments	364,500	—	(364,500)	—
Financial assets at FVTPL	—	—	364,500	364,500
Current assets				
AFS investments	95,234	—	(95,234)	—
Financial assets at FVTPL	—	—	95,234	95,234
Current liabilities				
Deferred revenue	617,023	(617,023)	—	—
Contract liabilities	—	610,575	—	610,575
Trade and other payables and accrued expenses	616,226	6,448	—	622,674

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 August 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 September 2018 as disclosed above.

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 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and amendments to IFRSs in issue but not yet effective — 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. Upon application of 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 by the Group. Upfront prepaid lease payment will continue to be presented as investing or operating cash flow in accordance with the nature, as appropriate.

Under IAS 17, the Group has already recognised the prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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.

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

New and amendments to IFRSs in issue but not yet effective — continued

IFRS 16 Leases — continued

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 August 2019, the Group has non-cancellable operating lease commitments of RMB74,530,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of RMB4,166,000 and refundable rental deposits received of RMB228,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of IFRS 16 as lessee and has recognised the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Amendments to IFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

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 of Hong Kong Limited (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 and certain financial instruments 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.

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 share-based payment transactions that are within the scope of 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 the asset or liability.

4. Significant Accounting Policies — continued

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.

The Group 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 of 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.

4. Significant Accounting Policies — continued

Basis of consolidation — continued

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Business combinations — continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Impairment loss made on goodwill is not reversed in the subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

4. Significant Accounting Policies — continued

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3)

Under IFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) — continued

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Group's major revenue-generating operations, representing tuition and boarding (each being single performance obligation) and certain ancillary services, including extracurricular activities program, on-campus canteens from primary students and school bus service are recognised under output methods. Output method is used when determining progress towards complete satisfaction of the performance obligation of the courses and programs or services provided, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. Accordingly, revenue is recognised on a straight-line basis over the service period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

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

Revenue recognition (prior to 1 September 2018)

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 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.

4. Significant Accounting Policies — continued

Revenue recognition (prior to 1 September 2018) — continued

Revenue from ancillary services, including the services provided at the on-campus canteens and medical rooms, sales of school uniform and daily necessities, arrangement of school bus and study tours and others, 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.

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.

4. Significant Accounting Policies — continued

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 the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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.

4. Significant Accounting Policies — continued

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 period 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 or 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 period in which they become receivable.

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Share-based payment

Equity-settled share-based payment transactions

Share options granted to 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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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 options 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 "shares held for share award scheme reserve" 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 shares held for share award scheme reserve and the amount of the relevant shares held for share award scheme will be transferred to accumulated profits.

4. Significant Accounting Policies — continued

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/loss before tax 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. 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 deferred tax 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 in which the liability is settled or the asset is realised, based on tax rate (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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Taxation — continued

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 in the PRC on changes in fair value of such investment properties.

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.

Properties in the course of construction for production supply or administrative purposes ("construction in progress") are 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. Such properties are 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 assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of assets 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.

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 management).

4. Significant Accounting Policies — continued

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 values. 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.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. Significant Accounting Policies — continued

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 asset (or a cash-generating unit) for which the estimates 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 asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate 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 costs necessary to make the sale.

4. Significant Accounting Policies — continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. 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 market place.

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 (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) — continued

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including deposits and other receivables, pledges bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial assets which are subject to impairment under IFRS 9, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) — continued

(i) Significant increase in credit risk — continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) — continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) — continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 September 2018)

Financial assets are classified into AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. 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.

(i) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated unlisted structured financial products in the PRC as AFS financial assets on initial recognition of those items.

The unlisted structured financial products held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method, are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 September 2018) — continued

(ii) 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, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

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 financial assets (before application of IFRS 9 on 1 September 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

For all of financial assets, 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.

For financial assets carried at amortised cost, the amount of the 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 financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Derecognition of financial assets

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either 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 payables, other payables, borrowings and convertible loan notes — non derivative debt component (see details in note 30) are subsequently measured at amortised cost, using the effective interest method.

4. Significant Accounting Policies — continued

Financial instruments — continued

Convertible loan notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments is a conversion option derivative.

At the date of issue, both non-derivative debt component and embedded derivatives component of the instrument are recognised at fair value. In subsequent periods, the non-derivative debt component is carried at amortised cost using the effective interest method. The embedded derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the non-derivative debt and embedded derivatives component in proportion to their relative fair values. Transaction costs relating to the embedded derivatives component are charged to profit or loss immediately. Transaction costs relating to the non-derivative debt component are included in the carrying amount of the non-derivative debt component and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives (under IFRS 9 since 1 September 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of IFRS 9 on 1 September 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities 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 Judgements 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 judgements, 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 on-going 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 judgments in applying accounting policies

The followings are the critical judgments 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.

The preferential tax treatment on PRC not-for-profit schools' tuition and boarding income

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax as disclosed in note 11. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

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 assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the consolidated financial statements throughout the year or since the respective dates of incorporation/establishment/acquisition, whichever is the shorter period.

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 operating 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 Judgements and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty

The following are the key assumptions 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.

Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to three cash generating units ("CGUs"): Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校) (formerly known as Huanan Shida Yuedong Preparatory School) (華南師大粵東實驗學校) ("Jieyang School"), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) ("Weizhou School"), and Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively referred to as "Zhang Pu Longcheng Schools"). The impairment assessments of Jieyang School, Weizhou School and Zhang Pu Longcheng Schools requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including revenue growth rates, estimated gross margin, discount rates and the forecast performance based on the management's view of future business prospects. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, a material impairment loss may arise. In the opinion of the directors of the Company, no impairment loss of goodwill is required for the year ended 31 August 2019. As at 31 August 2019, the carrying amounts of goodwill RMB149,592,000 (2018: RMB88,320,000), respectively. Details of the goodwill impairment assessment are disclosed in note 19.

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 2019, the carrying amount of property, plant and equipment are RMB3,035,707,000 (2018: RMB2,492,447,000). Any change in these estimates may have a material impact on the results of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

6. Revenue and Segment Information

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

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

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

Information reported to the CODM, for the purposes of resource allocation and assessment of segment performance, is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the 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. 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:

	2019 **RMB'000**	2018 RMB'000
Tuition and boarding fees	**1,145,461**	841,243
Ancillary services (Note)	**536,069**	405,677
	1,681,530	1,246,920

Note: Revenue from ancillary services mainly includes the provision of extracurricular activities, sales of school campus canteen operations, arrangement of school buses, and study tours.

6. Revenue and Segment Information — continued

For the year ended 31 August 2019

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major services:

	2019 RMB'000
Recognised at a point of time	
— Ancillary services	374,749
Recognised over time	
— Tuition and boarding fees	1,145,461
— Ancillary services	161,320
Total	1,681,530

(ii) Performance obligation for contracts with customers

Tuition and boarding fees (revenue recognised over time)

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 contract liabilities. 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 contract liabilities 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.

The directors of the Company have determined that the performance obligation of providing tuition and boarding services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period. Under the Group's standard contract terms for tuition and boarding services, students would have the right to refund during the service period. The Group estimates the refund liabilities by considered the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for fee received in which revenue has not yet been recognised.

Revenue from ancillary services (revenue recognised over time)

Ancillary services revenue includes extracurricular activities program, campus canteens from primary students and school buses service are recognised over time. These services are mainly paid in advance for a fixed fee prior to the service. The directors of the Company have determined that the performance obligations of these services are satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for fee received in which revenue has not yet been recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

6. Revenue and Segment Information — continued

For the year ended 31 August 2019 — continued

(ii) Performance obligation for contracts with customers — continued

Revenue from ancillary services (revenue recognised at a point in time)

The Group sells daily necessities and other educational materials to students at school campus, and provides campus canteens service to students of middle and high schools. The Group recognises revenue from sales of daily necessities and other educational materials and the campus canteens service to students of middle and high schools at a point in time when the control of the goods are passed or upon the campus canteens services provided to students. Payment for the sales of daily necessities and other educational materials and campus canteens service are made upon the transaction occurred.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The contracts for provision of education services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information about 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.

7. Other Income

	2019 RMB'000	2018 RMB'000
Rental income from investment properties	1,169	1,111
Government grants (Note)	25,507	40,980
Income from donations	14	6
Staff quarter income	3,710	4,529
Others	2,990	7,427
	33,390	54,053

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

8. Other Gains and Losses

	2019 RMB'000	2018 RMB'000
Exchange (loss) gain	**(16,748)**	4,788
Loss on disposal of property, plant and equipment, net	**(602)**	(1,614)
Gain on change in fair value of investment properties (note 20)	**1,400**	500
Loss on change in fair value of convertible loan notes — embedded derivatives component (note 30)	**(786)**	(3,944)
Gain on change in fair value of financial assets at FVTPL (Note)	**18,370**	—
Others	**(1,810)**	(1,447)
	(176)	(1,717)

Note: The gain on change in fair value of financial assets at FVTPL is arising from the interest income from the investment products issued by financial institutions in the PRC upon adoption of IFRS 9. In previous year, the income earned from the investment products issued by financial institutions in the PRC which is classified as interest income under finance income in profit or loss.

9. Finance Income

	2019 RMB'000	2018 RMB'000
Bank interest income	**20,254**	13,320
Interests on AFS investments	—	32,872
	20,254	46,192

Investment income earned from financial assets not designated as at FVTPL, by category of asset is as follows:

	2019 RMB'000	2018 RMB'000
AFS investments	—	32,872
Financial assets at amortised cost	**20,254**	—
Loans and receivables (including cash and cash equivalents)	—	13,320
	20,254	46,192

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

10. Finance Costs

	2019 RMB'000	2018 RMB'000
Effective interest expense on convertible loan notes	53,391	5,555
Interest expense on bank borrowings	121,774	87,381
	175,165	92,936
Less: amounts capitalised in the cost of qualifying assets	(68,048)	(35,474)
	107,117	57,462

Borrowing costs capitalised during the year ended 31 August 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.5% (2018: 6.7%) per annum to expenditure on property, plant and equipment (construction in progress).

11. Taxation

	2019 RMB'000	2018 RMB'000
Taxation comprises:		
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	46,778	33,807
PRC withholding income tax on royalty income	8,269	6,576
Deferred tax charge (credit) (note 31)	650	(2,004)
	55,697	38,379

11. Taxation — continued

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**409,275**	345,561
Tax at PRC EIT rate of 25%	**102,319**	86,390
Tax effect of expenses not deductible for tax purposes	**49,328**	20,874
Tax effect of tax loss not recognised	**39,942**	34,611
Utilisation of tax loss previously not recognised	**(2,568)**	—
Effect of tax concessions and partial tax exemption	**(120,640)**	(93,912)
Effect of different tax rates on inter-company offshore royalty income	**(12,386)**	(9,272)
Others	**(298)**	(312)
Taxation for the year	**55,697**	38,379

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

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.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

11. Taxation — continued

According to the Law for Promoting Private Education (the "Law"), with effective from 1 September 2017, private schools treated as not-for-profit schools, for which the school sponsors are not allowed to distribute or receive any profits from schools, are eligible to enjoy the same preferential tax treatment as public schools. As a result, qualified income obtained by not-for-profit schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment. In the opinion of legal counsel, according to the amendments of the memorandum and article of associations, the school sponsors do not request for reasonable returns from the schools under the Group, including Dongguan Guangming School (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學) (collectively called "Guangming Schools"), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校) ("Dongguan School"), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) ("Huizhou School"), Panjin Guangzheng Preparatory School (盤錦市光正實驗學校) ("Panjin School"), Weifang Guangzheng Preparatory School (濰坊光正實驗學校) ("Weifang School"), Jieyang School, Weizhou School, Weifang Weicheng Weizhou Foreign Language Kindergarten (濰坊市濰城區濰州外國語幼兒園), Zhang Pu Longcheng Schools and Yunfu School, which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition and boarding fees. For the year ended 31 August 2019, the non-taxable income amounted to RMB1,145,461,000 (2018: RMB841,243,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% for the year ended 31 August 2019 and 2018.

As at 31 August 2019, the Group had estimated unused tax losses of approximately RMB341,592,000 (2018: RMB192,096,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining unused tax losses for both years.

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 RMB213,498,000 at 31 August 2019 (2018: RMB116,140,000) 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

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	538,546	353,436
— retirement benefits scheme contributions	60,170	36,225
— share-based payment expenses	8,708	3,948
Total staff costs	607,424	393,609
Depreciation of property, plant and equipment	113,689	85,977
Amortisation of intangible assets arising from the acquisition of schools (included on cost of revenue)	25,590	11,681
Release of prepaid lease payments (after deducting amount capitalised in construction-in-progress of RMB8,253,000 (2018: RMB2,079,000))	9,757	8,718
Cost of inventories recognised as an expense	224,060	164,809
Donations	5,733	4,142
Auditors' remuneration	3,200	2,580

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

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 2019

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (Note iii)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors (Note i)						
Mr. Liu	2,581	—	—	—	—	2,581
Ms. Li (Note iv)	1,862	60	—	—	13	1,935
Mr. Li Jiuchang	222	618	—	1,388	13	2,241
Mr. Wang Yongchun	222	460	—	1,114	13	1,809
Independent non-executive directors (Note ii)						
Prof. Sun Kai Lit, Cliff *BBS, J.P.*	222	—	—	—	—	222
Mr. Tam King Ching, Kenny	222	—	—	—	—	222
Mr. Yau Sze Ka (resigned on 14 March 2019)	129	—	—	—	—	129
Mr. Huang Weiguo (appointed on 14 March 2019)	55	—	—	—	—	55
	5,515	1,138	—	2,502	39	9,194

For the year ended 31 August 2018

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (Note iii)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors (Note i)						
Mr. Liu	2,058	—	—	—	—	2,058
Ms. Li (Note iv)	1,417	60	—	—	—	1,477
Mr. Li Jiuchang	208	505	86	—	9	808
Mr. Ng Cheuk Him (resigned on 8 January 2018)	73	451	—	893	5	1,422
Mr. Wang Yongchun (appointed on 8 January 2018)	135	370	71	—	9	585
Independent non-executive directors (Note ii)						
Prof. Sun Kai Lit, Cliff *BBS, J.P.*	208	—	—	—	—	208
Mr. Tam King Ching, Kenny	208	—	—	—	—	208
Mr. Yau Sze Ka	208	—	—	—	—	208
	4,515	1,386	157	893	23	6,974

13. Directors' and Employees' Emoluments — continued

Directors' emoluments — continued

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. Mr. Ng Cheuk Him continues to work for the Group upon his resignation from director being effective from 8 January 2018.

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

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

iv. Ms. Li is 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.

Employees' emoluments

The five highest paid individuals of the Group included three directors (2018: three directors during the period ended 8 January 2018 and two directors for the period from 9 January 2018 to 31 August 2018, respectively), whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals (2018: three) are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other allowances	**3,038**	3,410
Retirement benefits scheme contributions	**32**	35
Shared-based payment expenses	**1,192**	3,055
	4,262	6,500

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

	2019	2018
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**2**	—
HK$2,500,001 to HK$3,000,000	**—**	1

During the years ended 31 August 2019 and 2018, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

14. Dividends

During the year ended 31 August 2019, an interim dividend of RMB0.042 (equivalent to HK$0.049) per share (2018: RMB0.032 (equivalent to HK$0.04 per share)) amounting to RMB85,407,000 (equivalent to HK$99,737,000) (2018: RMB69,914,000 (equivalent to HK$81,566,000)) 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 2019 of RMB0.042 per share (equivalent to HK$0.049 per share) (2018: RMB0.036 (equivalent to HK$0.04 per share)) amounting to RMB85,980,000 (equivalent to HK$100,310,000) (2018: RMB73,546,000 (equivalent to HK$81,718,000)), 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:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**359,462**	310,390

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,093,989**	2,040,018
Effect of dilutive potential ordinary shares:		
Share options	**1,845**	5,250
Share award scheme	**1,054**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,096,888**	2,045,268

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

The computation of diluted earnings per share does not assume the discretionary conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share.

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 2017	1,351,686	114,945	5,513	109,676	432,069	2,013,889
Additions	44,230	55,422	4,185	50,514	468,415	622,766
Additions from acquisitions (note 37)	169,443	1,520	1,929	8,745	—	181,637
Transfer	271,752	—	—	—	(271,752)	—
Disposals	—	—	—	(12,284)	—	(12,284)
At 31 August 2018 and 1 September 2018	**1,837,111**	**171,887**	**11,627**	**156,651**	**628,732**	**2,806,008**
Additions	**69,424**	**61,264**	**1,279**	**33,976**	**429,403**	**595,346**
Additions from acquisitions (note 37)	**60,283**	**1,317**	**10**	**2,665**	**—**	**64,275**
Transfer	**369,732**	**2,602**	**—**	**5,045**	**(377,379)**	**—**
Disposals	**—**	**(2,075)**	**(379)**	**(3,752)**	**—**	**(6,206)**
At 31 August 2019	**2,336,550**	**234,995**	**12,537**	**194,585**	**680,756**	**3,459,423**
DEPRECIATION						
At 1 September 2017	(129,787)	(44,578)	(1,537)	(58,547)	—	(234,449)
Provided for the year	(35,741)	(21,902)	(818)	(27,516)	—	(85,977)
Eliminated on disposals	—	—	—	6,865	—	6,865
At 31 August 2018 and 1 September 2018	**(165,528)**	**(66,480)**	**(2,355)**	**(79,198)**	**—**	**(313,561)**
Provided for the year	**(43,220)**	**(37,264)**	**(1,870)**	**(31,335)**	**—**	**(113,689)**
Eliminated on disposals	**—**	**311**	**247**	**2,976**	**—**	**3,534**
At 31 August 2019	**(208,748)**	**(103,433)**	**(3,978)**	**(107,557)**	**—**	**(423,716)**
NET BOOK VALUES						
At 31 August 2019	**2,127,802**	**131,562**	**8,559**	**87,028**	**680,756**	**3,035,707**
At 31 August 2018	1,671,583	105,407	9,272	77,453	628,732	2,492,447

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 2019, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB673,945,000 (2018: RMB634,606,000) which are located in the PRC.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

17. Prepaid Lease Payments

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

	2019 **RMB'000**	2018 RMB'000
Current assets	**18,555**	12,439
Non-current assets	**781,494**	502,116
	800,049	514,555

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 40 to 65 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 August 2019, the carrying value of the land use rights of RMB33,254,000 (2018: RMB34,103,000) was allocated by the government without land use right certificates. The Group is legally entitled to use them for 40 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. Intangible Assets

	Students roster
	RMB'000
COST	
At 1 September 2017	—
Acquisitions of subsidiaries	27,482
At 31 August 2018 and 1 September 2018	**27,482**
Acquisitions of a subsidiary (note 37)	**36,260**
At 31 August 2019	**63,742**
AMORTISATION	
At 1 September 2017	—
Provided for the year	11,681
At 31 August 2018 and 1 September 2018	**11,681**
Provided for the year	**25,590**
At 31 August 2019	**37,271**
CARRYING VALUES	
At 31 August 2019	**26,471**
At 31 August 2018	15,801

Student roster has finite estimated useful lives of 3 to 6 years and it is amortised based on expected usage of student roster.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

19. Goodwill

	2019 RMB'000	2018 RMB'000
COST AND CARRYING AMOUNT		
At 1 September	**88,320**	—
Arising on acquisition of subsidiaries	**61,272**	88,320
At 31 August	**149,592**	88,320

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to three CGUs of private education operation, namely Jieyang School, Weizhou School and Zhang Pu Longcheng Schools and, comprising provision of full spectrum private fundamental education, including primary, middle and high school in the PRC. The carrying amount of goodwill allocated to these units are as follows:

	2019 RMB'000	2018 RMB'000
CGUs		
— Jieyang School	**61,781**	61,781
— Weizhou School	**26,539**	26,539
— Zhang Pu Longcheng Schools	**61,272**	—
	149,592	88,320

During the years ended 31 August 2019 and 2018, management of the Group determines that there is no impairment of any of CGUs containing goodwill.

19. Goodwill — continued

Impairment testing on goodwill — continued

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below:

The recoverable amounts of these units have been determined based on a value in use calculations. The calculations use cash flow projections of Jieyang School, Weizhou School and Zhang Pu Longcheng Schools based on financial budgets approved by management covering a 5-year period. The cash flows beyond the 5-year period are extrapolated using a 3% growth rate in respect of projections of Jieyang School, Weizhou School and Zhang Pu Longcheng Schools. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value in use calculations relate to the estimation of cash inflows/ outflows of each CGU are as follows:

	Revenue growth rate		Gross margin		Discounted rate	
	2019	2018	**2019**	2018	**2019**	2018
Jieyang School	**3%–11%**	3%–42%	**33%–46%**	41%–47%	**13.5%**	13.5%
Weizhou School	**3%–6%**	3%–17%	**42%–48%**	52%–55%	**14.0%**	14.0%
Zhang Pu Longcheng Schools	**3%–19%**	N/A	**48%–49%**	N/A	**14.5%**	14.5%

Estimation is based on the unit's past performance and management's expectations for the market development. The management of the Group determined that the recoverable amounts of the CGUs exceed the corresponding carrying amounts of the CGUs. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the CGUs to exceed the aggregate recoverable amounts of the CGUs.

20. Investment Properties

	RMB'000
FAIR VALUE	
At 1 September 2017	20,100
Unrealised gain in fair value (included in other gains and losses)	500
At 31 August 2018 and 1 September 2018	**20,600**
Unrealised gain in fair value (included in other gains and losses)	**1,400**
At 31 August 2019	**22,000**

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

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.

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 2019 was RMB22,000,000 (2018: RMB20,600,000). 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 RMB81 (2018: RMB75) for the year ended 31 August 2019 and the discount rate of 5.5% (2018: 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, respectively, 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 2019 and 2018, the Group's investment properties are categorised at Level 3 fair value measurements. There were no transfers into or out of Level 3 in both years.

21. Deposits, Prepayments and Other Receivables

	2019 RMB'000	2018 RMB'000
Deposits paid for the acquisitions of new private schools (Note i)	**200,880**	220,975
Other deposits (Note ii)	**43,545**	22,033
Staff advances	**3,210**	5,651
Other receivables (Note iii)	**27,811**	19,053
Temporary payments to government (Note iv)	**1,315**	21,315
Prepayments for construction to a related company (Note v)	**197,234**	220,765
Prepayments for construction of schools (Note vi)	**232,712**	160,675
Other prepayments	**21,175**	11,263
	727,882	681,730
Current	**97,056**	162,198
Non-current	**630,826**	519,532
	727,882	681,730

Notes:

(i) Deposits of RMB171 million and RMB30 million (2018: RMB171 million and RMB30 million) are mainly made to independent third parties in relation to the acquisitions of equity interests of school sponsor's interests in schools and acquisition of an existing school campus in Guangdong province. The deposit of RMB20 million included in the balance of 31 August 2018 were utilised upon the completion of the acquisition of Zhang Pu Longcheng Schools on 30 October 2018.

(ii) Other deposits mainly comprised of education deposit of RMB27 million (2018: Nil) and wage deposits for construction projects of RMB14 million (2018: RMB14 million) paid to government authorities. The repayment of these deposits will be upon the schools commence operation and completion of the construction projects. These deposits are unsecured and interest-free.

(iii) Other receivables are comprised primarily of RMB15 million (2018: Nil) advance to potential subsidiary to be acquired, which are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

21. Deposits, Prepayments and Other Receivables — continued

Notes: — continued

(iv) The temporary payments to government, which are unsecured, interest-free and repayment is upon issuance of private school permit of school to be set up in Bazhong, the PRC, are arising from refundable deed tax paid on behalf of land use right of RMB1.3 million (as at 31 August 2018: RMB1.3 million) for land tax regarding the construction of the Group's school. At 31 August 2018, the amounts include land removal costs of RMB20 million advanced to a local government authority in the PRC, this balance has been repaid by the local government authority during the year ended 31 August 2019. In the opinion of the directors of the Company, the amounts are expected to be recovered within twelve months after the end of the reporting period and therefore classified as current assets.

(v) During the year ended 31 August 2017, the Group entered into three 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 Weifang, Guang'an and Yunfu.

As of 31 August 2019, based on the construction progress of the schools, RMB222,766,000 (2018: RMB189,359,000) has been incurred and recognised as additions to construction in progress, out of the total prepayment amount of RMB420,000,000 (2018: RMB420,000,000), and the remaining balance of RMB197,234,000 (2018: RMB220,765,000) remains as prepayments to related companies.

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

	2019 RMB'000	2018 RMB'000
Prepayments for construction works	**80,076**	—
Prepayment for project management	**33,989**	52,877
Prepayment for schools design production	**53,802**	64,190
Prepayments for decoration engineering	**15,183**	13,844
Other prepayments for schools development	**49,662**	29,764
	232,712	160,675

22. Financial Assets at Fair Value through Profit or Loss

	2019 **RMB'000**	At 1 September 2018* RMB'000
Current	**312,000**	95,234
Non-current	**30,000**	364,500
	342,000	459,734

* The amounts in this column are after the adjustments from the application of IFRS 9.

The financial assets were issued by financial institutions in the PRC as at 31 August 2019. The financial assets are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments. The directors of the Company consider the fair values of the financial assets are measured by net asset value as stated on the quotation report issued by financial institutions and the fair value of the financial assets is RMB342,000,000 with fair value gain of RMB18,370,000 recognised during the year ended 31 August 2019.

As at 31 August 2019, financial assets at FVTPL amounting to RMB30,000,000 (1 September 2018: RMB364,500,000) are classified as non-current, of which they have maturity over 12 months after the end of the reporting period. The remaining financial assets at FVTPL amounting to RMB312,000,000 (1 September 2018: RMB95,234,000) are classified as current, of which the Group has unconditional rights to redeem upon its request and the directors expect the investments will be redeemed within 12 months after the end of the reporting period. According to the terms of the agreement, the Group has the rights to sell the financial assets to qualified investors.

Details of the fair value measurement for the financial assets at FVTPL are set out in note 36(c).

23. Available-for-sale Investments

The AFS investments were issued by financial institutions in the PRC as at 31 August 2018. The AFS investments are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments. The directors of the Company consider the fair values of the AFS investments are measured by net asset value as stated on the quotation report issued by financial institutions.

As at 31 August 2018, AFS investments amounting to RMB364,500,000 are classified as non-current, of which they have maturity over 12 months after the end of the reporting period. The remaining AFS investments amounting to RMB95,234,000 are classified as current, of which the Group has unconditional rights to redeem upon its request and the Directors expect the investments will be redeemed within 12 months after the end of the reporting period. According to the terms of the agreement, the Group has the rights to sell the AFS investments to qualified investors.

	2018 RMB'000
Current	95,234
Non-current	364,500
	459,734

24. Pledged Bank Deposits

Pledged bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. Deposits amounting to RMB498,958,000 (2018: RMB281,577,000) have been pledged to secure short-term borrowings and are therefore classified as current assets. The pledged bank deposits carried a weighted-average interest rate of 3.30% per annum (2018: 3.14% per annum) at 31 August 2019.

25. Bank Balances and Cash

Bank balance 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 2019, the Group's bank deposits carried a weighted-average interest rate of 0.33% (2018: 0.33%) per annum.

	2019 RMB'000	2018 RMB'000
HK$ denominated bank balances and cash	**85,103**	490,108
RMB denominated bank balances and cash	**577,284**	421,267
United States Dollars ("US$") denominated bank balances and cash	**31**	—
Canadian dollar ("CAD") denominated bank balances and cash	**36**	35
	662,454	911,410

26. Contract Liabilities

	2019 RMB'000	At 1 September 2018* RMB'000
Tuition and boarding fees	**671,067**	553,368
Ancillary services	**79,753**	57,207
	750,820	610,575

* The amounts in this column are after the adjustments from the application of IFRS 15.

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

The contract liabilities at 1 September 2018 were fully recognised as revenue in the current year.

Notes to the Consolidated Financial Statements (Continued)
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26. Contract Liabilities — continued

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

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

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

27. Deferred Revenue

	2019 RMB'000	2018 RMB'000
Tuition and boarding fees	—	553,368
Ancillary services	—	63,655
	—	617,023

	2019 RMB'000	2018 RMB'000
Current	—	617,023
Non-current	—	—
	—	617,023

28. Trade and Other Payables and Accrued Expenses

	2019 **RMB'000**	At 1 September 2018* RMB'000 (Restated)	2018 RMB'000
Trade and construction payables (Note i)	**159,146**	104,574	104,574
Accruals for construction	**107,012**	238,884	238,884
Consideration payable for acquisitions of subsidiaries (Note ii)	**102,720**	120,000	120,000
Receipt in advance from a non-controlling shareholder (Note iii)	**—**	60,000	60,000
Accrued staff benefits and payroll	**42,504**	29,892	29,892
Receipts in advance from students' prepaid charge cards	**10,134**	6,448	—
Payables for land use rights	**7,948**	7,948	7,948
Interest payables	**4,499**	7,841	7,841
Other tax payables	**30,138**	14,812	14,812
Discretionary government subsidies receipt in advance	**5,349**	5,635	5,635
Deposits received	**14,168**	5,645	5,645
Other payables	**19,356**	20,995	20,995
	502,974	622,674	616,226

* The amounts in this column are after the adjustments from the application of IFRS 15.

Notes:

i. The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit timeframe. As at 31 August 2019 and 2018, the trade payables were aged within 180 days.

ii. The amounts were interest-free, unsecured and repayable according to the terms of contract, other than the balance of RMB4,000,000 (2018: RMB4,000,000) is repayable on demand for the acquisition of Dongguan Guangzheng Preparatory School, in the opinion of the directors of the Company, the remaining balances as at 31 August 2019, of RMB35,000,000, RMB43,720,000 and RMB20,000,000 (2018: RMB45,000,000, RMB71,000,000 and Nil) for the acquisitions of Jieyang School, Weizhou School and Zhang Pu Longcheng Schools respectively, which are expected to be repayable within twelve months upon completion of transferring the certificate titles of relevant land and buildings.

iii. Receipt in advance from a non-controlling shareholder represents an advance payment of RMB60,000,000 from the non-controlling shareholder of a subsidiary of the Company and used as the capital injection and the working capital for the potential joint development of Yunfu School. Upon set up of Yunfu School, the advance payment is transferred to non-controlling interests and capital reserve, respectively, as disclosed in consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

29. Borrowings

	2019 RMB'000	2018 RMB'000
Secured bank borrowings	**2,169,430**	1,707,220
Carrying amounts repayable:		
— Within one year	**628,960**	281,960
— More than one year, but not exceeding two years	**195,960**	185,960
— More than two years, but not exceeding five years	**951,248**	1,089,880
— More than five years	**393,262**	149,420
	2,169,430	1,707,220
Less: Amounts due within one year shown under current liabilities	**(628,960)**	(281,960)
	1,540,470	1,425,260
The exposure of borrowings:		
— Fixed rate	**700,000**	500,000
— Variable rate	**1,469,430**	1,207,220
	2,169,430	1,707,220

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 borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed rates bank borrowings	**4.4%–6.0%**	6.0%
Variable-rate bank borrowings	**4.4%–7.3%**	4.4%–7.5%

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

29. Borrowings — continued

The borrowings are also guaranteed by the Company, Guangzhou Guangzheng, Dongguan Ruixing and certain related parties at no cost. The guarantee amounts provided by the related parties at 31 August 2019 and 2018 are as follows:

Name of related parties	2019 RMB'000	2018 RMB'000
Mr. Liu	377,600	448,200
Mr. Liu and Ms. Li	1,107,770	880,000
Mr. Liu, Ms. Li and a company controlled by Mr. Liu	241,060	272,020

30. Convertible Loan Notes

On 22 June 2018, the Company entered into the credit agreement (the "Credit Agreement") with PA Chokmah (the "Holder"), an indirectly wholly owned subsidiary of China Ping An Insurance Overseas (Holdings) Limited, in relation to the provision of the convertible loan notes of the principal amount of up to HK$500 million by PA Chokmah to the Company.

On 16 July 2018, the Company issued 6.8% unsecured convertible loan notes at par value with principal amount of HK$500 million. The convertible loan notes are denominated in HK$ and matured in 2 years from date of issue of the convertible loan notes (the "Maturity Date"). The terms of the convertible loan notes set out in details as follows:

(a) HK$200 million, representing 40% of the loan (the "Mandatory Principal") shall be mandatorily converted into ordinary shares of the Company on Maturity Date at price per conversion share representing 20% discount of the arithmetic average of the closing price of a share for each of the 90 consecutive trading days immediately preceding the Maturity Date. There is no price ceiling for this conversion;

(b) The Holder has the right to convert no more than HK$100 million, representing 20% of the loan (the "Discretionary Principal"), into ordinary shares of the Company for the period from the Maturity Date up to the expiry of a three-month period from the Maturity Date (the "Discretionary Conversion Period") therefrom at price per conversion share representing 10% discount of the arithmetic average of the closing price of a share for each of the 90 consecutive trading days immediately preceding the date of conversion by delivering a discretionary conversion notice to the Company. There is no price ceiling for this conversion;

(c) The remaining principal amount of HK$200 million will be repaid in cash on the Maturity Date. The aggregate amount to be repaid in cash at the Maturity Date represents the outstanding principal amount of the convertible loan notes on the Maturity Date minus the aggregate amount of the Mandatory Principal and the amount of the Discretionary Principal which the Holder has exercised the option to convert into ordinary shares of the Company.

Notes to the Consolidated Financial Statements (Continued)

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30. Convertible Loan Notes — continued

Interest of 6.8% per annum will be paid semi-annually up until the settlement date. After the occurrence of change of control or liquidity event (sale of all or substantially all of the business and assets of the Group), PA Chokmah will not be obliged to fund any loan; and may cancel the convertible loan notes and declare the outstanding principal amount of the convertible loan notes, together with accrued interest, the exit fee and all other amounts accrued under the Credit Agreement and related documents, to be immediately due and payable. A change of control occurs if (i) any person or group of persons (other than the Mr. Liu and his affiliates) acting in concert gains control of the Company or becomes the beneficial owner (directly or indirectly) of 30% or more of the issued voting share capital of the Company; or (ii) Mr. Liu, his affiliates together with any person acting in concert with Mr. Liu and/or his affiliates cease to control the Company or be the beneficial owners (directly or indirectly through subsidiaries) of more than 51% of the issued voting share capital of the Company; or (iii) Mr. Liu and his affiliates cease to hold more shares in the Company than any other shareholder.

The convertible loan notes contain two components, non-derivative debt component and embedded derivatives component (i.e. the conversion options). The fair value of embedded derivatives component was determined by the directors of the Company with reference to a valuation report carried out by an independent valuer at 31 August 2019 and 2018.

At the date of initial recognition, non-derivative debt component was recognised at fair value, calculated based on the present value of the redemption amount at maturity. In subsequent periods, the non-derivative debt component is carried at amortised cost using the effective interest method. The effective interest rate of the non-derivative debt component is at 12.2% (2018: 12.2%) per annum. The embedded derivatives component is measured at fair value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

The movement of the convertible loan notes is set out as below:

	Non-derivative debt component RMB'000	**Embedded derivatives component** RMB'000	**Total** RMB'000
At 1 September 2017	—	—	—
Initial recognition at date of issue	401,611	6,242	407,853
Interest charged	5,555	—	5,555
Loss arising on changes in fair value	—	3,944	3,944
Exchange loss	4,791	—	4,791
At 31 August 2018 and 1 September 2018	**411,957**	**10,186**	**422,143**
Interest charged	**53,391**	**—**	**53,391**
Interest paid	**(15,076)**	**—**	**(15,076)**
Loss arising on changes in fair value	**—**	**786**	**786**
Exchange loss	**17,890**	**—**	**17,890**
At 31 August 2019	**468,162**	**10,972**	**479,134**

30. Convertible Loan Notes — continued

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

	At initial recognition	**At 31 August 2018**	**At 31 August 2019**
Share price of the Company	HK$6.90	HK$4.46	HK$3.78
Risk-free rate*	1.88%	2.04%	1.92%
Expected volatility#	47.04%	50.48%	54.54%
Dividend yield	1.01%	1.57%	2.37%

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

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

An increase in the expected volatility used in isolation would result in a increase in the fair value measurement of the embedded derivatives liability. A 30% increase in the volatility, holding all other variables constant, would increase the carrying amount of the embedded derivatives liability by RMB1,144,000 (2018: RMB1,901,000). A 30% decrease in the volatility, holding all other variables constant, would decrease the carrying amount of the embedded derivatives liability by RMB735,000 (2018: RMB1,010,000).

In connection with the Credit Agreement, on 22 June 2018, Mr. Liu also entered into the put option deed (the "Put Option Deed") with PA Chokmah pursuant to which, among other things, Mr. Liu conditionally agreed to grant to PA Chokmah a right to require Mr. Liu to purchase some or all of the conversion shares pursuant to the precedent conditions. PA Chokmah may exercise the put option at an amount which enables PA Chokmah realise an internal rate of return specified in the Put Option Deed, within the period beginning on the date which falls on the expiry of the six-month period from the Maturity Date and ending on the date which is the first anniversary of the Maturity Date (both dates inclusive). For the avoidance of doubt, the Put Option may be exercised on one occasion only.

31. Deferred Taxation

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

	Revaluation of investment properties RMB'000	Deferred tax arising on interest capitalisation RMB'000	Tax losses RMB'000	Deferred tax arising on government grant RMB'000	Others RMB'000	Total RMB'000
At 1 September 2017	3,396	7,475	(1,917)	(3,487)	165	5,632
Charge (credit) to profit or loss	232	(7,475)	1,917	3,487	(165)	(2,004)
At 31 August 2018 and 1 September 2018	**3,628**	—	—	—	—	**3,628**
Charge to profit or loss	**650**	—	—	—	—	**650**
At 31 August 2019	**4,278**	—	—	—	—	**4,278**

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.

	2019 RMB'000	2018 RMB'000
Deferred tax assets	—	—
Deferred tax liabilities	**4,278**	3,628
	4,278	3,628

32. Share Capital

	Par value	Number of shares	Nominal amount HK$
Ordinary shares			
Authorised:			
At 1 September 2017, 31 August 2018 and 31 August 2019	HK$0.01	10,000,000,000	100,000,000

	Par value	Number of shares	Nominal amount HK$	Nominal amount equivalent to RMB	Shown in the consolidated financial statements as RMB'000
Issued and fully paid:					
At 1 September 2017	HK$0.01	2,039,154,000	20,391,540	18,026,191	18,026
Issuance of shares on exercise of share options (note i)	HK$0.01	3,800,000	38,000	31,033	31
At 31 August 2018	HK$0.01	2,042,954,000	20,429,540	18,057,224	18,057
Issuance of shares on exercise of share options (note ii)	HK$0.01	4,200,000	42,000	36,204	36
At 31 August 2019	HK$0.01	2,047,154,000	20,471,540	18,093,428	18,093

Notes:

i. During the year end 31 August 2018, share options to subscribe for 2,800,000 ordinary shares of HK$0.01 each were exercised at HK$0.51 per share and 1,000,000 ordinary shares of HK$0.01 each were exercised at HK$1.96 per share. These shares rank pari passu with other shares in issue in all respect.

ii. During the year end 31 August 2019, share options to subscribe for 3,200,000 ordinary shares of HK$0.01 each were exercised at HK$0.51 per share and 1,000,000 ordinary shares of HK$0.01 each were exercised at HK$1.96 per share. These shares rank pari passu with other shares in issue in all respect.

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33. Share-Based Payments

Share Award Scheme

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

Details of share awarded granted during the year ended 31 August 2019 are as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year	Vesting period
6.9.2018	HK$4.38	8,400,000	—	6.9.2019 to 6.9.2028

	Average fair value per share	Date of grant	Outstanding at 1/9/2018 '000	Granted during the year '000	Vested during the year '000	Forfeited during the year '000	Outstanding at 31/8/2019 '000
Executive director							
Mr. Li Jiuchang	HK$4.38	6.9.2018	—	1,500	—	—	1,500
Mr. Wang Yongchun	HK$4.38	6.9.2018	—	1,200	—	—	1,200
Employee (Note)	HK$4.38	6.9.2018	—	5,700	—	(500)	5,200
Total			—	8,400	—	(500)	7,900

Note: During the year ended 31 August 2019, one employee of the Group resigned and the corresponding awarded shares were forfeited accordingly.

For the year ended 31 August 2019, the Trustee purchased 170,000 (2018: 9,946,000) shares of the Company on the Stock Exchange in a total consideration of HK$650,000 (equivalent to RMB587,000) (2018: HK$43,263,000 (equivalent to RMB37,656,000)) for the Share Award Scheme.

During the year ended 31 August 2019, share-based payment expenses amounted to RMB7,516,000 (2018: Nil) was recognised in relation to 8,400,000 awarded shares (2018: Nil) have been granted to selected participants.

33. Share-Based Payments — continued

Share Option Schemes

The Company has adopted two share option schemes, namely pre initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and share option scheme (the "Share Option Scheme"), pursuant to a resolution passed on 3 January 2017.

The Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is valid and effective for a period of ten years commencing 26 January 2017 (being the date of listing of the shares of the Company on the Stock Exchange). The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to eligible participants for their contribution to, and continuing efforts to promote the interests of the Company, and to enable the Group to recruit and retain high-calibre employees. Under the Pre-IPO Share Option 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 2019, the number of shares in respect of which options had been granted has been exercised and no outstanding share option is under the scheme (2018: 3,200,000, representing 0.16% 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 Pre-IPO Share Option Scheme is not permitted to exceed 10% of the enlarged issued share capital of the Company as at 26 January 2017.

The Share Option Scheme

The Share Option Scheme is valid and effective for a period of nine years commencing 14 March 2017. The purpose of the Share Option Scheme is to incentivise and reward eligible persons 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. Under the Share Option Scheme, the directors of the Company may grant options to eligible persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

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.

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.

Notes to the Consolidated Financial Statements (Continued)
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33. Share-Based Payments — continued

Share Option Schemes — continued
The Share Option Scheme — continued

No share options was granted during the years ended 31 August 2019 and 2018.

The maximum number of shares in respect of which options may be granted will be adjusted, 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 in 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.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the Pre-IPO Share Option Scheme to the 2nd anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the nominal value of the Company's share as at the date of grant.

The following table discloses movements of the Company's share options held by an executive director and employees during the years ended 31 August 2019 and 2018:

	Exercise price	Date of grant	Outstanding at 1/9/2018 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31/8/2019 '000
The Pre-IPO Share Option Scheme						
Employee	HK$0.51	3 January 2017	3,200	—	(3,200)	—
The Share Option Scheme						
Employee	HK$1.96	14 March 2017	2,000	—	(1,000)	1,000
Total			5,200	—	(4,200)	1,000
Exercisable at the end of the year						Nil
Weighted average exercise price			HK$1.07	Nil	HK$0.86	HK$1.96

33. Share-Based Payments — continued

Share Option Schemes — continued

The Share Option Scheme — continued

	Exercise price	Date of grant	Outstanding at 1/9/2017 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31/8/2018 '000
The Pre-IPO Share Option Scheme						
Executive director						
Mr. Ng Cheuk Him (resigned on 8 January 2018)	HK$0.51	3 January 2017	6,000	—	(2,800)	3,200
The Share Option Scheme						
Employee	HK$1.96	14 March 2017	3,000	—	(1,000)	2,000
Total			9,000	—	(3,800)	5,200
Exercisable at the end of the year						Nil
Weighted average exercise price			HK$0.99	Nil	HK$0.89	HK$1.07

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 2019 was HK$3.32(2018: HK$5.37).

Share option expense amounted to RMB1,192,000 (2018: RMB3,948,000) was recognised for the year ended 31 August 2019 in relation to share options granted by the Company.

34. Retirement Benefits Plans

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

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 benefits scheme for the years are disclosed in note 12.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

35. 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 and convertible loan notes disclosed in notes 29 and 30, net of bank balance and cash, pledged bank deposits and equity attributable to owners of the Company, comprising share capital, 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 dividends, the issue of new debts as well as the redemption of the existing debts.

36. Financial Instruments

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at FVTPL	342,000	—
Financial assets at amortised cost	1,237,293	—
Loans and receivables (including cash and cash equivalents)	—	1,242,480
AFS investments	—	459,734
	1,579,293	1,702,214

Financial assets at amortised cost and loans and receivables (including cash and cash equivalents) as at 31 August 2019 and 2018 respectively are as follows:

	2019	2018
Deposit and other receivables	75,881	49,493
Bank balances and cash	662,454	911,410
Pledged bank deposits	498,958	281,577
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	1,237,293	1,242,480

36. Financial Instruments — continued

(a) Categories of financial instruments — continued

	2019 RMB'000	2018 RMB'000
Financial liabilities		
Trade and other payables	**313,186**	269,304
Borrowings	**2,169,430**	1,707,220
Convertible loan notes — non-derivative debt component	**468,162**	411,957
At amortised cost	**2,950,778**	2,388,481
Convertible loan notes — embedded derivatives Component — at fair value	**10,972**	10,186

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL/AFS investments, convertible loan notes (non-derivative debt component and embedded derivatives component), other receivables, bank balances and cash, pledged bank deposits, trade and other payables 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Market risk

(i) Currency risk

Part of the Group's deposits placed with the bank are denominated in HK$, which is different from the functional currency of the Company and most of its subsidiaries (i.e. RMB). Also, the convertible loan notes issued by the Company are determined in HK$.

The carrying amounts of the Group's financial instruments being denominated in HK$ at the end of the reporting period are as follows:

	Liabilities		Assets	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
HK$ denominated pledged bank deposits	**—**	—	**135,495**	—
HK$ denominated bank balances and cash	**—**	—	**85,103**	490,108
HK$ denominated convertible loan notes	**479,134**	422,143	**—**	—

As at 31 August 2019 apart from above, the Group did not have significant amount of monetary liabilities and other monetary assets and liabilities that are denominated in currencies other than RMB.

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in HK$ against RMB. 5% (2018: 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, bank balances and cash and convertible loan notes and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and where HK$ strengthen 5% (2018: 5%) against RMB. For a 5% (2018: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit.

	2019 RMB'000	2018 RMB'000
Profit or loss	**(12,927)**	2,549

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Market risk — continued

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings, convertible loan notes 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 variable-rate borrowings (note 29 for details of borrowings) which carried at prevailing market interest rates. The Group cash flow interest rate risk is mainly concentrated on fluctuation of market rate, i.e. the benchmark saving rate and borrowing rate quoted by the People's Bank of China on variable-rate bank balances and bank borrowings. 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.

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 2019 would decrease/increase by RMB5,510,000 (2018: RMB4,528,000). 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 year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Credit risk and impairment management

The Group's credit risk is primarily attributable to deposits and other receivables, pledged bank deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk on deposits and other receivables, pledged bank deposits and bank balances, the management of the Group makes periodic individual assessment on the recoverability of these financial assets. The Group has applied 12m ECL in IFRS 9 to measure the loss allowance.

The ECL on deposits and other receivables is assessed individually based on historical settlement records, reasons for extended repayment period and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

Deposits and other receivables mainly comprise of education deposit and wage deposits for construction projects paid to government authority, temporary payments to government, staff advances and others. Regarding the education deposit and wage deposits for construction project paid to government authority and temporary payments to government, the management closely monitors the status of school set-up and the progress of construction and takes follow-up action when the school commence operation and construction projects ended. There had been no significant increase in credit risk since initial recognition. The directors of the Company has considered the consistently low historical default rate and repayment from government authority who take long administrative process based on historical experience. The director of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of these deposits and the impairment allowance is considered to be insignificant.

Having considered the financial position, risk characteristics, past repayment history and other factors of staff advances and others, the Group has provided RMB5,447,000 impairment allowance on deposits and other receivables after individually assessment for the year ended 31 August 2019. The expected loss rates ranged from 0.01% to 50% for staff advances and others.

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are reputable financial institutions. The management of the Group considers the pledged bank deposits and most of the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. As at 31 August 2019, the Group performed impairment assessment on pledged bank deposits and bank balances by reference to the average loss rate for respective credit rating grades published by international credit-rating agencies and concluded that the expected credit loss is insignificant.

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Credit risk and impairment management — continued

Other than contraction of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or externally	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect	Amount is written off

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

Credit risk and impairment management — continued

The tables below detail the credit risk exposures of the Group's deposits and other receivables, pledged bank deposits and bank balances, which are subject to ECL assessment:

Financial assets at amortised costs

2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount
					RMB'000
Deposits and other receivables	21	N/A	Low risk	12m ECL	69,622
Deposits and other receivables	21	N/A	Watch list	12m ECL	4,805
Deposits and other receivables	21	N/A	Doubtful	lifetime ECL — not credit-impaired	6,901
Pledged bank deposits	24	AAA	N/A	12m ECL	498,958
Bank balances	25	A–AAA	N/A	12m ECL	662,454

Liquidity risk

As of 31 August 2019, the Group recorded net current liabilities of RMB884,527,000 (2018: RMB174,944,000). 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 of RMB768,930,000 available as at 31 August 2019 (2018: RMB40,700,000) and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

36. 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 2019								
Trade and other payables	—	313,186	—	—	—	—	313,186	313,186
Borrowings								
— fixed rate	5.5	3,181	6,468	223,507	573,233	—	806,389	700,000
— variable rate	6.1	7,315	178,634	356,880	867,969	595,334	2,006,132	1,469,430
Convertible loan notes non-derivative debt component	12.2	4,612	13,837	297,021	—	—	315,470	468,162
		328,294	198,939	877,408	1,441,202	595,334	3,441,177	2,950,778

	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 2018								
Trade and other payables	—	269,304	—	—	—	—	269,304	269,304
Borrowings								
— fixed rate	6.0	2,917	5,833	26,250	535,000	—	570,000	500,000
— variable rate	6.6	6,623	13,246	295,280	837,981	158,885	1,312,015	1,207,220
Convertible loan notes non-derivative debt component	12.2	3,973	11,918	34,278	296,431	—	346,600	411,957
		282,817	30,997	355,808	1,669,412	158,885	2,497,919	2,388,481

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

36. Financial Instruments — continued

(c) Fair value measurements of financial instruments

The note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/financial liabilities	Fair value as at 31 August 2019	Fair value as at 31 August 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at FVTPL (2018: classified as AFS investments)	Assets — RMB342,000,000	Assets — RMB459,734,000	Level 3	Net asset value as stated on the quotation report issued by financial institutions
2) Convertible loan notes — embedded derivatives component	Liability — RMB10,972,000	Liability — RMB10,186,000	Level 3	Monte Carlo simulation — key inputs are as follows: — underlying stock price: HK$3.78 (2018: HK$4.46) — expected volatility: 54.54% (2018: 50.48%) — dividend yield: 2.37% (2018: 1.57%)

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. Financial Instruments — continued

(c) Fair value measurements of financial instruments — continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Reconciliation of Level 3 fair value measurements

	Embedded derivative component of convertible loan notes RMB'000	**Financial assets at FVTPL** RMB'000	**Total** RMB'000
At 1 September 2018	(10,186)	459,734	449,548
Purchases	—	467,000	467,000
Change in fair value	(786)	18,370	17,584
Disposals	—	(603,104)	(603,104)
At 31 August 2019	(10,972)	342,000	331,028

	Embedded derivative component of convertible loan notes RMB'000	**AFS investments** RMB'000	**Total** RMB'000
Issuances/purchases	(6,242)	830,000	823,758
Change in fair value	(3,944)	32,872	28,928
Disposals	—	(403,138)	(403,138)
At 31 August 2018	(10,186)	459,734	449,548

Note: Upon adoption of IFRS 9 at 1 September 2018, the "AFS investments" previously classified under IAS 39, were reclassified as "Financial assets at FVTPL".

Of the total gains or losses for the year included in profit or loss, loss of RMB786,000 (2018: RMB3,944,000) and gain of RMB18,370,000 (2018: RMB32,872,000) relate to embedded derivatives component and financial assets at FVTPL (2018: AFS investments) respectively held at the end of the current reporting period. Fair value losses of convertible loan notes — embedded derivatives component and gain on change in fair value of financial assets at FVTPL (2018: Interests on AFS investments) are included in "other gains and losses" (2018: "other gains and losses" and "finance income" respectively).

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

37. Acquisitions of Businesses

For the year ended 31 August 2019

Acquisition of Zhang Pu Longcheng Schools

On 20 August 2018, the Group entered into agreements with independent third parties to acquire 100% of the school sponsor's interest in Zhang Pu Longcheng Schools and a land parcel thereon currently occupied by Zhang Pu Longcheng Schools with an area of approximately 100 mu (equivalent to approximately 67,000 square metres) at a total consideration of RMB183,000,000 (the "Acquisition of Zhang Pu Longcheng Schools"). The transaction was completed on 30 October 2018.

Zhang Pu Longcheng Schools are principally engaged in the provision of full spectrum private fundamental education, including primary, middle and high school in the PRC. The Acquisition has been accounted for using the purchase method. The Directors are of the view that the Acquisition allows the Group to further expand its school network in Fujian province, close proximity to East Guangdong District where the Group is operating a private primary, middle and high school in Jieyang, and to enhance the Group's influence in East Guangdong District.

The excess of the total consideration over the fair value of the net identifiable assets acquired resulted in goodwill of RMB61,272,000 which is tax deductible at the time when the business is disposed of. The acquired assets and liabilities have been included in the consolidated financial statements since the date of acquisition.

Consideration transferred

	RMB'000
Cash	183,000

Assets recognised and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	64,275
Prepaid lease payments	18,400
Intangible assets	36,260
Deposits, prepayments and other receivables	1,257
Amount due from the Group	109,636
Inventories	13
Bank balances and cash	990
Contract liabilities	(16,686)
Trade and other payables	(92,417)
	121,728

The fair value of other receivables at the date of acquisition amounted to RMB741,000, which is also the gross contractual amounts of the other receivables.

37. Acquisitions of Businesses — continued

For the year ended 31 August 2019 — continued

Acquisition of Zhang Pu Longcheng Schools — continued

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	183,000
Less: fair value of net assets acquired	(121,728)
Goodwill arising on acquisition	61,272

Goodwill arose in the Acquisition of Zhang Pu Longcheng Schools because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to better geographic arrangement and networking effect as the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhang Pu Longcheng Schools. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Zhang Pu Longcheng Schools

	RMB'000
Cash consideration	183,000
Less: consideration payable (note 28)	(20,000)
Less: cash consideration paid at 31 August 2018	(20,000)
Less: consideration settled by amount due from the Group	(109,636)
Less: cash and cash equivalents acquired	(990)
	32,374

Included in the Group's profit for the year ended 31 August 2019 is RMB15,200,000 attributable to the additional business generated by Zhang Pu Longcheng Schools. The Group's revenue for the year ended 31 August 2019 includes RMB45,804,000 generated from Zhang Pu Longcheng Schools.

Had the acquisition been completed on 1 September 2018, total group revenue for the year ended 31 August 2019 would have been RMB1,739 million, and profit for the year ended 31 August 2019 would have been RMB374 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Zhang Pu Longcheng Schools been acquired at the beginning of the current year, the director of the Company have calculated depreciation and amortisation of property, plant and equipment and intangible asset based on the recognised amounts of property, plant and equipment and intangible asset at the date of the acquisition.

37. Acquisitions of Businesses — continued

For the year ended 31 August 2018

Acquisition of Jieyang School

On 19 June 2017, the Group's subsidiary, 東莞市華生教育投資有限公司 ("Dongguan Huasheng"), a 92.86% owned subsidiary of the Group, entered into agreements with independent third parties to acquire 70% of the school sponsor's 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 mu (equivalent to approximately 127,000 square metres) at a total consideration of RMB224,000,000 (the "Acquisition of Jieyang School").The acquisitions has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB61,781,000. Jieyang School is principally engaged in the provision of full spectrum private fundamental education, including primary and secondary school in the PRC.

Consideration transferred

	RMB'000
Cash	224,000

Assets recognised and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	126,482
Prepaid lease payments	83,927
Intangible assets	22,762
Prepayments and other receivables	616
Bank balances and cash	20,484
Deferred revenue	(19,682)
Trade and other payables	(2,848)
	231,741

The fair values of intangible assets are based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimation used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of other receivables at the date of acquisition amounted to RMB430,000, which is also the gross contractual amounts of those other receivables.

37. Acquisitions of Businesses — continued

For the year ended 31 August 2018 — continued

Acquisition of Jieyang School — continued

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	224,000
Non-controlling interests	69,522
Less: fair value of net assets acquired	(231,741)
Goodwill arising on acquisition	61,781

The non-controlling interests in Jieyang School recognised at the acquisition date was measured at its proportionate share of net assets acquired.

Goodwill arose in the Acquisition of Jieyang School because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to better geographic arrangement and networking effect as the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jieyang School. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Jieyang School

	RMB'000
Cash consideration	224,000
Less: consideration payable	(45,000)
Less: cash consideration paid at 31 August 2017	(151,000)
Less: cash and cash equivalents acquired	(20,484)
	7,516

Included in the Group's profit for the year ended 31 August 2018 is RMB6,197,000 attributable to the additional business generated by Jieyang School. The Group's revenue for the year ended 31 August 2018 includes RMB59,893,000 generated from Jieyang School.

37. Acquisitions of Businesses — continued

For the year ended 31 August 2018 — continued

Acquisition of Weizhou School

On 16 April 2018, the Group entered into agreements with independent third parties to acquire 100% of the school sponsor's interest in Weizhou School and a land parcel and all the buildings and facilities thereon currently occupied by Weizhou School with an area of approximately 38 mu (equivalent to 25,300 square metres) from an independent third party, at a total consideration of RMB111,000,000 (the "Acquisition of Weizhou School"). The acquisitions has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB26,539,000.

Weizhou School is principally engaged in the provision of full spectrum private fundamental education, including primary school in the PRC.

Consideration transferred

	RMB'000
Cash	111,000

Assets recognised and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	55,155
Prepaid lease payments	33,800
Intangible assets	4,720
Inventory	46
Prepayments and other receivables	3,773
Bank balances and cash	1,205
Deferred revenue	(6,557)
Trade and other payables	(7,681)
	84,461

The fair values of intangible assets are based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimation used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of other receivables at the date of acquisition amounted to RMB3,523,000, which is also the gross contractual amounts of those other receivables.

37. Acquisitions of Businesses — continued

For the year ended 31 August 2018 — continued

Acquisition of Weizhou School — continued

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	111,000
Less: fair value of net assets acquired	(84,461)
Goodwill arising on acquisition	26,539

Goodwill arose in the Acquisition of Weizhou School because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to better geographic arrangement and networking effect as the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Weizhou School. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Weizhou School

	RMB'000
Cash consideration	111,000
Less: cash consideration payable (note 28)	(71,000)
Less: cash and cash equivalents acquired	(1,205)
	38,795

Included in the profit for the year ended 31 August 2018 is RMB2,549,000 attributable to the additional business generated by Weizhou School. Revenue for the year ended 31 August 2018 includes RMB5,973,000 generated from Weizhou School.

Had the acquisition been completed on 1 September 2017, total group revenue for the year would have been RMB1,266 million, and profit for the year would have been RMB311 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Weizhou School been acquired at the beginning of the current year, the directors of the Company have calculated depreciation and amortization of property, plant and equipment, prepaid lease payments and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre- acquisition financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

38. Operating Leases

The Group as lessee

Minimum lease payments paid under operating leases during the years:

	2019 RMB'000	2018 RMB'000
Premises	**14,237**	11,696

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:

	2019 RMB'000	2018 RMB'000
Within one year	**11,971**	12,132
In the second to fifth year inclusive	**25,535**	23,591
Over five years	**37,024**	33,390
	74,530	69,113

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 twenty years.

The Group as lessor

Property rental income earned during the year ended 31 August 2019 was RMB1,430,000 (2018: RMB1,111,000). The direct outgoings to generate property rental income is insignificant throughout the years. Certain of the properties held have committed tenants for the next 2 years (2018: 3 years).

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

	2019 RMB'000	2018 RMB'000
Within one year	**1,423**	1,489
In the second to fifth year inclusive	**409**	1,833
	1,832	3,322

39. Capital Commitments

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisitions of property, plant and equipment, land and new private schools	**1,273,494**	887,625

40. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable RMB'000	Borrowings RMB'000	Convertible loan notes RMB'000	Accrued listing expenses RMB'000	Interest payables RMB'000	Total RMB'000
At 1 September 2017	—	621,800	—	14,036	1,010	636,846
Financing cash flows	(121,560)	1,085,420	407,853	(8,217)	(80,550)	1,282,946
Non-cash movement:						
Fair value loss	—	—	3,944	—	—	3,944
Foreign exchange difference	—	—	4,791	1,477	—	6,268
Over accrual of listing expense	—	—	—	(7,296)	—	(7,296)
Effective interest expenses	—	—	5,555	—	—	5,555
Dividend distribution	121,560	—	—	—	—	121,560
Interest expenses on borrowing	—	—	—	—	87,381	87,381
At 31 August 2018 and 1 September 2018	**—**	**1,707,220**	**422,143**	**—**	**7,841**	**2,137,204**
Financing cash flows	**(155,321)**	**462,210**	**(15,076)**	**—**	**(125,116)**	**166,697**
Non-cash movement:						
Fair value loss	**—**	**—**	**786**	**—**	**—**	**786**
Foreign exchange difference	**—**	**—**	**17,890**	**—**	**—**	**17,890**
Effective interest expenses	**—**	**—**	**53,391**	**—**	**—**	**53,391**
Dividend distribution	**155,321**	**—**	**—**	**—**	**—**	**155,321**
Interest expenses on borrowing	**—**	**—**	**—**	**—**	**121,774**	**121,774**
At 31 August 2019	**—**	**2,169,430**	**479,134**	**—**	**4,499**	**2,653,063**

41. Contingent Liability

On 19 March 2015, an individual who is an independent third party, initiated court proceedings against one of the subsidiary of the Company, 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. 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, after consultation of the external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision is made in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

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42. Related Party Transactions and Balances

During the years ended 31 August 2019 and 2018, the Group entered into the following transactions with Mr. Liu and the related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co. Ltd*	Controlled by Mr. Liu	Hospitality expenses	**2,068**	2,104
東莞文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd*	Controlled by a close family member of Mr. Liu	Construction expenses	**4**	2,851
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	**24,202**	19,503

* The English names are for identification purpose only.

During the years ended 31 August 2019 and 2018, Mr. Liu provides financial guarantee to the Group in respect of the issue of convertible loan notes which set out in note 30, and Mr. Liu, Ms. Li and a company controlled by Mr. Liu provides financial guarantee to the Group in respect of borrowings which set out in note 29.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year are as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**11,873**	6,810
Post-employment benefits	**171**	140
Share-based payment expenses	**6,881**	3,948
	18,925	10,898

Balances and other arrangement with related parties are set out in the consolidated statement of financial position, consolidated statement of changes in equity and in note 21.

43. Particulars of Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group 2019	2018	Principal activities
東莞市睿興後勤服務有限公司 Dongguan Ruixing Logistics Service Co., Ltd*	The PRC	RMB — (note i)	**100%**	100%	Educational consultancy service (note iii)
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 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)
Wisdom Bright Asset Management Limited 睿見資產管理有限公司	Hong Kong	HK$6,000,000	**100%**	N/A	Investment advice and fund management activities (note ii)
Consolidated Affiliated Entities					
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 iii)
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 iii)
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 iii)
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 iii)
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 iii)
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 iii)
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 iii)

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

43. Particulars of Principal Subsidiaries of the Company — continued

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group 2019	2018	Principal activities
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 iii)
東莞市文匯教育投資有限公司 Dongguan Wenhui Education Investment Co., Ltd*	The PRC	RMB5,000,000	**100%**	100%	Education investment (note iii)
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 iii)
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 iii)
廣安光正教育發展有限公司 Guang'an Guangzheng Education Development Co., Ltd.*	The PRC	RMB30,000,000	**100%**	100%	Education investment (note iii)
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 iii)
揭陽光正投資有限公司 Jieyang Guangzheng Investment Co., Ltd.*	The PRC	RMB — (note i)	**65%**	65%	Education investment (note iii)
濰坊市濰州外國語學校 Weifang Weizhou Foreign Language School*	The PRC	RMB1,000,000	**100%**	100%	Provision of middle school and primary school full time education (note iii)
揭陽市揭東區光正實驗學校 Jieyang Jiedong Guangzheng Preparatory School*	The PRC	RMB520,000	**65%**	65%	Provision of middle school and primary school full time education (note iii)
福建禮賢教育投資有限公司 Fujian Lixian Investment Co., Ltd.	The PRC	RMB93,000,000	**100%**	N/A	Investment holding (note iii)
漳浦龍成中學 Zhang Pu Longcheng School	The PRC	RMB20,000,000	**100%**	N/A	Provision of high school and middle school full time education (note iii)
漳浦龍成中學附屬小學 Zhang Pu Longcheng School Affiliated Primary School	The PRC	RMB100,000	**100%**	N/A	Provision of primary school full time education (note iii)
濰坊市濰城區濰州外國語幼兒園 Weifang Weicheng Weizhou Foreign Language Kindergarten	The PRC	RMB300,000	**100%**	N/A	Provision of pre-school education (note iii)

43. Particulars of Principal Subsidiaries of the Company — continued

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group		Principal activities
			2019	2018	
佛山市文達教育投資有限公司 Foshan Wenda Industry Investment Co., Ltd.	The PRC	RMB1,000,000	**100%**	N/A	Investment holding (note iii)
巴中光正教育發展有限公司 Bazhong Guangzheng Investment Co., Ltd.*	The PRC	RMB — (note i)	**100%**	100%	Education investment (note iii)
佛山市光正教育投資有限公司 Foshan Guangzheng Investment Co., Ltd.*	The PRC	RMB50,000,000	**100%**	100%	Education investment (note iii)
江門市光正教育投資有限公司 Jiangmen Guangzheng Investment Co., Ltd.*	The PRC	RMB — (note i)	**100%**	100%	Education investment (note iii)
潮州市光正投資有限公司 Chaozhou Guangzheng Education Investment Co., Ltd.*	The PRC	RMB50,000,000	**100%**	100%	Education investment (note iii)

* 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. These subsidiaries operates in Hong Kong.

iii. The subsidiary operates in the PRC.

iv. Within the above table lists, except for Dongguan Ruixing, Dongguan Ruixing Logistics Service Co., Ltd, all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in Note 1.

v. Within the above table lists, the legal forms of Dongguan Ruixing, Dongguan Ruixing Logistics Service Co., Ltd, Guangdong Guangzheng, Huizhou Guangzheng, Panjin Guangzheng Investment Co., Ltd., Weifang Guangzheng Preparatory School Investment Co., Ltd, Dongguan Wenhui Education Investment Co., Ltd., Guang'an Guangzheng Education Development Co., Ltd., Yunfu Guangzheng, Jieyang Guangzheng Investment Co., Ltd., Fujian Lixian Investment Co., Ltd., Foshan Wenda Industry Investment Co., Ltd., Bazhong Guangzheng Investment Co., Ltd., Foshan Guangzheng Investment Co., Ltd., Jiangmen Guangzheng Investment Co., Ltd., and Chaozhou Guangzheng Education Investment Co., Ltd., were limited liability companies incorporated in the PRC. All other entities established in the PRC are not-for-profit schools, including high schools, middle schools, elementary schools and preschools and are registered as private non-enterprise entity under the law of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries have issued any debt securities during the year and at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2019

43. Particulars of Principal Subsidiaries of the Company — continued

Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of Subsidiary	Place of incorporation/ establishment	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Jieyang School	The PRC	**35%**	35%	**(5,174)**	(3,089)	**61,260**	66,434
Yunfu Guangzheng and Yunfu School	The PRC	**25%**	25%	**(709)**	(119)	**24,263**	(153)
Individually immaterial subsidiaries with non-controlling interests	The PRC			**(1)**	—	**(6)**	(5)
				(5,884)	(3,208)	**85,517**	66,276

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jieyang School	**2019 RMB'000**	2018 RMB'000
Current assets	**12,326**	39,159
Non-current assets	**362,893**	287,534
Current liabilities	**105,306**	41,995
Non-current liabilities	**—**	—
Equity attributable to owners of the Company	**208,653**	218,264
Non-controlling interests of Jieyang School	**61,260**	66,434

43. Particulars of Principal Subsidiaries of the Company — continued

	2019 RMB'000	2018 RMB'000
Revenue	**77,975**	59,893
Expenses	**(92,759)**	(68,718)
Loss for the year	**(14,784)**	(8,825)
Loss for the year attributable to the Company	**(9,610)**	(5,736)
Loss for the year attributable to non-controlling interests of Jieyang School	**(5,174)**	(3,089)
Loss for the year	**(14,784)**	(8,825)
Dividends paid to non-controlling interests of Jieyang School	**—**	—
Net cash inflow (outflow) from operating activities	**59,321**	(4,615)
Net cash (outflow) inflow from investing activities	**(57,538)**	6,341
Net cash inflow from financing activities	**—**	—

Yunfu Guangzheng	2019 RMB'000	2018 RMB'000
Current assets	**73,698**	1,300
Non-current assets	**293,456**	142,252
Current liabilities	**124,602**	144,164
Non-current liabilities	**186,000**	—
Equity attributable to owners of the Company	**32,289**	(459)
Non-controlling interests of Yunfu Guangzheng	**24,263**	(153)

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 August 2019

43. Particulars of Principal Subsidiaries of the Company — continued

	2019 RMB'000	2018 RMB'000
Revenue	—	—
Expenses	(2,836)	(652)
Loss for the year	(2,836)	(652)
Loss for the year attributable to the Company	(2,127)	(533)
Loss for the year attributable to non-controlling interests of Yunfu Guangzheng	(709)	(119)
Loss for the year	(2,836)	(652)
Dividends paid to non-controlling interests of Yunfu Guangzheng	—	—
Net cash outflow from operating activities	(23,194)	—
Net cash outflow from investing activities	(140,524)	—
Net cash inflow from financing activities	186,000	—

44. Statement of Financial Position and Reserves of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**2,333**	2,550
Investment in subsidiaries	**5,420**	—
Deposit, prepayments and other receivables	**—**	19,885
Amount due from a subsidiary	**102,278**	61,880
	110,031	84,315
Current assets		
Prepayments and other receivables	**2,209**	12,352
Amounts due from subsidiaries	**5,059**	4,096
Pledged bank deposits	**495,650**	271,000
Bank balances and cash	**110,316**	521,166
	613,234	808,614
Current liabilities		
Other payables and accrued expenses	**5,979**	3,957
Convertible loan notes	**479,134**	—
	485,113	3,957
Net current assets	**128,121**	804,657
Total assets less current liabilities	**238,152**	888,972
Capital and reserves		
Share capital	**18,093**	18,057
Reserves	**220,059**	448,772
	238,152	466,829
Non-current liability		
Convertible loan notes	**—**	422,143
	238,152	888,972

Notes to the Consolidated Financial Statements (Continued)
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44. 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	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2017	697,257	3,299	(3,700)	(73,898)	622,958
Loss and total comprehensive expense for the year	—	—	—	(28,940)	(28,940)
Recognition of share-based payments	—	3,948	—	—	3,948
Shares purchased for share award scheme	—	—	(37,656)	—	(37,656)
Exercise of share options	6,708	(3,982)	—	—	2,726
Dividend recognised as distribution	(121,560)	—	—	—	(121,560)
Over-accrual of issue costs	7,296	—	—	—	7,296
At 31 August 2018	**589,701**	**3,265**	**(41,356)**	**(102,838)**	**448,772**
Loss and total comprehensive expense for the year	—	—	—	**(84,573)**	**(84,573)**
Recognition of share-based payments	—	**1,192**	**7,516**	—	**8,708**
Shares purchased for share award scheme	—	—	**(587)**	—	**(587)**
Exercise of share options	**7,220**	**(4,160)**	—	—	**3,060**
Dividend recognised as distribution	**(155,321)**	—	—	—	**(155,321)**
At 31 August 2019	**441,600**	**297**	**(34,427)**	**(187,411)**	**220,059**