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

(incorporated in the Cayman Islands with limited liability)

Stock code : 6068

2020 ANNUAL REPORT

以誠心服務社會

以愛心培育人才

Contents

Corporate Information

Board of Directors

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

Independent Non-executive Directors
Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo

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

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

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

Company Secretary
Ms. Leung Suet Lun

Authorized Representatives
Mr. Liu Xuebin
Ms. Leung Suet Lun

Auditors
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisers
As to Hong Kong law
Allen & Overy

As to PRC law
Commerce & Finance Law Offices

As to Cayman Islands law
Conyers Dill & Pearman

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

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

Headquarters and Principal Place of Business in the PRC
No. 68 Guangming Da Dao
Dongcheng District
Dongguan
The PRC

Principal Place of Business in Hong Kong
Room 3302, 33/F.
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal Share Registrar and Transfer Office
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

Stock Code
6068

Company Website
www.wisdomeducationintl.com

Investor Relations
Mr. Derek Lau
Email: ir@wisdomeducationintl.com

Corporate Profile

Overview

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

Our Schools and Educational Curriculum

Our primary and middle schools primarily provide Chinese curriculum education to students from grades 1 to 6 and students from grades 7 to 9 respectively. Our high schools mainly provide PRC curriculum education to students from grades 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.

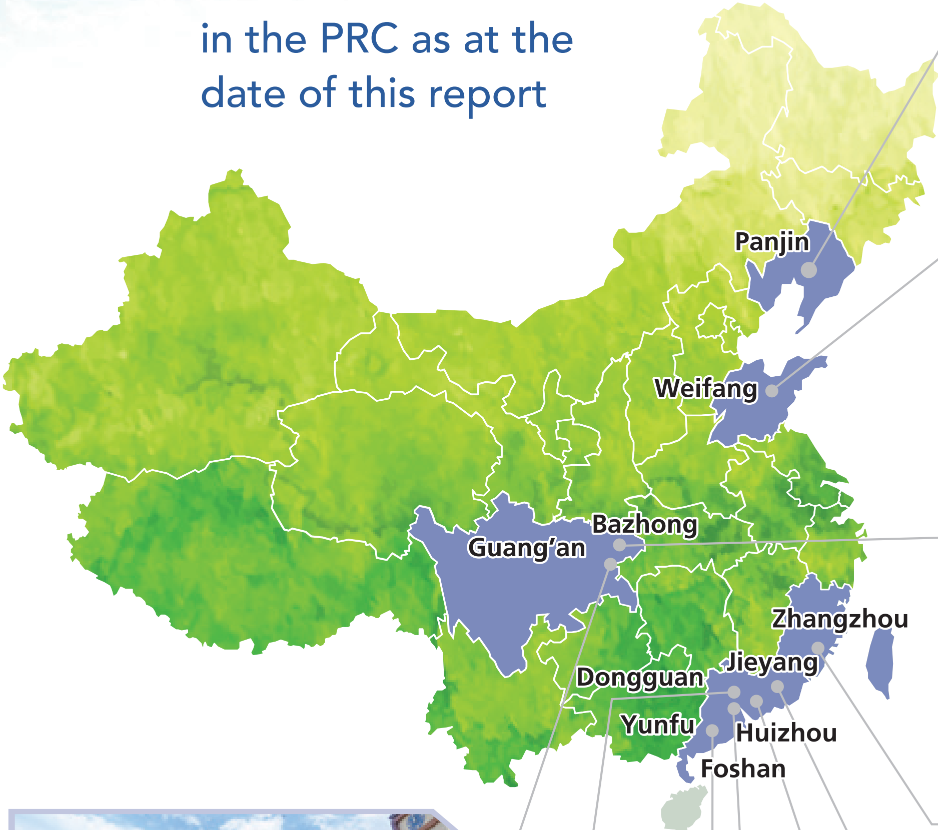
Our Educational Philosophy

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.

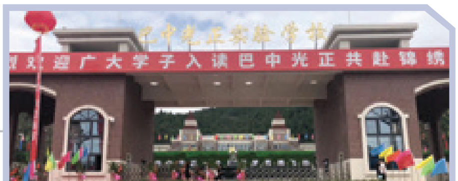
Our School Network in the PRC as at the date of this report

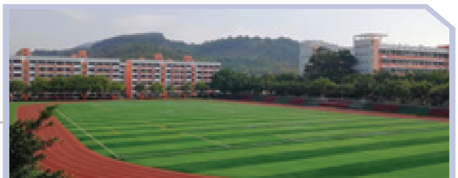


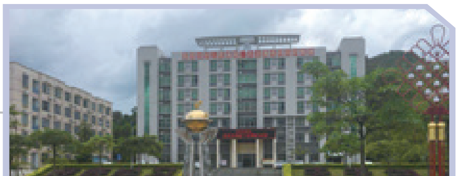

Panjin Guangzheng Preparatory School


Weifang Guangzheng Preparatory School

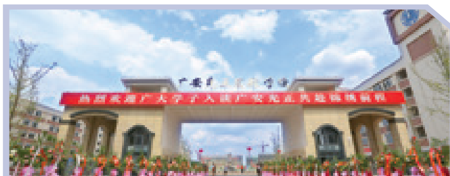

Weifang Weizhou Foreign Language School

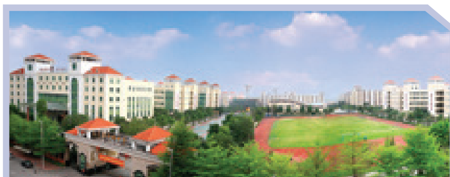

Bazhong Guangzheng Preparatory School


Zhang Pu Longcheng Schools


Jieyang Jiedong Guangzheng Preparatory School


Huizhou Guangzheng Preparatory School


Guang'an Guangzheng Preparatory School


Dongguan Guangming Secondary and Primary Schools


Dongguan Guangzheng Preparatory School


Shunde Guangzheng Preparatory School


Yunfu Guangming Foreign Language School

Financial Summary

Results

	Year ended 31 August				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	700,741	979,140	1,246,920	1,681,530	**1,792,728**
Cost of revenue	(370,352)	(529,289)	(702,054)	(939,836)	**(924,792)**
Gross profit	330,389	449,851	544,866	741,694	**867,936**
Profit before taxation	194,535	270,307	345,561	409,275	**613,364**
Taxation	(40,172)	(70,112)	(38,379)	(55,697)	**(111,683)**
Profit for the year	154,363	200,195	307,182	353,578	**501,681**
Core net profit (Note)	185,775	248,517	321,967	428,610	**559,317**
Gross profit margin	47.1%	45.9%	43.7%	44.1%	**48.4%**
Net profit margin	22.0%	20.4%	24.6%	21.0%	**28.0%**
Core net profit margin	26.5%	25.4%	25.8%	25.5%	**31.2%**

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.

Earnings Per Share

	Year ended 31 August				
	2016 RMB	2017 RMB	2018 RMB	2019 RMB	**2020 RMB**
Basic	0.10	0.11	0.15	0.17	**0.25**
Diluted	N/A	0.11	0.15	0.17	**0.25**

Dividend Per Share

	Year ended 31 August				
	2016 RMB	2017 RMB	2018 RMB	2019 RMB	**2020 RMB**
Interim dividend	—	0.024	0.032	0.042	**0.057**
Final dividend	—	0.026	0.036	0.042	**0.056**
Total	—	0.050	0.068	0.084	**0.113**

Assets and Liabilities

	At 31 August				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Non-current assets	1,763,204	2,727,962	4,003,316	4,676,090	**6,308,636**
Current assets	695,171	604,265	1,468,347	1,595,205	**1,609,429**
Current liabilities	1,152,775	1,093,804	1,643,291	2,479,732	**1,672,493**
Net current liabilities	(457,604)	(489,539)	(174,944)	(884,527)	**(63,064)**
Total assets less current liabilities	1,305,600	2,238,423	3,828,372	3,791,563	**6,245,572**
Equity attributable to owners of the Company	830,775	1,745,890	1,911,065	2,161,298	**2,960,526**
Non-controlling interests	—	(38)	66,276	85,517	**128,727**
Non-current liabilities	474,825	492,571	1,851,031	1,544,748	**3,156,319**
	1,305,600	2,238,423	3,828,372	3,791,563	**6,245,572**

	At 31 August				
Selected Major Items	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Property, plant and equipment	1,344,405	1,779,440	2,492,447	3,035,707	**4,005,450**
Bank balances and cash, including pledged bank deposits	103,705	753,510	1,192,987	1,161,412	**1,126,095**
Total bank borrowings	607,700	621,800	1,707,220	2,169,430	**2,785,520**
Convertible loan notes	—	—	422,143	479,134	**—**
Contract liabilities and deferred revenue	365,005	436,778	617,023	750,820	**858,305**

	At 31 August				
Liquidity	2016	2017	2018	2019	**2020**
Net gearing ratio (Note 1)	60.7%	Net Cash	47.4%	66.2%	**53.7%**
Adjusted net gearing ratio (Note 2)	60.7%	Net Cash	24.1%	51.0%	**40.6%**

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				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Net cash from operating activities	333,248	395,551	623,355	576,702	**883,381**

Capital Expenditure

	Year ended 31 August				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Payments for acquisition of property, plant and equipment	178,191	445,363	641,892	618,667	**941,593**
Payments for acquisition of prepaid lease payments/ right-of-use assets	19,217	85,791	101,485	285,104	**86,484**
Total	197,408	531,154	743,377	903,771	**1,028,077**

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 2020.

Compared with the 2018/2019 school year, total student enrolment increased by 10.5% to 60,116 students and the total student capacity of our schools increased by approximately 11.1% to 70,000 for the 2019/2020 school year. For the year ended 31 August 2020, total revenue of the Group reached RMB1,792.7 million, representing an increase of 6.6% as compared with that for the year ended 31 August 2019. Profit for the year increased by 41.9% to RMB501.7 million whereas core net profit increased by 30.5% to RMB559.3 million. The Board has resolved to recommend the payment of a final dividend of RMB0.056 (equivalent to HK$0.066) per share. Together with the interim dividend of RMB0.057 (equivalent to HK$0.062) per share, this will make up a total dividend of RMB0.113 (equivalent to HK$0.128) per share for the year ended 31 August 2020.

Openings of New Schools

For the 2019/2020 school year, the Group commenced operations of the first phase of 3 new schools, namely Bazhong Guangzheng Preparatory School in Sichuan, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School in Guangdong.

Recognition of High-Quality Education

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

Recognition from the Recruitment Bureau of Chinese People's Liberation Army Air Force

In August 2020, Dongguan Guangming School received a letter of congratulation from the Recruitment Bureau of the Chinese People's Liberation Army Air Force in relation to the admission of our three students as trainees of air force pilots expressing sincere gratitude to Dongguan Guangming School for its support in the development of the air force.

The letter also emphasized that China attaches great importance to the education of air force talents. The Recruitment Bureau of the Chinese People's Liberation Army Air Force wishes that Dongguan Guangming School will continue to support the air force recruitment work in the future and jointly cultivate outstanding air force talents.

Computerized Random Allocation for Compulsory Education Admission

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

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

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

COVID-19 in China

During the year ended 31 August 2020, the outbreak of COVID-19 in China was reported in early 2020. Since then, the PRC government has implemented various measures including, among others, city lockdown, travel restriction, quarantine and class suspension in an attempt to contain the spread of COVID-19 across China. In order to support the work of certain hospitals for the prevention and control of COVID-19, the Group has donated RMB2 million to a charitable organization in Dongguan, in which our headquarters is located. In any circumstances, it is our first priority to ensure the safety of and health protection for our students and staff.

Due to COVID-19 in China, our schools postponed the commencement of the second semester for the 2019/2020 school year which was originally scheduled for mid-February 2020, and have suspended physical classes for a few months since then. To cater for our students' continuous studies during class suspension as promoted by various provincial government authorities, the Group has managed to deliver its teaching services by using online platforms where our teachers could provide live teaching and tutoring to our students at home. The Group has made the necessary arrangements for our students ensuring them to return to schools by batches at different dates and time intervals from early April to May 2020 in accordance with the requirements from the local governments.

During the year ended 31 August 2020, construction works for certain of our new school projects and existing schools' capacity expansion have been interrupted amid COVID-19. However, we strived to catch up the construction progress since the gradual resumption of work in China.

Establishment of A New Wholly-owned Subsidiary with Preferential Tax Treatment in China

An indirect wholly-owned subsidiary of the Company has recently established a wholly-foreign owned enterprise in Ganzhou ("**Ganzhou Service Company**"), Jiangxi province, China. Ganzhou Service Company, one of the Group's designated subsidiaries providing various services to the Group's schools, will provide, among others, corporate management, software development and data management services to certain schools of the Group.

According to the relevant notices issued by the Ministry of Finance, the General Administration of Customs of China and the State Administration of Taxation in January 2013 and the relevant policies promulgated by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission in April 2020, provided that certain conditions are satisfied, Ganzhou Service Company is eligible to enjoy a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2030.

Proposed Higher Education Business

The Group has planned to enter higher education business in China. For details, please refer to the section headed "Outlook" in Management Discussion and Analysis.

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

Dongguan, 23 November 2020

Operational and Financial Highlights

Operational Information	Year ended 31 August			Percentage
	2020	2019	Change	Change
School Year	2019/2020	2018/2019		
Total number of students enrolled	60,116	54,420	+5,696	+10.5%
Total student capacity	70,000	63,000	+7,000	+11.1%
Overall school utilization	85.9%	86.4%	−0.005	−0.6%
Total number of teachers	3,818	3,410	+408	+12.0%

Selected Financial Information RMB'000 (unless otherwise stated)	Year ended 31 August			Percentage
	2020	2019	Change	Change
Revenue	1,792,728	1,681,530	+111,198	+6.6%
Gross profit	867,936	741,694	+126,242	+17.0%
Core net profit (Note 1)	559,317	428,610	+130,707	+30.5%
Profit for the year	501,681	353,578	+148,103	+41.9%
Interim dividend per share (RMB)	0.057	0.042	+0.015	+35.7%
Final dividend per share (RMB)	0.056	0.042	+0.014	+33.3%

Note 1: 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. This is not an international Financial Reporting Standard ("**IFRS**") measure. The reconciliation of the profit for the year to the core net profit of the Group is presented as follows:

	Year ended 31 August	
	2020 RMB'000	2019 RMB'000
Profit for the year	501,681	353,578
Adjustments for:		
Exchange loss	3,182	16,748
(Gain)/loss on change in fair value of convertible loan notes	(10,972)	786
Share-based payments	5,298	8,708
Amortisation of intangible assets arising from the acquisition of schools	16,748	25,590
Additional interest expenses on convertible loan notes based on effective coupon rate (Note 2)	22,579	23,200
Additional expenses arising from the adoption of IFRS 16 (Note 3)	20,801	—
Core net profit	559,317	428,610

Note 2: The adjustment represented the difference of (a) the interest calculated based on the HK$500 million convertible loan notes and the coupon rate of 6.8% of approximately RMB27.3 million, and (b) the interest charged to "Finance costs" in profit or loss of approximately RMB49.9 million based on the effective interest rate of 12.2% upon full repayment of the convertible loan notes during the year ended 31 August 2020.

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

Selected Financial Information RMB'000 (unless otherwise stated)	**As at 31 August**			
	2020	2019	**Change**	**Percentage change**
Bank balances and cash, including pledged bank deposits	**1,126,095**	1,161,412	−35,317	−3.0%
Total bank borrowings	**2,785,520**	2,169,430	+616,090	+28.4%
Convertible loan notes	**—**	479,134	−479,134	−100%
Contract liabilities	**858,305**	750,820	+107,485	+14.3%
Net gearing ratio (Note 4)	**53.7%**	66.2%	−0.125	−18.9%
Adjusted net gearing ratio (Note 5)	**40.6%**	51.0%	−0.104	−20.4%

Note 4: 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.

Note 5: Adjusted net gearing ratio is calculated as the net gearing ratio (as calculated in note 4 above) with financial assets at FVTPL treated as cash and cash equivalents.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

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

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

Total Revenue

Total Revenue by Service	For the year ended 31 August 2020 RMB'000	% of Total	2019 RMB'000	% of Total
Tuition and boarding fees	**1,292,413**	**72.1**	1,145,461	68.1
Ancillary services	**500,315**	**27.9**	536,069	31.9
Total revenue	**1,792,728**	**100**	1,681,530	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. We initially record such payments as contract liabilities and then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school year.

During the year ended 31 August 2020, physical classes have been suspended for a certain period caused by COVID-19 during which the Group provided students with online teaching to ensure their continuous learning and accordingly, there was no material refund of tuition fees. However, the Group refunded boarding fees of approximately RMB30 million to the students for the period our schools suspended during the year ended 31 August 2020.

Compared with that for the year ended 31 August 2019, tuition and boarding fees for the year ended 31 August 2020 increased by 12.8% amid COVID-19 mainly because the overall student enrolment increased.

Ancillary services

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

Compared with that for the year ended 31 August 2019, revenue from ancillary services for the year ended 31 August 2020 decreased by 6.7%. The decrease in ancillary service revenue was primarily due to the suspension of our schools for a certain period during the year ended 31 August 2020 caused by COVID-19.

Student Enrolment

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective school year and no average student enrolment is presented accordingly. The following tables set forth the student enrolment for the 2019/2020 school year and 2018/2019 school year:

	School Year			Percentage
Student Enrolment by School	**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 Guangzheng School (Note 1)	**4,769**	5,375	−606	−11.3%
Weifang Weizhou School	**2,195**	2,318	−123	−5.3%
Guang'an Guangzheng Preparatory School	**598**	159	+439	+276.1%
Sub-total	**56,244**	51,520	+4,724	+9.2%
Addition of schools during the relevant school year				
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018 after acquisition	**2,894**	2,900	−6	−0.2%
Bazhong Guangzheng School — New school opened in September 2019	**488**	N/A	+488	N/A
Yunfu Guangming School — New school opened in September 2019	**445**	N/A	+445	N/A
Shunde Guangzheng School — New school opened in September 2019 (Note 2)	**45**	N/A	+45	N/A
Sub-total	**3,872**	2,900	+972	+33.5%
Total number of students	**60,116**	54,420	+5,696	+10.5%

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

For the school year 2018/2019, the student enrolment of Zhang Pu Longcheng Schools was consolidated to the Group's student enrolment with effect from November 2018. Accordingly, the normalised annual growth rate of the total student enrolment for the 2019/2020 school year would have been adjusted to approximately 11.5%.

Notes:

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

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

Student Enrolment by Section	School Year 2019/2020	% of Total	School Year 2018/2019	% of Total
High school	**13,534**	**22.5**	11,555	21.3
Middle school	**25,376**	**42.2**	23,680	43.5
Primary school	**20,875**	**34.7**	18,943	34.8
International programmes	**331**	**0.6**	242	0.4
Total number of students	**60,116**	**100**	54,420	100

Compared with that for the 2018/2019 school year, the percentages of student enrolment at high school section for the 2019/2020 school year increased, primarily due to the increase in new students from the high school section of each of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

Average Tuition and Boarding Fees Per Student

The average tuition and boarding fees per student is calculated by dividing the total tuition and boarding fees amount for the respective year end by the number of student enrolment for the respective school year. As the number of students withdrawn from our schools and the number of transferred students were insignificant during the relevant school year, 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		
Average Tuition and Boarding Fees per student by School	**2020 RMB**	2019 RMB	**Percentage Change**
Dongguan Guangming Secondary and Primary Schools	**25,868**	26,005	−0.5%
Dongguan Guangzheng Preparatory School	**26,202**	25,634	+2.2%
Huizhou Guangzheng Preparatory School	**19,976**	19,852	+0.6%
Panjin Guangzheng Preparatory School	**16,994**	17,161	−1.0%*
Weifang Guangzheng Preparatory School	**14,590**	15,244	−4.3%*
Jieyang Guangzheng School	**11,988**	10,972	+9.3%
Weifang Weizhou School	**11,501**	12,426	−7.4%*
Guang'an Guangzheng Preparatory School	**16,299**	16,473	−1.1%*
Before addition of schools	**21,953**	21,720	+1.1%
Addition of schools during the relevant school year			
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018 after acquisition	**11,013**	9,131#	+20.6%#
Bazhong Guangzheng School — New school opened in September 2019	**19,350**	N/A	N/A
Yunfu Guangming School — New school opened in September 2019	**32,516**	N/A	N/A
Shunde Guangzheng School — New school opened in September 2019	**42,093**	N/A	N/A
Overall	**21,499**	21,049	+2.1%

* The decreases in the average tuition and boarding fees per student of these schools for the year ended 31 August 2020 were primarily attributable to the increase in the proportion of their day school students whose average tuition and boarding fees are generally lower than those of boarding school students.

The financial statements of Zhang Pu Longcheng Schools have been consolidated in the Group's financial statements with effect from November 2018 after the completion of the acquisition. Accordingly, only tuition and boarding fees of Zhang Pu Longcheng Schools for the period from November 2018 to 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 for the year ended 31 August 2019 assuming that there was no material change in student enrolment during the same period, the normalised average tuition and boarding fees per student of Zhang Pu Longcheng Schools for the year ended 31 August 2019 would have been adjusted to approximately RMB10,957 and the increase in their average tuition and boarding fees per student for the year ended 31 August 2020 would have been adjusted to approximately 0.5%.

The Group's average tuition and boarding fees per student for the year ended 31 August 2020 was slightly affected due to the refund of boarding fees of approximately RMB30 million to the students as a result of temporary class suspension caused by the outbreak of COVID-19.

For the year ended 31 August 2020, the Group's average tuition and boarding fees per student before taking into the effect of addition of new schools increased by 1.1% to RMB21,953, primarily due to the increase in tuition and boarding fees for the new students from the high school section of Dongguan Guangzheng Preparatory School and the new students from Jieyang Guangzheng School.

The Group's overall average tuition and boarding fees per student for the year ended 31 August 2020 increased by 2.1% to RMB21,499. If we annualised the tuition and boarding fees of Zhang Pu Longcheng Schools for the year ended 31 August 2019 assuming that there was no material change in student enrolment during the same period, the normalized overall average tuition and boarding fees of the Group for the year ended 31 August 2019 would have been adjusted to approximately RMB21,146 and the increase in overall average tuition and boarding fees per student of the Group for the year ended 31 August 2020 would have been adjusted to approximately 1.7%.

School Capacity and Utilization

As all of our schools are boarding schools and the majority of our students live in our schools, the capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal statistical records. The utilization rate is calculated by dividing the number of students enrolled by the student capacity for the respective school year. The following tables set forth the capacity for students and utilization of our schools for the 2019/2020 school year and the 2018/2019 school year:

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

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

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

Total student capacity increased from 63,000 for the 2018/2019 school year to 70,000 for the 2019/2020 school year due to the expansion of capacity of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng School, and the opening of new schools, namely Bazhong Guangzheng School, Yunfu Guangming School and Shunde Guangzheng School, with effect from September 2019.

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

Teachers

For the year ended 31 August 2020, over 90% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from approximately 3,410 for the 2018/2019 school year to approximately 3,818 for the 2019/2020 school year primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory school, and for the new schools opened in September 2019, namely Bazhong Guangzheng schools, Yunfu Guangming School and Shunde Guangzheng School. The overall student-teacher ratio remained relatively stable.

Teacher turnover rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low-cost accommodation on campus or close to our schools. We also provide a good career development path for outstanding teachers. For the year ended 31 August 2020, the turnover rate of our teachers, including our termination, was approximately 10%.

FINANCIAL REVIEW

For the year ended 31 August 2020, total revenue increased by 6.6% to RMB1,792.7 million and core net profit increased by 30.5% to RMB559.3 million respectively, as compared with that for the year ended 31 August 2019.

Revenue

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

The Group's total revenue increased by RMB111.2 million, or 6.6%, from RMB1,681.5 million for the year ended 31 August 2019 to RMB1,792.7 million for the year ended 31 August 2020. The overall increase was due to the combination effect of the increase in revenue from tuition and boarding fees by RMB147.0 million and the decrease in revenue from ancillary services by RMB35.8 million.

Revenue from tuition and boarding fees increased by 12.8% from RMB1,145.5 million for the year ended 31 August 2019 to RMB1,292.4 million for the year ended 31 August 2020, largely due to the increase in total student enrolment. Total student enrolment increased by 10.5% from 54,420 for the 2018/2019 school year to 60,116 for the 2019/2020 school year, primarily due to the increase in student enrolment primarily in Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School. During the year ended 31 August 2020, the Group refunded boarding fees of approximately RMB30 million to the students for the period our schools suspended due to the outbreak of COVID-19.

Revenue from ancillary services decreased by 6.7% from RMB536.1 million for the year ended 31 August 2019 to RMB500.3 million for the year ended 31 August 2020, primarily due to the suspension of our schools and some ancillary services for a certain period during the year ended 31 August 2020 due to the outbreak of COVID-19.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of provision of ancillary services, (iii) amortisation of intangible assets of student rosters arising from the acquisition of schools, (iv) depreciation and amortisation on property, plant and equipment and right-of-use assets/prepaid lease payments 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			
	2020 RMB'000	**% of Revenue**	2019 RMB'000	% of Revenue
Staff costs	**472,403**	**26.4**	470,896	28.0
Cost of provision of ancillary services	**223,099**	**12.4**	266,867	15.9
Amortisation of intangible assets	**16,748**	**0.9**	25,590	1.5
Depreciation and amortisation	**132,512**	**7.4**	94,953	5.7
Utilities and maintenance	**40,512**	**2.3**	38,981	2.3
Education expenses	**39,518**	**2.2**	42,549	2.5
Total cost of revenue	**924,792**	**51.6**	939,836	55.9

Cost of revenue decreased by RMB15.0 million, or 1.6%, from RMB939.8 million for the year ended 31 August 2019 to RMB924.8 million for the year ended 31 August 2020. The decrease was largely due to the decrease in the cost of provision of ancillary services.

During the year ended 31 August 2020, the Group suspended some ancillary services for a certain period due to the outbreak of COVID-19 and accordingly the cost of provision of ancillary services decreased.

Staff costs increased mainly because the number of teachers increased from approximately 3,410 for the 2018/2019 school year to approximately 3,818 for the 2019/2020 school year, primarily due to the recruitment of additional teachers for the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory school, and for the new schools opened in September 2019, namely Bazhong Guangzheng schools, Yunfu Guangming School and Shunde Guangzheng School.

The increase in depreciation and amortisation was primarily to (i) the expansion of capacity of Huizhou Guangzheng Preparatory School, (ii) the commencement of the first phase development of Bazhong Guangzheng School and Yunfu Guangming School, and (iii) additional depreciation charged for right-of-use assets recognized for all leases as a result of the adoption of IFRS 16.

Gross Profit

As a result of the foregoing, gross profit increased by 17.0% from RMB741.7 million for the year ended 31 August 2019 to RMB867.9 million for the year ended 31 August 2020. Our gross profit margin increased from 44.1% for year ended 31 August 2019 to 48.4% for the year ended 31 August 2020, primarily due to a change in revenue mix where the average gross margin of tuition and boarding fees is generally higher than that of certain ancillary services, and our extra effort of cost control during the outbreak of COVID-19.

Other Income

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

Other income increased from RMB33.4 million for the year ended 31 August 2019 to RMB58.3 million for the year ended 31 August 2020, primarily due to the increase in government grants by RMB24.8 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, and (ii) exchange gains and losses resulting from the translation of bank deposits denominated in Hong Kong dollars (HK$).

Other gains and losses increased from a loss of RMB0.2 million for the year ended 31 August 2019 to a gain of RMB61.4 million for the year ended 31 August 2020, primarily due to (i) the decrease in exchange loss of approximately RMB13.6 million, (ii) the gain on change in fair value of convertible loan notes of approximately RMB11.0 million, and (iii) the increase in gain on change in fair value of financial assets at FVTPL of approximately RMB27.8 million.

Selling Expenses

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

Selling expenses decreased by 9.7% from RMB25.8 million for the year ended 31 August 2019 to RMB23.3 million for the year ended 31 August 2020, primarily due to the decrease in student recruitment costs and our extra effort of cost control during the outbreak of COVID-19. Selling expenses as a percentage of revenue decreased from 1.5% for the year ended 31 August 2019 to 1.3% for the year ended 31 August 2020.

Administrative Expenses

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

Administrative expenses increased slightly by 0.3% from RMB253.0 million for the year ended 31 August 2019 to RMB253.8 million for the year ended 31 August 2020, primarily due to our extra effort of cost control during the outbreak of COVID-19. Administrative expenses as a percentage of revenue decreased from 15.0% for the year ended 31 August 2019 to 14.2% for the year ended 31 August 2020.

Finance Income

Finance income primarily consists of interest income from bank deposits.

Finance income decreased from RMB20.3 million for the year ended 31 August 2019 to RMB9.9 million for the year ended 31 August 2020 primarily due to the decrease in average bank balances and pledged bank deposits during the year ended 31 August 2020.

Finance Costs

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

Finance costs decreased slightly from RMB107.1 million for the year ended 31 August 2019 to RMB107.0 million for the year ended 31 August 2020.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB409.3 million for the year ended 31 August 2019 to RMB613.4 million for the year ended 31 August 2020. Profit before taxation as a percentage of revenue of the Group was 34.2% for the year ended 31 August 2020 compared with 24.3% for the year ended 31 August 2019.

Taxation

Income tax expense of the Group increased by 100.5% from RMB55.7 million for the year ended 31 August 2019 to RMB111.7 million for the year ended 31 August 2020. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same PRC EIT exemption as public schools since 1 September 2017. We have decided not to classify our existing high school sections as for-profit schools. The effective tax rates of the Group for the years ended 31 August 2020 and 31 August 2019 were 18.2% and 13.6%, respectively. The increase in both income tax and effective tax rate of the Group was primarily due to the increase in taxable income of the Group's services companies which are generally subject to PRC EIT of 25%.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 41.9% from RMB353.6 million for the year ended 31 August 2019 to RMB501.7 million for the year ended 31 August 2020.

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 or 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	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**501,681**	353,578
Adjustments for:		
Exchange loss	**3,182**	16,748
(Gain)/loss on change in fair value of convertible loan notes	**(10,972)**	786
Share-based payments	**5,298**	8,708
Amortisation of intangible assets arising from the acquisition of schools	**16,748**	25,590
Additional interest expenses on convertible loan notes based on effective coupon rate (Note 1)	**22,579**	23,200
Additional expenses arising from the adoption of IFRS 16 (Note 2)	**20,801**	—
Core net profit	**559,317**	428,610

Notes:

1. The adjustment represented the difference of (a) the interest calculated based on the HK$500 million convertible loan notes and the coupon rate of 6.8% of approximately RMB27.3 million, and (b) the interest charged to "Finance costs" in profit or loss of approximately RMB49.9 million based on the effective interest rate of 12.2% upon full repayment of the convertible loan notes during the year ended 31 August 2020.

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

Core net profit for the year increased by RMB130.7 million, or 30.5%, from RMB428.6 million for the year ended 31 August 2019 to RMB559.3 million for the year ended 31 August 2020. Core net profit margin increased from 25.5% for the year ended 31 August 2019 to 31.2% for the year ended 31 August 2020.

Capital Expenditure

For the year ended 31 August 2020, the Group paid approximately RMB941.6 million for the acquisition of property, plant and equipment and paid approximately RMB86.5 million for the right-of-use assets for the Group's expansion.

Liquidity, Financial Resources and Capital Structure

The Group recorded an increase in net cash inflow from operating activities for the year ended 31 August 2020 as compared with that for the year ended 31 August 2019, primarily due to the increase in operating cash flows before movement in working capital.

During the year ended 31 August 2020, the capital expenditures for the acquisition of property, plant and equipment and right-of-use assets were financed partly by cash flow from operating activities and partly by new bank borrowings raised.

During the year ended 31 August 2020, the Company fully repaid convertible loan notes of RMB451.8 million and raised net proceeds of RMB487.7 million from the issue of news shares of the Company.

For the year ended 31 August 2020, the Group generated a net increase in cash and cash equivalents of RMB466.2 million (for the year ended 31 August 2019: a net decrease in cash and cash equivalents of RMB259.7 million).

As at 31 August 2020, the Group's total pledged bank deposits, bank balances and cash amounted to RMB1,126.1 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2019: RMB1,161.4 million).

As at 31 August 2020, the Group's total bank borrowings amounted to RMB2,785.5 million comprising RMB122.6 million repayable within one year and RMB2,662.9 million repayable more than one year. The Group's bank borrowings carried interest rates ranging from 4.7% to 6.0% per annum. All the bank borrowings were denominated in RMB. During year ended 31 August 2020, the Group raised certain borrowings from banks for the capital expenditures required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.

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

The Group recorded net current liabilities of RMB63.1 million as at 31 August 2020 (as at 31 August 2019: RMB884.5 million) primarily as a result of the recognition of tuition and boarding fees received in advance as contract liabilities which were included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year. The Group's net gearing ratio as at 31 August 2020 was 53.7% (as at 31 August 2019: 66.2%).

As explained in the sections headed "Liquidity, Financial Resources and Capital Structure" above, as at 31 August 2020, in order to have a better use of our utilized financial resources, the Group held certain investment products which were classified as financial assets at FVTPL. The Group is allowed to redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for short-term cash management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these investment products of RMB406.0 million as at 31 August 2020 for short-term cash management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 31 August 2020 would have been reduced to 40.6% (as at 31 August 2019: 51.0%).

The decrease in net gearing ratio was mainly due to the increase in the total of equity attributable to owners of the Company and non-controlling interests as at 31 August 2020.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK$. As at 31 August 2020, certain bank balances and cash of the Group were denominated in HK$. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

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

Pledge of Assets

As at 31 August 2020, the Group's bank borrowings were secured by the rights to receive the tuition and boarding fees of certain schools of the Group, the right of return on equity of certain consolidated affiliated entities and the revenue arising from the operation of Shunde Guangzheng School.

MARKET REVIEW

Favorable environment for private primary and secondary schools in the Greater Bay Area

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

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

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

Market potential for private higher education institutions offering advanced technology programs

In light of the strategic plan of "Made in China 2025" promoted by the Chinese government, it is expected that there will be a growing demand for high-end technicians in advanced technology and manufacturing in South China.

RECENT UPDATE ON STUDENT ENROLMENT AND TUITION AND BOARDING FEES

Student Enrolment for the 2020/2021 School Year

Student Enrolment by School	School Year 2020/2021	School Year 2019/2020	Change	Percentage Change
Dongguan Guangming Secondary and Primary Schools	**17,657**	17,623	+34	+0.2%
Dongguan Guangzheng Preparatory School	**14,821**	14,773	+48	+0.3%
Huizhou Guangzheng Preparatory School	**13,624**	9,694	+3,930	+40.5%
Panjin Guangzheng Preparatory School	**4,345**	4,070	+275	+6.8%
Weifang Guangzheng Preparatory School	**3,014**	2,522	+492	+19.5%
Jieyang Guangzheng School	**4,439**	4,769	−330	−6.9%
Weifang Weizhou School	**2,113**	2,195	−82	−3.7%
Guang'an Guangzheng Preparatory School	**1,142**	598	+544	+91.0%
Zhang Pu Longcheng Schools — Consolidated with effect from November 2018	**3,402**	2,894	+508	+17.6%
Bazhong Guangzheng School — New school opened in September 2019	**1,027**	488	+539	+110.5%
Yunfu Guangming School — New school opened in September 2019	**1,116**	445	+671	+150.8%
Shunde Guangzheng School — New school opened in September 2019	**426**	45	+381	+846.7%
Student enrolment of self-owned schools	**67,126**	60,116	+7,010	+11.7%
Students enrolment of other third party schools where the Group provides management services	**4,236**	—	+4,236	N/A
Total student enrolment	**71,362**	60,116	+11,246	+18.7%

The increase in total student enrolment was primarily due to the increase in student enrolment of Huizhou Guangzheng Preparatory School, Yunfu Guangming School, Guang'an Guangzheng Preparatory School and Bazhong Guangzheng School, the official opening of Shunde Guangzheng School and the inclusion of students enrolled in other third party schools to which the Group provides management services from the 2020/2021 school year.

Tuition and Boarding Fees for the 2020/2021 School Year

With effect from the 2020/2021 school year, the Group increased the tuition and boarding fees of certain new students enrolled in China curriculum of Dongguan Guangming Secondary and Primary Schools, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng School, Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Jieyang Guangzheng School, Weifang Weizhou School and Bazhong Guangzheng School, ranging from approximately 9% to approximately 38%.

Particularly, the above-mentioned increase in tuition and boarding fees for the new students of Dongguan Guangming School Secondary and Primary Schools and Dongguan Guangzheng Preparatory School ranged from approximately 16% to approximately 24%, whereas the increase in tuition and boarding fees for the new students of Huizhou Guangzheng School ranged from approximately 14% to approximately 38%.

OUTLOOK

To Become a Comprehensive Education Group in the Medium and Long Term

Apart from the expansion of our primary and secondary school business, the Group aims to become a comprehensive education group in the medium and long term by extending its business to online education and higher education.

The unexpected outbreak of COVID-19 in China has urged school operators to find their ways out during class suspension, bringing potential opportunities for the development of online education business. During the class suspension as required by the government authorities, our teachers made use of online platforms to provide live teaching and tutoring to our students, ensuring students' continuous studies during class suspension. These online platforms have recording and replay functions to facilitate our students' revision. Equipped with cloud computing technology and artificial intelligence, these online education platforms can help us track the attendance, learning progress and performance of our students. Our online teaching services provided during class suspension were well-received by many parents of our students. We believe that a combination of offline and online education platforms may enhance our competitiveness in the future.

In view of the potential demand for high-end technical staff from enterprises principally engaged in the development of advanced and emerging industries such as big data, robotics, smart manufacturing, artificial intelligence, life technology in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**"), the Group has planned to establish private higher education institutions which aim to provide junior college curricula for these fields.

I. Primary and Secondary School Education

Greater Bay Area Focus

Given the favorable environment of Guangdong in terms of GDP, population and the Outline Development Plan for the Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area. Apart from the existing schools in Dongguan, Huizhou and Foshan, we have entered into cooperation or framework agreements with the local governments of Zhongshan, 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 seven Guangdong cities in the Greater Bay Area in the future.

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

Large Organic Growth Potential

i. Expanding Capacity of Our Schools

The estimated total capacity of the Group's existing schools increased from approximately 70,000 students for the 2019/2020 school year to approximately 79,500 students for the 2020/2021 school year.

Based on the actual student recruitment, potential growth in student number and current utilization of each of the Group's schools, the Group will expand the capacity of the relevant schools, or adjust the pace of expansion, from time to time.

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 new schools through building more greenfield schools of relatively large scale on purchased lands use rights for educational purpose in stages and potential operating asset-light schools of relatively small scale in Guangdong.

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 and the requirements from local governments.

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

Pursuant to the cooperation agreements entered into between the Group and the local governments of Chaozhou, Jiangmen and Zhongshan in Guangdong respectively, each of the local governments has allocated or agreed to provide 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
Zhongshan	320 mu (畝) or 213,330 square metres	11,000

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

b) 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 subject to certain approvals from the local government authorities. The Group has identified certain properties in Guangdong where the Group is in the process of negotiating with the property owners/tenants and the relevant government authorities on the relevant arrangements and the necessary approvals, respectively. As at the date of this report, the Group has not signed any formal or legally-binding agreement in respect of any business of operating asset-light schools.

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.

The following table sets out the Group's estimated student capacity for the 2020/2021 school year by schools and the estimated maximum student capacity of the Group taking into account the estimated maximum capacity of new greenfield schools under development:

Existing Schools	2020/2021 school year estimated student capacity	Estimated maximum student capacity (Notes)
Dongguan Guangming Secondary and Primary Schools	18,300	18,300
Dongguan Guangzheng Preparatory School	17,000	20,000(1)
Huizhou Guangzheng Preparatory School	14,000	14,000
Panjin Guangzheng Preparatory School	4,000	6,200(2)
Weifang Guangzheng Preparatory School	4,000	8,000(2)
Jieyang Guangzheng School	7,000	18,000(3)
Weifang Weizhou School	2,200	2,200
Guang'an Guangzheng Preparatory School	2,000	9,280(2)
Zhang Pu Longcheng Schools	3,000	3,500
Bazhong Guangzheng School	2,500	10,000(2)
Yunfu Guangming School	2,500	10,680(2)
Shunde Guangzheng School	3,000	9,210(4)
Sub-total	79,500	129,370
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)
A boarding school in Zhongshan	—	11,000
Sub-total	—	26,500
Total	79,500	155,870

Subject to certain approvals from the local government authorities, the estimated maximum capacity of the Group may be expanded to more than 155,000 students assuming all available land use rights of the existing schools and those of the new greenfield schools under development are fully utilized.

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 from 18,000 to 20,000.

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

(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 Guangzheng School in the future with a view to accommodating the maximum student capacity of 18,000.

(4) The estimated maximum capacity of Shunde Guangzheng School 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, Kaiping, Jiangmen and Zhongshan is based on the target total capacity for, among others, primary, middle and high school sections as set forth in the relevant cooperation agreements.

Provision of Management Services to Other Schools

The Group has entered into management services agreements with certain private schools owned by independent third parties in respect of the provision of management services by the Group to the relevant schools in return for management fee income with effect from the 2020/2021 school year. The Group will explore more opportunities to provide management services to other third-party schools.

II. Online Education

We have set up a subsidiary which will focus on internet plus education and education information technology. We have developed certain online education courses which our students and teachers may attend voluntarily during weekends and holidays, such as tailor-made learning courses, parent-child exercises, extra-curricular activities and teacher training courses. These online education courses have already contributed extra revenue to the Group.

III. Higher Education

Bazhong Guangzheng Institute of Technology (tentatively)

The Group has entered into an agreement with the Economic Development Zone of Bazhong, Sichuan ("**Bazhong Economic Development Zone**") pursuant to which the management committee of Bazhong Economic Development Zone, among others, agreed to provide a parcel of land (the "**Land**") situated at the centre of Bazhong, Sichuan province (with a total site area of approximately 1,500 mu (畝) (equivalent to approximately 1,000,000 square metres)) to the Group for its proposed establishment of a private higher education institute (tentatively "**Bazhong Guangzheng Institute of Technology** (巴中光正科技學院)" ("**Bazhong Guangzheng Technology Institute**")).

Bazhong Guangzheng Technology Institute will be positioned to provide curricula for junior college students, equipping them with the necessary skills of senior technical staff required by the fields of emerging industrial, information technology, life technology, artificial intelligence, modern agriculture etc. in the Greater Bay Area. The Group will cooperate with certain well-known higher education institutions and some academicians of Chinese Academy of Sciences (中國科學院) in respect of teaching resources.

Bazhong Guangzheng Technology Institute will be developed by phases and the maximum capacity is expected to be approximately 18,000 students. Bazhong Economic Development Zone has completed the required procedures for the provision of the first phase of the Land (with a sit area of approximately 500 mu (畝) (equivalent to approximately 330,000 square metres)) to the Group with an expected capacity of approximately 6,000 students. Pending certain government approvals, the Group will develop the first phase of Bazhong Guangzheng Technology Institute in stages and the commencement of operation is expected to be around September 2022.

Dongguan Guangzheng Institute of Technology (tentatively)

The Group has planned to establish a private higher education institution (tentatively "**Dongguan Guangzheng Institute of Technology** (東莞市光正科技學院)" ("**Dongguan Guangzheng Technology Institute**")) in Dongguan, Guangdong province, mainly for training junior college students with the necessary skills required by these enterprises and related industries.

In order to support the establishment and development of Dongguan Guangzheng Technology Institute, the Group has entered into a cooperative agreement ("**Cooperative Agreement**") with each of Harbin Institute of Technology (哈爾濱工業大學) and HIT Big Data Group (哈工大大數據集團) respectively. Pursuant to the Cooperative Agreements, HIT Big Data Group (哈工大大數據集團) will be responsible for, among others, the design of the curriculum, syllabus and teaching plan, as well as the formation of professional teaching team, of Dongguan Guangzheng Technology Institute.

Pending certain approvals from the local government of Dongguan, the Group is in the process of obtaining a parcel of land situated at Dongguan (with a total site area of approximately 800 mu (畝) (equivalent to approximately 533,000 square metres)) for the proposed development of Dongguan Guangzheng Technology Institute with an expected maximum capacity of approximately 10,000 students.

Future Capital Expenditure and Financing

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

Teacher's Recruitment, Training and Retention

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

Conclusion

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

REGULATORY UPDATE

The Foreign Investment Law of the PRC and the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition)

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). According to the provisions in the Special Administrative Measures (Negative List) for Admission of Foreign Investment (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》), pre-school education, ordinary high school and higher education institutions are subject to Sino-foreign school cooperation, and must be led by the Chinese party (the principal or the chief executives shall have Chinese nationality, and the Chinese party shall comprise not less than half of the council, board or joint administrative committee). It also prohibits foreign investments in compulsory education institutions or religious education institutions. Accordingly it is necessary for us to retain the contractual arrangements ("**Contractual Arrangements**") adopted in our Group's variable interest entity ("**VIE**") structure, by conducting 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 came into force on 1 January 2020. It replaced 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 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. The Company will closely monitor the development of the Foreign Investment Law.

Mr. Liu Xuebin and Ms. Li Suwen, as our controlling shareholders, have each given an undertaking in favour of our Company that, among other things, they will continue to maintain their Chinese nationality and citizenship. We will also take reasonable measures in good faith with reference to the circumstances. As at 31 August 2020, 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.

Opinion on Further Strengthening and Regulating the Administration of Tuition and Related Fees

On 17 August 2020, the Ministry of Education, the National Development and Reform Commission, the Ministry of Finance, the State Administration for Market Regulation, and the National Press and Publication Administration issued the Opinion on Further Strengthening and Regulating the Administration of Tuition and Related Fees (《關於進一步加強和規範教育收費管理的意見》) (the "**Opinion**"). According to the Opinion, private schools established prior to 7 November 2016 shall adopt a tuition and fee policy according to the requirement applicable to non-profit private schools, until it completes the relevant classification registration procedure. All our K12 schools are non-profit schools, and have been complying with the regulations applicable to non-profit private schools. These schools determine their tuition and fee rates according to the requirements applicable to non-profit private schools, and publicly disclose the rates according to the laws. The schools have communicated with local regulatory authorities on the compliance matters in relation to tuition and fees; and have complied with the regulatory requirements in relation to tuition and fees, and not violated the Opinion.

The Opinion provides for "exploring the establishment of a special audit system on school tuition and fees, focusing on strengthening the audit on non-profit private schools, and prohibiting founders of non-profit private schools and operators of Sino-foreign cooperative non-profit school projects from profiting from the operational income of these schools such as tuition income, distributing the operational surplus (residual assets) of these schools, diverting the operational income of these schools through connected transactions or connected parties, or engaging in other similar acts". All of our schools are currently non-profit schools, and are therefore subject to the provisions above. We have engaged auditors to conduct audit and disclosed financial information as required by the laws for years, and have strictly complied with the applicable laws and regulations in all material aspects in operating these schools. We have not paid any operational income or distributed any operational surplus of these schools to any sponsor, nor diverted any operational income of these schools through illegal connected transactions. All fees are settled on the basis of the services that have been actually provided. We are of the view that the provisions of the Opinion will not have material adverse impact on the existing tuition and fee policy, Contractual Arrangement, existing operation or future distribution of dividends of our schools.

Reply Letter to No. 3379 Proposal (No. 343 Education Proposal) of the Third Session of the Thirteenth CPPCC National Committee

On 14 October 2020, the Ministry of Education issued the Reply Letter to No. 3379 Proposal (No. 343 Education Proposal) of the Third Session of the Thirteenth CPPCC National Committee (the "**Reply Letter**"). The Reply Letter expressly states that, to protect the rights and interests of the sponsors of non-profit private schools and in response to the petitions of such sponsors, the Ministry of Education is open to related party transactions that are in compliance with the applicable laws and regulations. As the Group has been in compliance with the applicable laws and regulations, the Reply Letter does not pose any material risks or incur any material impact on the Group's business and operation.

Opinions on Further Stimulating the Vitality of Primary and Middle Schools

On 15 September 2020, the Ministry of Education and seven other departments issued the Opinions on Further Stimulating the Vitality of Primary and Middle Schools (《關於進一步激發中小學辦學活力的若干意見》), which set out multiple opinions and requirements in five major aspects, namely ensuring operational autonomy for schools, enhancing inherent operational motivation of schools, promoting the support for school operation, improving school management mechanism and strengthening organization and implementation. They help stimulate the vitality and improve the education quality of primary and middle schools effectively.

Circular on Issuing the COVID-19 Prevention and Control Plan for Primary and Middle Schools, Kindergartens and Nursing Institutions

After the breakout of the COVID-19 in 2020, the General Office of the National Health Commission and the General Office of the Ministry of Education issued the Circular on Issuing the COVID-19 Prevention and Control Plan for Primary and Middle Schools, Kindergartens and Nursing Institutions (the "**Circular**"), together with the COVID-19 Prevention and Control Plan for Primary and Middle Schools as an attachment thereto. The Circular requires each school to establish a COVID-19 prevention and control leadership team, which bears the overall responsibility for preventing and controlling COVID-19 in the school, and contains specific provisions on the work in relation to the personnel control, teachers, prevention and control work in key areas such as canteens, environment sanitation and other aspects of the school. All our schools have attached great importance to the prevention and control of COVID-19. The Company will continue to evaluate and closely monitor the possible impact which may be caused by the risks and uncertainties in relation to COVID-19 on the business and financial performance of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the financial information, the Group had no material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2020.

INVESTMENTS HELD

As at 31 August 2020, the Group held certain investment products issued by financial institutions in China. These investment products were classified as financial assets at FVTPL of approximately RMB406.0 million in aggregate. For the reasons for holding these wealth management products, please refer to the sections headed "Future Capital Expenditure and Financing" and "Liquidity, Financial Resources and Capital Structure" above.

EMPLOYEE BENEFITS

As at 31 August 2020, the Group had approximately 6,600 employees (as at 31 August 2019: approximately 6,210). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme, a share option scheme and a share award scheme for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees.

Total employee remuneration (including directors' remuneration) for the year ended 31 August 2020 amounted to approximately RMB617.3 million (for the year ended 31 August 2019: RMB607.4 million).

USE OF PROCEEDS

Use of net proceeds from the Listing

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

As at 31 August 2020, the Company fully utilized the net proceeds from the Listing 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	14.6	—
— Working capital and general corporate purpose	5%	36.5	36.5	—
Total	100%	730.0	730.0	—

Use of net proceeds from the Placing

On 18 August 2020, the Company completed the placing of 130,000,000 new shares at HK$4.24 per new share (the "**Placing**") to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. The net Placing price per Placing share (after deducting the costs and expenses of the Placing) and the closing price of the shares of the Company as quoted on the Stock Exchange on the date of the placing agreement was HK$4.20. The net proceeds from the Placing were approximately HK$545.7 million (equivalent to approximately RMB487.7 million). The Company intended to use the net proceeds from the Placing for construction and development of the Group's schools in the PRC and general corporate purpose. Details of the Placing are set out in the Company's announcements dated 11 August 2020 and 18 August 2020 respectively. As at 31 August 2020, the Company did not utilize any amount of the net proceeds from the Placing. We anticipated to use up the unutilized net proceeds from the Placing within 2 years from the completion date of the Placing.

Investor Relations

Major Investor Relations' Activities

Since the outbreak of COVID-19 in early 2020, the Company has faced challenges in attending or organizing physical investor relations ("**IR**") activities. However, the Company's management attended various online meetings and conference call to communicate with investors and sell-side analysts. The Company also held results briefings and reverse roadshows where the Company's management meet investors and sell-side analysts to explain the Group's corporate strategy, operation and results performance, future plan and development, and regulatory update.

Awards

In September 2020, the Company received the award for the Best IR Company (Small Cap) issued by Hong Kong Investor Relations Association ("**HKIRA**") in the 6th IR Awards 2020 Conference, which is the third consecutive year that our company received this award. Mr. Derek Lau, our Vice President and Chief IR Officer, is also a winner of the Best IRO (Small Cap) in the HKIRA 6th IR Awards 2020. These awards reflect that the Company's commitment to maintaining high quality in investor relations, which is widely recognised by the investment community.

HKIRA Awards has been recognising and honouring IR excellence and best practices among Hong Kong-listed companies and investor relations professionals in the sixth consecutive year. The 6th Investor Relations Awards 2020 has gained strong support from listed companies and the investment sector. The number of participating companies increased to 168 compared to last year, reflecting higher market attention to investor relations. Just like previous years, the award winners were first nominated by the public and then selected by eligible voters from buy-side and sell-side investors via online polling. Over 670 investors took part in the voting for award winners this year. The active participation of the investment community also demonstrated the wide recognition that IR Awards enjoy in the industry.

Index Constituent

As at the date of this Report, the Company has been selected as a constituent of the following indexes:

i) Stock Connect Indexes:

Hang Seng Stock Connect	Hong Kong	Composite Index
Hang Seng Stock Connect	Hong Kong	MidCap & SmallCap Index
Hang Seng Stock Connect	Hong Kong	SmallCap Index
Hang Seng Stock Connect	Hong Kong	Mainland China Companies Index
Hang Seng Stock Connect	Hong Kong	ex-AH Companies Index

ii) Hang Seng Composite Index and its related Indexes:

Hang Seng Composite Industry Index — Consumer Discretionary
Hang Seng SmallCap Index
Hang Seng MidCap & SmallCap Index

iii) Sector Index

Hang Seng Consumer Goods and Services Index

iv) MSCI Index

MSCI China Small Cap Index

Directors and Senior Management

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

Executive Directors

Mr. LIU Xuebin (劉學斌), aged 48, is a founder of our Group. He was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. He is primarily responsible for the overall formulation, supervision and guidance of business strategies, planning and development of our Group. Out of his commitment in social responsibilities, Mr. Liu founded our Group by establishing 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) ("**Guangdong Guangzheng**") with Ms. Li in October 2002 and has acted as its director since then. Prior to joining our Group, since June 2002, Mr. Liu has acted as the chairman of 東莞市富盈房地產開發有限公司 (Dongguan Cinese Real Estate Development Co. Ltd.), a property developer in the People's Republic of China ("**PRC**"), in overseeing its business strategies, planning and development.

In addition to our Group, Mr. Liu also holds direct or indirect interests in other companies engaged in other 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.

Ms. LI Suwen (李素文), aged 47, 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 Guangdong Guangzheng with Mr. Liu in October 2002. Ms. Li has dedicated her career to the cause of education since the establishment in October 2002. She founded a number of educational institutions within our Group including Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

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

Mr. LI Jiuchang (李久常), aged 41, 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 15 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).

Mr. WANG Yongchun (王永春), aged 39, 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 67, 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 31 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.

Mr. TAM King Ching Kenny (譚競正), aged 71, 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 known as Van Shung Chong Holdings Limited), BeijingWest Industries International Limited, West China Cement Limited and GBA Holdings Limited (formerly known as Greater Bay Area Investments Group Holdings Limited).

Mr. HUANG Weiguo (黃維郭), aged 68, has over 41 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 50, 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 50, was appointed as vice president and chief investor relations officer of the Company on 7 March 2017.

Mr. Lau has accumulated over 21 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.

Mr. Lau is a winner of Best Investor Relations officer of the 5th and 6th Investor Relations Awards issued by Hong Kong Investor Relations Association.

Ms. CHEN Xi (陳曦), aged 54, is the principal of Jieyang Jiedong Guangzheng Preparatory School (formerly known as 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).

Mr. ZHANG Jingfeng (章競峰), aged 41, 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 41, 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 2020.

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 44 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;

(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 2020, 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 91 of this annual report.

Dividends

The Board has resolved to recommend the payment of a final dividend of RMB0.056 (equivalent to HK$0.066) per share for year ended 31 August 2020 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 25 January 2021 (Monday). Subject to the approval by Shareholders at the forthcoming annual general meeting ("**AGM**") to be held on 18 January 2021 (Monday), the proposed final dividend is expected to be paid on or about 3 February 2021 (Wednesday).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 18 January 2021 (Monday), the register of members of the Company will be closed from 14 January 2021 (Thursday) to 18 January 2021 (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 13 January 2021 (Wednesday).

For determining the entitlement to the proposed final dividend (subject to the approval by Shareholders at the AGM) for the year ended 31 August 2020, the register of members of the Company will be closed from 22 January 2021 (Friday) to 25 January 2021 (Monday), 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 21 January 2021 (Thursday).

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 2020 are set out in note 21 to the consolidated financial statements. The fair value of the investment properties at 31 August 2020 was RMB22 million.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 August 2020 are set out in note 30 to the consolidated financial statements.

Share Capital

On 18 August 2020, a total of 130,000,000 placing shares, representing approximately 6.0% of the total issued shares of the Company, as enlarged by the allotment and issue of the placing shares, have been placed at the placing price of HK$4.24 per placing share to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. As at 31 August 2020, the Company has 2,177,154,000 issued shares. Please refer to the Company's announcements dated 11 August 2020 and 18 August 2020 for further details of the placing.

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year ended 31 August 2020 are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 94 to 95. The distributable reserves of the Company as at 31 August 2020 were RMB457 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 2020 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

In accordance with Article 84(2) of the Articles of Association, Mr. Liu Xuebin, Mr. Wang Yongchun and Prof. Sun Kai Lit Cliff 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 2020 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 43 to the consolidated financial statements headed "Related Party Disclosure" 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 2020 or at any time during the year ended 31 August 2020.

During the year ended 31 August 2020, 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**").

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 2020 (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 2020.

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.

Tibet Keteng Business Service Company Limited (西藏科騰商務服務有限公司) (the "**Tibet WFOE**") and Ganzhou Guangdao Corporate Service Company Limited (贛州廣道企業管理有限公司) (the "**Ganzhou WFOE**") were established as a wholly-owned subsidiary of the Company on 11 May 2017 and 19 May 2020 respectively. The Tibet WFOE and the Ganzhou WFOE, including its subsidiaries, have 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.

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.

(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 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company have confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended 31 August 2020:

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 43 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 interest expenses in relation to the lease liabilities for a property leased from Ms. Li 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 2020.

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 2020.

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 2020 and 2019.

Our suppliers primarily comprise food, educational services and educational material suppliers. For the year ended 31 August 2020, our five largest suppliers in aggregate accounted for approximately 4.8% (2019: 7.2%) of our cost of revenue and our largest supplier accounted for approximately 1.6% (2019: 5.0%) 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 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code 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	42.72%
Ms. Li (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	26.18%
	Beneficial interest	2,128,000	—	2,128,000	0.10%

Notes:

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

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

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

(4) Mr. Liu is director of Bright Education Holdings and Ms. Li is director of Bright Education Investment.

(5) Mr. Li Jiuchang and Mr. Wang Yongchun, executive directors of the Company, were granted not more than 1,500,000 Shares and not more than 1,200,000 Shares respectively under the share award scheme of the Company as adopted on 7 June 2017 subject to vesting conditions.

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

As at 31 August 2020, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Bright Education Holdings (Note 1)	Beneficial interest	930,000,000	42.72%
Bright Education Investment (Note 2)	Beneficial interest	570,000,000	26.18%

Notes:

(1) Bright Education Holdings is wholly-owned by Mr. Liu, and has a direct beneficial interest of 42.72% in the Company.

(2) Bright Education Investment is wholly-owned by Ms. Li and has a direct beneficial interest of 26.18% in the Company.

Save as disclosed above, as at 31 August 2020, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Remuneration Policy

As at 31 August 2020, the Group had approximately 6,600 employees (as at 31 August 2019: approximately 6,210). 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 2020 amounted to approximately RMB617.3 million (2019: RMB607.4 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.

(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.

No outstanding options granted under the Pre-IPO Share Option Scheme as at 31 August 2019 and 31 August 2020. No share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme for the year ended 31 August 2020.

Share Option Scheme

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

(a) Purposes of the scheme

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

(b) Who may participate

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

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

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

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

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

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

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

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

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

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

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

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

(d) Maximum entitlement of each individual

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

(e) Time of vesting and exercise of options

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

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

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

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

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

(i) relevant option certificate; and

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

(f) Acceptance of an offer of options

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

(g) Exercise price

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

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

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

Grantee	Date of Grant	Outstanding Share Options as at 31 August 2019	Number of options exercised during the year	Outstanding Share Options as at 31 August 2020	Vesting Date(s) and Exercisable Period	Exercise Price
Employee	14 March 2017	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		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 2020, 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 9.05% 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 2020, the Trustee has purchased a total of 11,704,000 Shares (31 August 2019: 11,704,000 Shares) on the Stock Exchange. On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 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

During the year ended 31 August 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the year ended 31 August 2020.

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 2020.

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 RMB9.7 million during the year ended 31 August 2020 (year ended 31 August 2019: RMB5.7 million).

Litigation

Save as disclosed in note 42 to the consolidated financial statements, the Group did not have any material litigation outstanding as at 31 August 2020.

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 2020.

Changes in Information of Directors

During the year ended 31 August 2020, 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 2020 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 2020 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, 23 November 2020

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 2020.

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 2020, 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 2020, 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 2020, 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 2020 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

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 and General Meetings

For the year ended 31 August 2020, the Board convened four Board meeting, one annual general meeting and one extraordinary general meeting. 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	Attendance/ Number of General Meetings
Executive Directors		
Ms. Li Suwen	4/4	2/2
Mr. Liu Xuebin	4/4	2/2
Mr. Li Jiuchang	4/4	2/2
Mr. Wang Yongchun	4/4	2/2
Independent Non-executive Directors		
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	4/4	2/2
Mr. Tam King Ching Kenny	4/4	2/2
Mr. Huang Weiguo	4/4	2/2

For the year ended 31 August 2020, 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.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors for the year ended 31 August 2020.

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 2020, 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
Ms. Li Suwen	✓	✓
Mr. Liu Xuebin	✓	✓
Mr. Li Jiuchang	✓	✓
Mr. Wang Yongchun	✓	✓
Prof. Sun Kai Lit Cliff, *BBS, J.P.*	✓	✓
Mr. Tam King Ching Kenny	✓	✓
Mr. Huang Weiguo	✓	✓

Corporate Governance

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

Board Committees

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

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

Audit Committee

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Tam King Ching Kenny, 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 2020, 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	2/2

During the meetings, the Audit Committee reviewed the interim results and report for six months ended 29 February 2020 and the annual results and report for the year ended 31 August 2020, 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 2020, 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 Chairperson'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 Xuebin (an executive Director). Prof. Sun Kai Lit Cliff, *BBS, J.P.* is the chairman of Remuneration Committee.

For the year ended 31 August 2020, the Remuneration Committee held three 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.*	3/3
Mr. Huang Weiguo	2/3
Mr. Liu Xuebin	3/3

During the meetings, 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 2020 (Note)**	For the year ended 31 August 2019
Nil to HK$1,000,000	**4**	2
HK$1,000,001 to HK$2,000,000	**2**	3
HK$2,000,001 to HK$3,000,000	**3**	6
Over HK$3,000,000	**1**	—

Note: One of the senior management resigned during the year ended 31 August 2020.

Nomination Committee

The Company has established a nomination committee ("**Nomination Committee**") with written terms of reference in compliance with paragraph A.5 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 2020, the Nomination Committee held two meetings. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Huang Weiguo	2/2
Mr. Tam King Ching Kenny	2/2
Ms. Li Suwen	2/2

During the meetings, 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 2020.

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 85 to 90 in this annual report.

Auditors' Remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor for the year ended 31 August 2020. For the year ended 31 August 2020, 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	2,250
Non-audit services:	
Tax advisory services	337
Interim review	925
Other services	810
Total	4,322

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 2020, 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 2020 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 2020, 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.

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 2020. 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 91 to 204, which comprise the consolidated statement of financial position as at 31 August 2020, 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 2020, 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.

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 goodwill attributable to Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校), 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 these CGUs. The recoverable amount of each CGU 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 2020 as set out in note 20 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 2020. Details of the key estimation uncertainties and the impairment assessment on goodwill are disclosed in notes 5 and 20, 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 volume of transactions 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 2020, revenue amounted to RMB1,792,728,000 (2019: RMB1,681,530,000) 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 from 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 been 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.

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, actions taken to eliminate threats or safeguards applied.

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

23 November 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**1,792,728**	1,681,530
Cost of revenue		**(924,792)**	(939,836)
Gross profit		**867,936**	741,694
Other income	7	**58,277**	33,390
Other gains and losses	8	**61,375**	(176)
Selling expenses		**(23,282)**	(25,783)
Administrative expenses		**(253,793)**	(252,987)
Finance income	9	**9,869**	20,254
Finance costs	10	**(107,018)**	(107,117)
Profit before taxation		**613,364**	409,275
Taxation	11	**(111,683)**	(55,697)
Profit and total comprehensive income for the year	12	**501,681**	353,578
Attributable to:			
Owners of the Company		**511,871**	359,462
Non-controlling interests		**(10,190)**	(5,884)
		501,681	353,578
Earnings per share			
Basic (RMB)	15	**0.25**	0.17
Diluted (RMB)	15	**0.25**	0.17

Consolidated Statement of Financial Position

As at 31 August 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**4,005,450**	3,035,707
Right-of-use assets	17	**1,569,322**	—
Prepaid lease payments	18	**—**	781,494
Intangible assets	19	**9,723**	26,471
Goodwill	20	**149,592**	149,592
Investment properties	21	**22,000**	22,000
Trade receivables, deposits, prepayments and other receivables	22	**522,549**	630,826
Financial assets at fair value through profit or loss	23	**30,000**	30,000
		6,308,636	4,676,090
CURRENT ASSETS			
Inventories — goods for sale		**7,697**	6,182
Trade receivables, deposits, prepayments and other receivables	22	**99,637**	97,056
Prepaid lease payments	18	**—**	18,555
Financial assets at fair value through profit or loss	23	**376,000**	312,000
Pledged bank deposits	24	**3,317**	498,958
Bank balances and cash	25	**1,122,778**	662,454
		1,609,429	1,595,205
CURRENT LIABILITIES			
Contract liabilities	26	**858,305**	750,820
Refund liabilities	27	**11,091**	—
Trade and other payables and accrued expenses	28	**505,264**	502,974
Income tax payable		**134,432**	117,844
Lease liabilities	29	**40,801**	—
Borrowings	30	**122,600**	628,960
Convertible loan notes	31	**—**	479,134
		1,672,493	2,479,732
NET CURRENT LIABILITIES		**(63,064)**	(884,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,245,572**	3,791,563

As at 31 August 2020

	Notes	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**19,255**	18,093
Reserves		**2,941,271**	2,143,205
Equity attributable to owners of the Company		**2,960,526**	2,161,298
Non-controlling interests		**128,727**	85,517
		3,089,253	2,246,815
NON-CURRENT LIABILITIES			
Lease liabilities	29	**489,121**	—
Borrowings	30	**2,662,920**	1,540,470
Deferred tax liabilities	32	**4,278**	4,278
		3,156,319	1,544,748
		6,245,572	3,791,563

The consolidated financial statements on pages 91 to 204 were approved and authorised for issue by the Board of Directors on 23 November 2020 and are signed on its behalf by:

Liu Xuebin	**Li Suwen**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 August 2020

	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 2018	18,057	589,701	85,000	83,400	3,265	373,118	294,432	(41,356)	505,448	1,911,065	66,276	1,977,341
Profit (loss) and total comprehensive income for the year	—	—	—	—	—	—	—	—	359,462	359,462	(5,884)	353,578
Transfer	—	—	—	—	—	167,665	21,618	—	(189,283)	—	—	—
Recognition of share-based payment expenses (note 34)	—	—	—	—	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
Profit (loss) and total comprehensive income for the year	—	—	—	—	—	—	—	—	511,871	511,871	(10,190)	501,681
Transfer	—	—	—	—	—	118,417	3,312	—	(121,729)	—	—	—
Issuance of ordinary shares (note 33)	1,162	491,201	—	—	—	—	—	—	—	492,363	—	492,363
Costs incurred in connection with the issuance of ordinary shares	—	(4,910)	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Recognition of share-based payment expenses (note 34)	—	—	—	—	514	—	—	4,784	—	5,298	—	5,298
Share vested under share award scheme	—	—	—	—	—	—	—	(312)	312	—	—	—
Dividend recognised as distribution (note 14)	—	(205,394)	—	—	—	—	—	—	—	(205,394)	—	(205,394)
Non-controlling interests arising from acquisitions (note 38)	—	—	—	—	—	—	—	—	—	—	53,400	53,400
At 31 August 2020	19,255	722,497	119,875	83,400	811	659,200	319,362	(29,955)	1,066,081	2,960,526	128,727	3,089,253

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.

In August 2016, Guangdong Guangzheng Educational 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 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 RMB12,500,000 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 is engaged in the provision of middle school and primary school full time education in Yunfu, the People's Republic of China (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 during the year ended 31 August 2019, an amount representing the proportionate share of the carrying amount of the net assets of Yunfu Guangzheng was 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 was 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. During the year ended 31 August 2020, surplus in the school campus canteen operations and education operation of not-for-profit schools amounted to RMB108,481,000 (2019: RMB117,651,000) and RMB9,936,000 (2019: RMB50,014,000) respectively, had been transferred to the discretionary special reserve.

iii. Pursuant to the relevant laws in 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 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.

Consolidated Statement of Cash Flows

For the year ended 31 August 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**613,364**	409,275
Adjustments for:		
Finance costs	**107,018**	107,117
Finance income	**(9,869)**	(20,254)
Depreciation of property, plant and equipment	**128,279**	113,689
Depreciation of right-of-use assets	**30,890**	—
Amortisation of intangible assets	**16,748**	25,590
Impairment loss under expected credit loss model, net	**7,211**	5,447
Increase in fair value of investment properties	**—**	(1,400)
Release of prepaid lease payments	**—**	9,757
Loss on disposal of property, plant and equipment	**19**	602
Gain on fair value changes of financial assets at fair value through profit or loss	**(46,196)**	(18,370)
(Gain) loss on fair value changes of convertible loan notes — embedded derivatives component	**(10,972)**	786
Unrealised exchange loss	**5,262**	1,642
Share-based payment expenses	**5,298**	8,708
Gain on adjustment to consideration payable for acquisitions of subsidiaries	**(7,720)**	—
Operating cash flows before movements in working capital	**839,332**	642,589
Increase in inventories	**(1,515)**	(680)
Increase in trade receivables, deposits, prepayments and other receivables	**(4,014)**	(43,103)
Increase in contract liabilities	**107,485**	123,559
Increase in refund liabilities	**11,091**	—
Increase (decrease) in trade and other payables and accrued expenses	**26,097**	(80,378)
Cash generated from operations	**978,476**	641,987
Income tax paid	**(95,095)**	(65,285)
NET CASH FROM OPERATING ACTIVITIES	**883,381**	576,702

For the year ended 31 August 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Interest received	**19,858**	20,676
Withdrawal of pledged bank deposits	**486,189**	271,000
Placement of pledged bank deposits	**—**	(483,289)
Payments for acquisition of property, plant and equipment	**(941,593)**	(618,667)
Payments for right-of-use assets	**(86,484)**	—
Payment for rental deposits	**(6,593)**	—
Deposits paid for acquisition of leasehold lands	**(55,860)**	—
Payments for acquisition of prepaid lease payments	**—**	(285,104)
Payment for purchase of financial assets at fair value through profit or loss	**(69,000)**	(467,000)
Proceeds from disposal of property, plant and equipment	**246**	2,070
Proceeds from disposal of financial assets at fair value through profit or loss	**51,196**	604,370
Repayment of temporary payment to government	**—**	20,000
Net cash outflows for acquisitions of subsidiaries	**(42,377)**	(69,654)
NET CASH USED IN INVESTING ACTIVITIES	**(644,418)**	(1,005,598)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**1,999,800**	869,770
Repayment of bank borrowings	**(1,383,710)**	(407,560)
Repayments of lease liabilities	**(11,595)**	—
Repayment of convertible loan notes	**(451,750)**	—
Interest paid	**(207,874)**	(140,192)
Proceeds from issue of ordinary shares	**492,363**	—
Issued costs paid	**(4,627)**	—
Payments for repurchase of ordinary shares under the share award scheme	**—**	(587)
Dividend paid	**(205,394)**	(155,321)
Proceeds from exercise of share options	**—**	3,096
NET CASH FROM FINANCING ACTIVITIES	**227,213**	169,206
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**466,176**	(259,690)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**662,454**	911,410
Effect of foreign exchange rate changes	**(5,852)**	10,734
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	**1,122,778**	662,454

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. 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 44 (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 (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:

	2020 RMB'000	2019 RMB'000
Revenue	**1,450,839**	1,275,127
Profit before taxation	**380,843**	310,105

	2020 RMB'000	2019 RMB'000
Non-current assets	**6,264,275**	4,637,104
Current assets	**375,079**	460,278
Current liabilities	**(1,492,835)**	(2,349,894)
Non-current liabilities	**(3,156,319)**	(1,065,612)

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 2020, the Group recorded net current liabilities of RMB63,064,000 (2019: RMB884,527,000). 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 RMB929,230,000 available as at 31 August 2020 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 International Accounting Standard Board ("IASB") for the first time in the current year:

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

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 September 2019.

As at 1 September 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

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 16 Leases (continued)

As a lessee (continued)

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

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

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

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

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

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

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 16 Leases (continued)

As a lessee (continued)

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

	Notes	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		58,593
Adjustments by prepayments for rental	(b)	540
Adjustments on rental deposits at 1 September 2019	(c)	337
Reclassified from prepaid lease payments	(d)	800,049
		859,519
By class:		
Leasehold lands		809,749
Leased properties		49,770
		859,519

Notes:

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

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

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

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

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 16 Leases (continued)

As a lessor

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

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

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

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 16 Leases (continued)

As a lessor (continued)

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

	Carrying amounts previously recorded at 31 August 2019	Adjustments	Carrying amounts under IFRS 16 at 1 September 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Prepaid lease payments	781,494	(781,494)	—
Right-of-use assets	—	859,519	859,519
Current assets			
Prepaid lease payments	18,555	(18,555)	—
Trade receivables, deposits, prepayments and other receivables	97,056	(877)	96,179
Current liabilities			
Lease liabilities	—	14,899	14,899
Trade and other payables and accrued expenses	502,974	(7,948)	495,026
Non-current liabilities			
Lease liabilities	—	51,642	51,642

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 August 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 September 2019 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 affective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[7]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[5]

1 Effective for annual periods beginning on or after 1 January 2023

2 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

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

6 Effective for annual periods beginning on or after 1 June 2020

7 Effective for annual periods beginning on or after 1 January 2021

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to IFRSs and the revised conceptual framework mentioned below, the directors of the Company anticipate that the application of all above 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)

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 Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the annual reporting period beginning on or after 1 September 2020.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

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)

***Amendments to IAS 1 Classification of Liabilities as Current or Non-current** (continued)*

As at 31 August 2020, the Group's right to defer settlement for borrowings of RMB191,770,000 are subject to compliance with covenants within 12 months from the reporting date. Such borrowings were classified as non-current as the lender has agreed to waive right to demand immediate payment at the end of the reporting period. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 August 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 September 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 September 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the 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.

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 accounted for in accordance with IFRS 16 (since 1 September 2019) or IAS 17 (before application of IFRS 16), 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.

The principal accounting policies are set out below.

4. Significant Accounting Policies (continued)

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.

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

4. **Significant Accounting Policies** (continued)

Basis of consolidation (continued)

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);

- 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; and

4. Significant Accounting Policies (continued)

Business combinations (continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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, 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.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. Significant Accounting Policies (continued)

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.

Revenue from contracts with customers

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

4. **Significant Accounting Policies** (continued)

Revenue from contracts with customers (continued)

- 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 asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments ("IFRS 9")*. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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.

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, school bus service and after-school care in cooperation with third parties 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.

4. **Significant Accounting Policies** (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation *(continued)*

Refund liabilities

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

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 3)

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

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

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

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

4. **Significant Accounting Policies** (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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

4. **Significant Accounting Policies** (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 3) (continued)

Lease liabilities (continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (prior to 1 September 2019)

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.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 3) (continued)

Lease modification

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

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.

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.

Effective 1 September 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

4. Significant Accounting Policies (continued)

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 related to income 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. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

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.

4. Significant Accounting Policies (continued)

Share-based payment

Equity-settled share-based payment transactions

Shares/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 (shares held for share award scheme reserve/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 shares held for share award scheme reserve/share options reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/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.

When the trustee transfers the Company's shares to grantees upon vesting, both the purchase costs and the related share-based payment expenses charged of the granted shares vested are reversed from the shares held for share award scheme reserve. The difference arising from this transfer is debited/credited to accumulated profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the shares held for share award scheme reserve.

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 taxation 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.

4. Significant Accounting Policies (continued)

Taxation (continued)

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 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.

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.

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

4. Significant Accounting Policies (continued)

Taxation (continued)

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

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 to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

4. Significant Accounting Policies (continued)

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.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

Impairment on property, plant and equipment, right-of-use assets 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 property, plant and equipment, right-of-use assets 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 property, plant and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

4. Significant Accounting Policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units) 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 or the group of cash-generating units) 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 FVTPL 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

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Classification and subsequent measurement of financial assets (continued)

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 selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/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 (see below). 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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 includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. 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, 12-month ECL ("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.

The Group recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(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.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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.

(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;

4. Significant Accounting Policies (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

(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. 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.

(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 and 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables, and deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

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.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

***Financial liabilities and equity** (continued)*

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 31) are subsequently measured at amortised cost, using the effective interest method.

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 that does not meet the definition of equity.

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.

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.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives

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.

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.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

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's not-for-profit schools are 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 as set out in note 1.

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) ("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 2020. As at 31 August 2020, the carrying amounts of goodwill is RMB149,592,000 (2019: RMB149,592,000). Details of the goodwill impairment assessment are disclosed in note 20.

Useful life and impairment of property, plant and equipment and right-of-use assets

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 and right-of-use assets. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment and right-of-use assets 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 and right-of-use assets 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 and right-of-use assets at the end of the reporting period. As at 31 August 2020, the carrying amount of property, plant and equipment and right-of-use assets are RMB4,005,450,000 and RMB1,569,322,000, respectively, (2019: RMB3,035,707,000 and nil, respectively). Any change in these estimates may have a material impact on the results of the Group.

6. Revenue and Segment Information

The Group is mainly engaged in the provision of 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:

	2020 **RMB'000**	2019 RMB'000
Tuition and boarding fees	**1,292,413**	1,145,461
Ancillary services (Note)	**500,315**	536,069
	1,792,728	1,681,530

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)

(i) Disaggregation of revenue from contracts with customers

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

	2020 RMB'000	2019 RMB'000
Recognised at a point of time		
— Ancillary services	341,582	374,749
Recognised over time		
— Tuition and boarding fees	1,292,413	1,145,461
— Ancillary services	158,733	161,320
Total	1,792,728	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 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 for which revenue has not yet been recognised.

6. Revenue and Segment Information (continued)

(ii) Performance obligation for contracts with customers (continued)

Revenue from ancillary services (revenue recognised over time)

Ancillary services revenue includes extracurricular activities program, campus canteens from primary students, school buses service and after-school care in cooperation with third parties 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 for which revenue has not yet been recognised.

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 being provided to students. Payment for the sales of daily necessities and other educational materials and campus canteens service are made upon the transaction occurring.

(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

	2020 RMB'000	2019 RMB'000
Rental income from investment properties	**1,023**	1,169
Government grants (Note)	**50,312**	25,507
Income from donations	**5**	14
Staff quarter income	**3,771**	3,710
Others	**3,166**	2,990
	58,277	33,390

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

8. Other Gains and Losses

	2020 RMB'000	2019 RMB'000
Exchange loss	**(3,182)**	(16,748)
Loss on disposal of property, plant and equipment, net	**(19)**	(602)
Gain on change in fair value of investment properties (note 21)	**—**	1,400
Gain (loss) on change in fair value of convertible loan notes — embedded derivatives component (note 31)	**10,972**	(786)
Gain on change in fair value of financial assets at FVTPL (Note)	**46,196**	18,370
Gain on adjustment to consideration payable for acquisitions of subsidiaries	**7,720**	—
Others, net	**(312)**	(1,810)
	61,375	(176)

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.

9. Finance Income

	2020	2019
	RMB'000	RMB'000
Bank interest income	**9,712**	20,254
Interest income on refundable rental deposit	**157**	—
	9,869	20,254

10. Finance Costs

	2020	2019
	RMB'000	RMB'000
Effective interest expense on convertible loan notes	**49,885**	53,391
Interest expense on bank borrowings	**143,277**	121,774
Interest on lease liabilities	**12,527**	—
	205,689	175,165
Less: amounts capitalised in the cost of qualifying assets	**(98,671)**	(68,048)
	107,018	107,117

Borrowing costs capitalised during the year ended 31 August 2020 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.6% (2019: 7.5%) per annum to expenditure on property, plant and equipment (construction in progress).

11. Taxation

	2020 RMB'000	2019 RMB'000
Taxation comprises:		
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	135,012	46,778
PRC withholding income tax on royalty income	—	8,269
Overprovision in prior years — PRC EIT	(2,275)	—
Overprovision in prior years — PRC withholding income tax on royalty income	(21,054)	—
Deferred tax charge (note 32)	—	650
	111,683	55,697

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	613,364	409,275
Tax at PRC EIT rate of 25%	153,341	102,319
Tax effect of expenses not deductible for tax purposes	37,390	49,328
Tax effect of tax loss not recognised	89,370	39,942
Utilisation of tax loss previously not recognised	(598)	(2,568)
Effect of tax concessions and partial tax exemption	(141,738)	(120,640)
Effect of preferential tax rate	(2,332)	—
Effect of different tax rates on inter-company offshore royalty income	—	(12,386)
Overprovision in prior years — PRC EIT	(2,275)	—
Overprovision in prior years — PRC withholding income tax on royalty income	(21,054)	—
Others	(421)	(298)
Taxation for the year	111,683	55,697

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

No provision for Hong Kong Profits Tax has been made as the Group derived no assessable profits in Hong Kong in both years.

11. Taxation (continued)

Withholding income tax has been provided at 10% of the royalty income payables from PRC subsidiaries of the Group to a subsidiary incorporated in Hong Kong. During the year ended 31 August 2020, no withholding income tax was provided due to the subsidiary incorporated in Hong Kong licensing the trademark to PRC subsidiaries of the Group at no charge (2019: RMB8,269,000). During the year ended 31 August 2020, the Group has reversed its PRC withholding income tax payable of RMB21,054,000 and related value added tax of RMB8,907,000 based on current facts and circumstances.

Pursuant to the Caishui (2013) No.4 issued by the Ministry of Finance, the General Administration of Customs of China and the State Administration of Taxation effective from 1 January 2012 and the relevant policies promulgated by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission in April 2020, an wholly-foreign owned enterprise in Ganzhou, Jiangxi province, the PRC, is eligible to enjoy a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2030.

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, Yunfu School, Bazhong Guangzheng Preparatory School (巴中光正實驗學校) and Foshan Shunde Guangzheng Preparatory School (佛山市順德區光正實驗學校), which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition and boarding fees. For the year ended 31 August 2020, the non-taxable income amounted to RMB1,283,437,000 (2019: RMB1,145,461,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% for the years ended 31 August 2020 and 2019.

As at 31 August 2020, the Group had estimated unused tax losses of approximately RMB696,680,000 (2019: RMB341,592,000) 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 RMB467,682,000 at 31 August 2020 (2019: RMB213,498,000) 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

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances (Note)	**557,919**	538,546
— retirement benefits scheme contributions	**54,089**	60,170
— share-based payment expenses	**5,298**	8,708
Total staff costs	**617,306**	607,424
Depreciation of property, plant and equipment	**128,279**	113,689
Depreciation of right-of-use assets	**40,543**	—
Amortisation of intangible assets arising from the acquisition of schools (included on cost of revenue)	**16,748**	25,590
Release of prepaid lease payments	**—**	18,010
Total depreciation and amortisation	**185,570**	157,289
Capitalised in construction-in-progress	**(9,653)**	(8,253)
	175,917	149,036
Cost of inventories recognised as an expense	**206,220**	224,060
Donations	**9,686**	5,733
Auditors' remuneration	**3,935**	3,200
Impairment on expected credit losses for deposits and other receivables	**7,211**	5,447

Note: For the year ended 31 August 2020, the novel coronavirus ("COVID-19") related government assistance amounted to RMB8,509,000 have been offset against salaries and other allowances.

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 2020

	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	2,969	—	—	—	—	2,969
Ms. Li (Note iv)	2,140	53	—	—	13	2,206
Mr. Li Jiuchang	223	599	—	999	13	1,834
Mr. Wang Yongchun	223	449	—	803	13	1,488
Independent non-executive directors (Note ii)						
Prof. Sun Kai Lit, Cliff, *BBS, J.P.*	223	—	—	—	—	223
Mr. Tam King Ching, Kenny	223	—	—	—	—	223
Mr. Huang Weiguo	223	—	—	—	—	223
	6,224	1,101	—	1,802	39	9,166

13. Directors' and Employees' Emoluments (continued)

Directors' emoluments (continued)

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

Notes:

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

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

iii. The 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.

13. Directors' and Employees' Emoluments (continued)

Employees' emoluments

The five highest paid individuals of the Group included four directors (2019: three), whose emoluments are included in the disclosures above. The emoluments of the remaining one individual (2019: two) are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other allowances	1,557	3,038
Retirement benefits scheme contributions	16	32
Shared-based payment expenses	514	1,192
	2,087	4,262

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

	2020	2019
HK$2,000,001 to HK$2,500,000	1	2

During the years ended 31 August 2020 and 2019, 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.

14. Dividends

During the year ended 31 August 2020, an interim dividend of RMB0.057 (equivalent to HK$0.062 per share) (2019: RMB0.042 (equivalent to HK$0.049 per share)) amounting to RMB116,039,000 (equivalent to HK$126,198,000) (2019: RMB85,407,000 (equivalent to HK$99,737,000)) 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 2020 of RMB0.056 per share (equivalent to HK$0.066 per share) (2019: RMB0.042 per share (equivalent to HK$0.049 per share)) amounting to RMB121,921,000 (equivalent to HK$143,692,000) (2019: RMB89,355,000 (equivalent to HK$99,737,000)), 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**511,871**	359,462

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,040,436**	2,093,989
Effect of dilutive potential ordinary shares:		
Share options	**402**	1,845
Share award scheme	**1,293**	1,054
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,042,131**	2,096,888

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 RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 September 2018	1,837,111	171,887	11,627	156,651	628,732	2,806,008
Additions	1,417	61,264	1,279	33,976	497,410	595,346
Additions from acquisitions (note 38)	60,283	1,317	10	2,665	—	64,275
Transfer	437,739	2,602	—	5,045	(445,386)	—
Disposals	—	(2,075)	(379)	(3,752)	—	(6,206)
At 31 August 2019 and 1 September 2019	**2,336,550**	**234,995**	**12,537**	**194,585**	**680,756**	**3,459,423**
Additions	**13,903**	**88,493**	**292**	**54,187**	**853,731**	**1,010,606**
Additions from acquisitions (note 38)	**—**	**86,600**	**—**	**1,081**	**—**	**87,681**
Transfer	**165,717**	**—**	**—**	**—**	**(165,717)**	**—**
Disposals	**—**	**—**	**—**	**(3,114)**	**—**	**(3,114)**
At 31 August 2020	**2,516,170**	**410,088**	**12,829**	**246,739**	**1,368,770**	**4,554,596**
DEPRECIATION						
At 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 and 1 September 2019	**(208,748)**	**(103,433)**	**(3,978)**	**(107,557)**	**—**	**(423,716)**
Provided for the year	**(49,790)**	**(39,820)**	**(2,110)**	**(36,559)**	**—**	**(128,279)**
Eliminated on disposals	**—**	**—**	**—**	**2,849**	**—**	**2,849**
At 31 August 2020	**(258,538)**	**(143,253)**	**(6,088)**	**(141,267)**	**—**	**(549,146)**
NET BOOK VALUES						
At 31 August 2020	**2,257,632**	**266,835**	**6,741**	**105,472**	**1,368,770**	**4,005,450**
At 31 August 2019	2,127,802	131,562	8,559	87,028	680,756	3,035,707

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	5–30 years
Motor vehicles	4–5 years
Furniture and fixtures	4–5 years

At 31 August 2020, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB602,822,000 (2019: RMB673,945,000) which are located in the PRC.

17. Right-of-use Assets

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 September 2019			
Carrying amounts	809,749	49,770	859,519
At 31 August 2020			
Carrying amounts	875,757	693,565	1,569,322
For the year ended 31 August 2020			
Depreciation charges	10,823	20,067	30,890
Capitalised in construction-in-progress	9,653	—	9,653
	20,476	20,067	40,543
Expenses relating to short-term leases			6,331
Total cash outflow for leases			111,003
Additions to right-of-use assets			750,346

For both years, the Group leases properties, and lands for its operations. Lease contracts of leased properties are entered into for fixed term of 2 months to 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at 31 August 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the year, to which the short-term lease expense of RMB6,331,000 recognised in current year.

17. Right-of-use Assets (continued)

Leases of properties are either with only fixed lease payments or contain variable lease payment that are based on 16.5% of revenue in addition of minimum annual lease payment that are fixed over the lease term.

The overall financial effect of using variable payment terms is that higher rental costs are incurred by school with higher revenue. Variable rent expenses are expected to continue to represent a similar proportion of revenue in future years upon the completion of acquisition of Foshan Zhonghui Education Investment Co., Ltd. (佛山市中輝教育投資有限公司) ("Foshan Zhonghui"). During the years ended 31 August 2020 and 2019, no variable lease payments paid/payable to relevant lessors.

The leasehold lands 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 2020, the carrying values of the leasehold lands of RMB32,405,000 (2019: RMB33,254,000) are 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. 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
Current assets	18,555
Non-current assets	781,494
	800,049

19. Intangible Assets

	Students roster RMB'000
COST	
At 1 September 2018	27,482
Acquisitions of a subsidiary (note 38)	36,260
At 31 August 2019, 1 September 2019 and 31 August 2020	**63,742**
AMORTISATION	
At 1 September 2018	11,681
Provided for the year	25,590
At 31 August 2019 and 1 September 2019	**37,271**
Provided for the year	**16,748**
At 31 August 2020	**54,019**
CARRYING VALUES	
At 31 August 2020	**9,723**
At 31 August 2019	26,471

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

20. Goodwill

	2020 RMB'000	2019 RMB'000
COST AND CARRYING AMOUNT		
At 1 September	**149,592**	88,320
Arising on acquisition of subsidiaries	—	61,272
At 31 August	**149,592**	149,592

20. Goodwill (continued)

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:

	2020	2019
	RMB'000	RMB'000
CGUs		
— Jieyang School	**61,781**	61,781
— Weizhou School	**26,539**	26,539
— Zhang Pu Longcheng Schools	**61,272**	61,272
	149,592	149,592

During the years ended 31 August 2020 and 2019, management of the Group determines that there is no impairment of any of CGUs containing goodwill.

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**	
	2020	2019	**2020**	2019	**2020**	2019
Jieyang School	**3%–14%**	3%–11%	**33%–38%**	33%–46%	**13.5%**	13.5%
Weizhou School	**3%–28%**	3%–6%	**45%–50%**	42%–48%	**14.0%**	14.0%
Zhang Pu Longcheng Schools	**3%–29%**	3%–19%	**47%–51%**	48%–49%	**14.5%**	14.5%

20. Goodwill (continued)

Impairment testing on goodwill (continued)

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.

During the years ended 31 August 2020 and 2019, management of the Group determines that there is no impairment on the CGUs. Except for Jieyang School, the management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Weizhou School and Zhang Pu Longcheng Schools to exceed their recoverable amount respectively. For Jieyang School, the recoverable amount of Jieyang School exceeds its carrying amount by RMB4,266,000. If the forecast gross margin decreased by 0.5% (2019: 0.4%), while other parameters remain constant, the recoverable amount of Jieyang School would equal its carrying amount. If the discount rate was changed to 13.8% (2019: 13.8%), while other parameters remain constant, the recoverable amount of Jieyang School would equal its carrying amount.

21. Investment Properties

	RMB'000
FAIR VALUE	
At 1 September 2018	20,600
Unrealised gain in fair value (included in other gains and losses)	1,400
At 31 August 2019, 1 September 2019 and 31 August 2020	22,000

The Group's investment properties are office units located in Dongguan, PRC. The Group leases out offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 5 years (2019: 5 years), with unilateral rights to extend the lease beyond initial period held by lessees only.

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.

21. Investment Properties (continued)

The fair value of the Group's investment properties at 31 August 2020 was RMB22,000,000 (2019: RMB22,000,000). 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 (2019: RMB81) for the year ended 31 August 2020 and the discount rate of 5.5% (2019: 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 2020 and 2019, 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.

22. Trade Receivables, Deposits, Prepayments and Other Receivables

	2020 RMB'000	2019 RMB'000
Trade receivables (Note i)	21,389	—
Deposits paid for the acquisitions of new private schools (Note ii)	30,000	200,880
Deposits paid for the acquisitions of leasehold lands (Note iii)	55,860	—
Other deposits (Note iv)	32,453	43,545
Staff advances	3,801	3,210
Other receivables	20,469	27,811
Temporary payments to government	1,315	1,315
Prepayments for construction to a related company (Note v)	—	197,234
Prepayments for construction of schools (Note vi)	436,689	232,712
Other prepayments	20,210	21,175
	622,186	727,882
Current	99,637	97,056
Non-current	522,549	630,826
	622,186	727,882

22. Trade Receivables, Deposits, Prepayments and Other Receivables (continued)

Notes:

(i) The amounts mainly represent receivables from customers, which were from contracts for provision of ancillary services. Services fee is received in accordance with the terms of the relevant agreements, the customers are allowed a credit period of 30 to 60 days from date of revenue recognition.

(ii) At 31 August 2020, deposit of RMB30 million is in relation to the acquisition of an existing school campus in Dongguan, Guangdong province. During the year ended 31 August 2020, deposit of RMB171 million was utilised upon the completion of the acquisition of Foshan Zhonghui as set out in note 38.

(iii) At 31 August 2020, deposit of approximately RMB56 million (2019: nil) has been made to a local government authority in the PRC for acquiring a land use right situated in Sichuan province for educational purposes. As per the land use right acquisition agreement, the total consideration of the land use right is RMB56 million.

(iv) Other deposits mainly comprised of wage deposits for construction projects of RMB13 million, construction deposits of RMB10 million for construction works for new school projects and education deposits of RMB5 million (2019: RMB14 million, nil and RMB27 million) paid to government authorities. The repayment of these deposits will be upon the schools commencing operation and completion of the construction projects. These deposits are unsecured and interest-free.

(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.

During the year ended 31 August 2020, based on the construction progress of the schools, the remaining balance of prepayments for construction to a related company amounted to RMB197,234,000 as at 31 August 2019 has been recognised as additions to construction in progress, out of the total prepayment amount of RMB444,146,000 (2019: RMB420,000,000).

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

	2020 RMB'000	2019 RMB'000
Prepayments for construction works	202,407	90,887
Prepayments for project management	83,174	33,989
Prepayments for schools design production	19,537	57,913
Prepayments for decoration engineering	42,904	18,683
Prepayments for construction materials	84,643	4,101
Other prepayments for schools development	4,024	27,139
	436,689	232,712

22. Trade Receivables, Deposits, Prepayments and Other Receivables (continued)

As at 1 September 2018, no trade receivables from contracts with customers was noted.

The following is an analysis of trade receivables net of allowance for credit losses, by age, presented based on date of revenue recognition.

	2020 RMB'000	2019 RMB'000
Within 3 months	21,389	—

The credit risk management policy and ECL assessment process of the Group is detailed in note 37(b).

23. Financial Assets at Fair Value through Profit or Loss

	2020 RMB'000	2019 RMB'000
Current	376,000	312,000
Non-current	30,000	30,000
	406,000	342,000

The financial assets were issued by financial institutions in the PRC as at 31 August 2020 and 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 RMB406,000,000 (2019: RMB342,000,000) with fair value gain of RMB46,196,000 (2019: RMB18,370,000) recognised during the year ended 31 August 2020.

As at 31 August 2020, financial assets at FVTPL amounting to RMB30,000,000 (2019: RMB30,000,000) are classified as non-current, as they have maturity over 12 months after the end of the reporting period. The remaining financial assets at FVTPL amounting to RMB376,000,000 (2019: RMB312,000,000) are classified as current, as 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 37(c).

24. Pledged Bank Deposits

Pledged bank deposits comprise of deposits pledged to banks to secure bank facilities granted to the Group and wage deposits that pledged as security for payment of construction workers' wage. As at 31 August 2020, the pledged bank deposits of RMB3,317,000 (2019: RMB3,308,000) are wage deposits pledged as security for payment of construction workers' wage where there is wage in arrears caused by construction and deposits of RMB495,650,000 at 31 August 2019 that pledged to secure short-term borrowings have been released upon the settlement of relevant bank borrowings during the year ended 31 August 2020. The pledged bank deposits carried a weighted-average interest rate of 2.42% per annum (2019: 3.30% per annum) at 31 August 2020.

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 2020, the Group's bank deposits carried a weighted-average interest rate of 0.16% (2019: 0.33%) per annum.

	2020 RMB'000	2019 RMB'000
HK$ denominated bank balances and cash	519,401	85,103
RMB denominated bank balances and cash	603,347	577,284
United States Dollars ("US$") denominated bank balances and cash	30	31
Canadian dollar ("CAD") denominated bank balances and cash	—	36
	1,122,778	662,454

26. Contract Liabilities

	2020 RMB'000	2019 RMB'000
Tuition and boarding fees	783,765	671,067
Ancillary services	74,540	79,753
	858,305	750,820

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

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

26. Contract Liabilities (continued)

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

	At 31 August 2020 RMB'000	At 31 August 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	**734,604**	610,575

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

— **Tuition and boarding fees**

When the Group receives tuition and boarding fees in advance from students, this will give rise to contract liabilities, until revenue is recognised when the students simultaneously receives and consumes the benefits provided by the Group's performance over the relevant period of the applicable program. The Group typically receives 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. Refund Liabilities

	2020 RMB'000	2019 RMB'000
Arising from right of return	**11,091**	—

The refund liabilities represent the refunds provided to students if they decide within the predetermined period that they no longer want to take the course or enroll in the program. After the predetermined period as agreed in the contract, if a student withdraws from the program, the program fee is no longer available for refund. The Group uses its accumulated historical experience to estimate the ratio of returns on a portfolio level using the expected value method.

28. Trade and Other Payables and Accrued Expenses

	2020 RMB'000	2019 RMB'000
Trade and construction payables (Note i)	**181,559**	159,146
Accruals for construction	**76,749**	107,012
Consideration payable for acquisitions of subsidiaries (Note ii)	**95,220**	102,720
Accrued staff benefits and payroll	**55,959**	42,504
Receipts in advance from students' prepaid charge cards	**13,326**	10,134
Payables for land use rights	**—**	7,948
Interest payables	**6,303**	4,499
Other tax payables	**32,284**	30,138
Discretionary government subsidies receipt in advance on behalf of students	**5,840**	5,349
Deposits received	**18,082**	14,168
Other payables	**19,942**	19,356
	505,264	502,974

Notes:

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

ii. The amounts were interest-free, unsecured and repayable according to the terms of contract. Other than the balance of RMB4,000,000 (2019: RMB4,000,000) is repayable on demand for the acquisition of Dongguan School, in the opinion of the directors of the Company, the remaining balances as at 31 August 2020, of RMB35,000,000, RMB13,500,000, nil and RMB42,720,000 (2019: RMB35,000,000, RMB43,720,000, RMB20,000,000 and nil) for the acquisitions of Jieyang School, Weizhou School, Zhang Pu Longcheng Schools and Foshan Zhonghui respectively, are expected to be repayable within twelve months upon completion of transferring the certificate titles of relevant land and buildings and other payment conditions.

29. Lease Liabilities

	2020 RMB'000
Lease liabilities payable:	
Within one year	**40,801**
Within a period of more than one year but not more than two years	**20,510**
Within a period of more than two years but not more than five years	**50,304**
Within a period of more than five years	**418,307**
	529,922
Less: Amount due for settlement with 12 months shown under current liabilities	**(40,801)**
Amount due for settlement after 12 months shown under non-current liabilities	**489,121**

30. Borrowings

	2020 RMB'000	2019 RMB'000
Secured bank borrowings	**2,785,520**	2,169,430
Carrying amounts repayable:		
— Within one year	**122,600**	628,960
— More than one year, but not exceeding two years	**88,421**	195,960
— More than two years, but not exceeding five years	**988,119**	951,248
— More than five years	**1,586,380**	393,262
	2,785,520	2,169,430
Less: Amounts due within one year shown under current liabilities	**(122,600)**	(628,960)
	2,662,920	1,540,470
The exposure of borrowings:		
— Fixed rate	**550,000**	700,000
— Variable rate	**2,235,520**	1,469,430
	2,785,520	2,169,430

30. Borrowings (continued)

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

	2020	2019
Effective interest rate:		
Fixed rates bank borrowings	**4.7%–6.0%**	4.4%–6.0%
Variable-rate bank borrowings	**4.9%–5.4%**	4.4%–7.3%

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 Schools, Yunfu School, the right of return on equity of Weifang Guangzheng Preparatory School Investment Co., Ltd. (濰坊光正實驗學校投資有限公司) and Panjin Guangzheng Investment Co,. Ltd. (盤錦光正投資有限公司) and the revenue arising from the operation of Foshan Shunde Guangzheng Preparatory School. The pledged bank deposit pledged to banks to secure bank facilities have been released upon the settlement of relevant bank borrowings during the year ended 31 August 2020. As at 31 August 2019, the Group's certain bank borrowings were secured by pledged bank deposits.

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

Name of related parties	**2020** **RMB'000**	2019 RMB'000
Mr. Liu	**—**	377,600
Mr. Liu and Ms. Li	**2,257,570**	1,107,770
Mr. Liu, Ms. Li and a company controlled by Mr. Liu	**—**	241,060

During the year, in respect of bank borrowings with carrying amount of RMB191,770,000 as at 31 August 2020, the Group breached certain of the terms of bank borrowings, which are primarily related to the assets-liabilities ratio and financial performance of the relevant group entities that held the bank borrowings. As at 31 August 2020, the directors of the Company informed the lender and lender has agreed to waive the right to demand immediate payment at the end of the reporting period, therefore the relevant borrowings were classified into non-current liabilities based on the instalments schedule as at 31 August 2020.

31. 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 issuance of the convertible loan notes of the principal amount of up to HK$500 million by the Company to PA Chokmah.

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 (the "Mandatory Conversion"). 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 (the "Discretionary Conversion", together with Mandatory Conversion, the "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.

Interest of 6.8% per annum would 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 would not be obliged to fund any loan; and might 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.

31. Convertible Loan Notes (continued)

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 might 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 ended 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.

According to the Credit Agreement, the conversion of the Mandatory Principal and the Discretionary Principal was conditional upon the satisfaction of the following conversion conditions:

(i) approval by the independent shareholders of the Company for (A) the issue of the conversion shares pursuant to that Conversion; and (B) the put option relating to the conversion shares to be issued by the Company pursuant to that Conversion; and

(ii) approval from the Listing Committee of The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the conversion shares to be issued by the Company pursuant to that Conversion.

The above conversion conditions might not be exempted and the Maturity Date fall on 16 July 2020.

On 10 July 2020, an extraordinary general meeting of the Company ("EGM") was convened for the independent shareholders of the Company to consider and, if thought fit, approve the grant of the specific mandate to allot and issue part or all of the conversion shares and the put option, and the transactions contemplated thereunder. Since the resolution was not passed by the independent shareholders of the Company at the EGM, the conversion conditions are not satisfied prior to the Maturity Date (in respect of the Mandatory Principal) or prior to the last day of the Discretionary Conversion Period (in respect of the Discretionary Principal), the allotment and issue of the conversion shares under the Credit Agreement and the transactions contemplated under the Put Option Deed did not proceed and the Company repaid the Mandatory Principal and the Discretionary Principal together with an exit fee to PA Chokmah in accordance with the terms of the Credit Agreement.

The convertible loan notes contain two components, non-derivative debt component and embedded derivatives component (i.e. the conversion options).

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. At 31 August 2019, the effective interest rate of the non-derivative debt component is at 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 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. On 13 July 2020, the convertible loan notes were repaid fully by the Company.

31. Convertible Loan Notes (continued)

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

	Non-derivative debt component	Embedded derivatives component	Total
	RMB'000	RMB'000	RMB'000
At 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 and 1 September 2019	**468,162**	**10,972**	**479,134**
Interest charged	**49,885**	**—**	**49,885**
Interest paid	**(66,401)**	**—**	**(66,401)**
Gain arising on changes in fair value	**—**	**(10,972)**	**(10,972)**
Exchange loss	**104**	**—**	**104**
Principal paid	**(451,750)**	**—**	**(451,750)**
At 31 August 2020	**—**	**—**	**—**

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 31 August 2019
Share price of the Company	HK$3.78
Risk-free rate*	1.92%
Expected volatility#	54.54%
Dividend yield	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™.

31. Convertible Loan Notes (continued)

Upon the repayment of the convertible loan notes, the embedded derivatives liability has been derecognised as at 31 August 2020 due to the Conversion not proceeding. As at 31 August 2019, an increase in the expected volatility (which is the significant unobservable input in the valuation of the embedded derivative liability) used in isolation would result in an 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. A 30% decrease in the volatility, holding all other variables constant, would decrease the carrying amount of the embedded derivatives liability by RMB735,000.

32. Deferred Taxation

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

	Revaluation of investment properties RMB'000
At 1 September 2018	3,628
Charge to profit or loss	650
At 31 August 2019, 1 September 2019 and 31 August 2020	**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.

	2020 **RMB'000**	2019 RMB'000
Deferred tax assets	**—**	—
Deferred tax liabilities	**4,278**	4,278
	4,278	4,278

33. Share Capital

	Par value	Number of shares	Nominal amount HK$
Ordinary shares			
Authorised:			
At 1 September 2018, 31 August 2019 and 31 August 2020	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 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 i)	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
Issuance of ordinary shares on placement (note ii)	**HK$0.01**	**130,000,000**	**1,300,000**	**1,161,233**	**1,162**
At 31 August 2020	**HK$0.01**	**2,177,154,000**	**21,771,540**	**19,254,661**	**19,255**

Notes:

i. During the year ended 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.

ii. On 11 August 2020, the Company entered into a placing arrangements with Citigroup Global Markets Limited as placing agent (the "Placing Agent"), which is independent and not connected to the Company. Pursuant to the placing agreement, the Placing Agent agreed to place up to 130,000,000 new shares to third parties who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company at HK$4.24 per placing share. The placing was completed on 18 August 2020, with net proceeds of approximately HK$545,704,000 (equivalent to approximately RMB487,453,000).

The proceeds were used to for construction and development of the Group's schools in the PRC and general corporate purpose. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 13 January 2020 and rank *pari passu* with other shares in issue in all respect.

34. 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 award granted during the years ended 31 August 2020 and 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 ended 31 August		Vesting period
			2020	2019	
6.9.2018	HK$4.38	8,400,000	**1,039,000**	—	6.9.2019 to 31.8.2028

	Average fair value per share	Date of grant	Outstanding at 1/9/2019 '000	Granted during the year '000	Vested during the year '000 (note i)	Forfeited during the year '000 (note ii)	Outstanding at 31/8/2020 '000
Executive director							
Mr. Li Jiuchang	HK$4.38	6.9.2018	1,500	—	(200)	—	1,300
Mr. Wang Yongchun	HK$4.38	6.9.2018	1,200	—	(160)	—	1,040
Employees	HK$4.38	6.9.2018	5,200	—	(679)	(200)	4,321
Total			7,900	—	(1,039)	(200)	6,661

34. Share-Based Payments (continued)

Share Award Scheme (continued)

	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 (note ii)	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
Employees	HK$4.38	6.9.2018	—	5,700	—	(500)	5,200
Total			—	8,400	—	(500)	7,900

Notes:

i. The amount represents awarded shares vested during the year.

ii. During the year ended 31 August 2020, one employee (2019: one employee) of the Group resigned and the corresponding awarded shares were forfeited accordingly.

No shares was purchased by the Trustee during the year ended 31 August 2020. For the year ended 31 August 2019, the Trustee purchased 170,000 shares of the Company on the Stock Exchange in a total consideration of HK$650,000 (equivalent to RMB587,000) for the Share Award Scheme.

During the year ended 31 August 2020, share-based payment expenses amounted to RMB4,784,000 (2019: RMB7,516,000) was recognised under the share awarded shares and 1,039,000 shares (2019: nil) were vested and will transfer to the Selected Participants upon vesting. As at 31 August 2020, the net total number of shares held by the Trustee was 10,665,000 shares (2019: 11,704,000 shares) but have not yet vested under the Share Award Scheme.

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.

34. Share-Based Payments (continued)

Share Option Schemes (continued)

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 2020 and 2019, the number of shares granted under the Pre-IPO Share Option Scheme has been exercised and no outstanding share option is under the scheme.

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.

34. Share-Based Payments (continued)

Share Option Schemes (continued)

The Share Option Scheme (continued)

No share options was granted during the years ended 31 August 2020 and 2019.

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 2020 and 2019:

	Exercise price	Date of grant	Outstanding at 1/9/2019 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31/8/2020 '000
The Share Option Scheme						
Employee	HK$1.96	14 March 2017	1,000	—	—	1,000
Total			1,000	—	—	1,000
Exercisable at the end of the year						1,000
Weighted average exercise price			HK$1.96	Nil	Nil	HK$1.96

34. Share-Based Payments (continued)

Share Option Schemes (continued)

The Share Option Scheme (continued)

	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

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. There is no share option exercised during the year ended 31 August 2020.

Share based payments amounted to RMB514,000 (2019: RMB1,192,000) was recognised for the year ended 31 August 2020 in relation to share options granted by the Company.

35. 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.

35. Retirement Benefits Plans (continued)

Pursuant to Notice of Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration on Temporarily Exempting or Lowering Social Insurance Payments of Enterprises (《人力資源社會保障部、財政部和國家稅務總局關於階段性減免企業社會保險費的通知》), the government has decided to temporarily exempt or lower enterprises' pension, unemployment and work-related injury compensation insurance payments to mitigate the impact of COVID-19 on enterprises. As a result, during the year ended 31 August 2020, the Group is exempted from certain social insurance payments amounted to RMB8,509,000 (2019: nil) due to the outbreak of COVID-19.

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

36. 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 30 and 31, 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.

37. Financial Instruments

(a) Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at FVTPL	**406,000**	342,000
Financial assets at amortised cost	**1,205,522**	1,237,293
	1,611,522	1,579,293

37. Financial Instruments (continued)

(a) Categories of financial instruments (continued)

Financial assets at amortised cost as at 31 August 2020 and 2019 respectively are as follows:

	2020 RMB'000	2019 RMB'000
Trade receivables	21,389	—
Other deposits	32,453	43,545
Staff advances	3,801	3,210
Other receivables	20,469	27,811
Temporary payments to government	1,315	1,315
Total trade receivables, deposits and other receivables	79,427	75,881
Bank balances and cash	1,122,778	662,454
Pledged bank deposits	3,317	498,958
Financial assets at amortised cost	1,205,522	1,237,293

	2020 RMB'000	2019 RMB'000
Financial liabilities		
Trade and other payables	340,272	313,186
Refund liabilities	11,091	—
Borrowings	2,785,520	2,169,430
Convertible loan notes — non-derivative debt component	—	468,162
At amortised cost	3,136,883	2,950,778
Convertible loan notes — embedded derivatives component — at fair value	—	10,972

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, convertible loan notes (non-derivative debt component and embedded derivatives component), trade receivables, deposits and 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.

Market risk

(i) Currency risk

Part of the Group's deposits placed with the bank are denominated in HK$, which is different from the functional currency of the Company and most of its subsidiaries (i.e. RMB). Also, the convertible loan notes issued by the Company as at 31 August 2019 and certain lease liabilities of the Group are determined in HK$.

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

	Liabilities		Assets	
	2020 **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000
HK$ denominated pledged bank deposits	**—**	—	**—**	135,495
HK$ denominated bank balances and cash	**—**	—	**519,401**	85,103
HK$ denominated convertible loan notes	**—**	479,134	**—**	—
HK$ denominated lease liabilities	**8,562**	—	**—**	—
HK$ denominated Intra-group balances	**53,728**	—	**53,728**	—

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

As at 31 August 2020 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% (2019: 5%) increase and decrease in HK$ against RMB. 5% (2019: 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 adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. As at 31 August 2019, the outstanding HK$ denominated convertible loan notes is also subject to sensitivity analysis. A positive number below indicates an increase in post-tax profit and where HK$ strengthen 5% (2019: 5%) against RMB. For a 5% (2019: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit.

	2020 **RMB'000**	2019 RMB'000
Profit or loss	**25,542**	(12,927)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings (note 30 for details of these borrowings), lease liabilities (note 3 and 29 for details) and pledged bank deposits (note 24 for details). And as at 31 August 2019, convertible loan notes (note 31 for details) is exposed to fair value interest rate risk. 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 (note 25 for details) and variable-rate borrowings (note 30 for details) which carried at prevailing market interest rates. The Group's 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.

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2020 would decrease/increase by RMB8,384,000 (2019: RMB5,510,000). 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.

Credit risk and impairment management

The Group's credit risk is primarily attributable to trade receivables, 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 trade receivables, 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.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

As at 31 August 2020, no allowance was recognised regarding to trade receivables.

The Group has concentration of credit risk as 92.6% of the total trade receivables was due from the Group's largest customer as at 31 August 2020 (2019: nil). The Group's remaining customers were mainly the corporate customers, and individually contributed less than 10% of the total trade receivables of the Group. In the opinion of management, the Group has no significant credit risk for the receivables from customers.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The Group has applied 12m ECL in IFRS 9 to measure the loss allowance for deposits and other receivables, pledged bank deposits and bank balances, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

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 wage deposits for construction projects, construction deposits for construction works for new school projects and education deposits paid to government authority, temporary payments to government, staff advances and other receivables. Regarding the wage deposits for construction projects, construction deposits for construction works for new school projects and education deposits paid to government authorities 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 authorities 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 RMB12,658,000 (2019: RMB5,447,000) impairment allowance on deposits and other receivables after individually assessment as at 31 August 2020 and impairment of RMB7,211,000 (2019: RMB5,447,000) is recognised during the year ended 31 August 2020. The expected loss rates ranged from 0.01% to 100% for staff advances and other receivables.

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

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 2020, 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.

Other than concentration 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	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	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	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — 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	Amount is written off

37. 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 trade receivables, deposits and other receivables, pledged bank deposits and bank balances, which are subject to ECL assessment:

Financial assets at amortised costs

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Trade receivables	22	N/A	Low risk	lifetime ECL — not credit-impaired	21,389	—
Deposits and other receivables	22	N/A	Low risk	12m ECL	58,990	69,622
Deposits and other receivables	22	N/A	Watch list	12m ECL	—	4,805
Deposits and other receivables	22	N/A	Doubtful	lifetime ECL — not credit-impaired	—	6,901
Deposits and other receivables	22	N/A	Loss	lifetime ECL — credit-impaired	11,706	—
Pledged bank deposits	24	AAA	N/A	12m ECL	3,317	498,958
Bank balances	25	A–AAA	N/A	12m ECL	1,122,778	662,454

The following tables show reconciliation of loss allowances that has been recognised for deposits and other receivables.

	12m ECL RMB'000	lifetime ECL (not credit-impaired) RMB'000	lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 September 2018	—	—	—	—
Changes due to financial instruments recognised as at 1 September 2018				
— Impairment losses recognised	1,273	3,451	—	4,724
— Impairment losses reversed	(169)	—	—	(169)
New financial assets originated or purchased (Note)	892	—	—	892
As at 31 August 2019	1,996	3,451	—	5,447
Changes due to financial instruments recognised as at 1 September 2019				
— Transfer to lifetime ECL (credit-impaired)	(961)	(3,451)	4,412	—
— Impairment losses recognised	—	—	7,294	7,294
— Impairment losses reversed	(852)	—	—	(852)
New financial assets originated or purchased (Note)	769	—	—	769
As at 31 August 2020	**952**	**—**	**11,706**	**12,658**

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Financial assets at amortised costs (continued)

Note: Origination of new deposits and other receivables (net of those settled) with gross carrying amount amounted to RMB58,722,000 (2019: RMB73,034,000), resulted in an increase loss allowances of RMB769,000 during the year ended 31 August 2020 (2019: RMB892,000).

Liquidity risk

As of 31 August 2020, the Group recorded net current liabilities of RMB63,064,000 (2019: RMB884,527,000). 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 RMB929,230,000 available as at 31 August 2020 (2019: RMB768,930,000) and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

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 2020								
Trade and other payables	—	340,272	—	—	—	—	340,272	340,272
Refund liabilities	—	11,091	—	—	—	—	11,091	11,091
Borrowings								
— fixed rate	5.9	2,724	5,414	73,574	543,233	—	624,945	550,000
— variable rate	5.1	9,390	19,092	158,358	1,087,320	2,108,491	3,382,651	2,235,520
Lease liabilities	4.9	23,941	2,248	32,605	202,106	626,591	887,491	529,922
		387,418	26,754	264,537	1,832,659	2,735,082	5,246,450	3,666,805

37. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	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

(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 2020	Fair value as at 31 August 2019	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at FVTPL	**Assets — RMB406,000,000**	Assets — RMB342,000,000	Level 3	Net asset value as stated on the quotation report issued by financial institutions
2) Convertible loan notes — embedded derivatives component	**Liability — n/a**	Liability — RMB10,972,000	Level 3	Monte Carlo simulation — key inputs are as follows: — underlying stock price: n/a (2019: HK$3.78) — expected volatility: n/a (2019: 54.54%) — dividend yield: n/a (2019: 2.37%)

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.

37. 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 2019	**(10,972)**	**342,000**	**331,028**
Purchases	**—**	**69,000**	**69,000**
Change in fair value	**10,972**	**46,196**	**57,168**
Disposals	**—**	**(51,196)**	**(51,196)**
At 31 August 2020	**—**	**406,000**	**406,000**

	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

Of the total gains or losses for the year included in profit or loss, gain of RMB10,972,000 (2019: loss of RMB786,000) and gain of RMB46,196,000 (2019: RMB18,370,000) relate to embedded derivatives component and financial assets at FVTPL, respectively held at the end of the current reporting period. Fair value gain (loss) of convertible loan notes — embedded derivatives component and gain on change in fair value of financial assets at FVTPL are included in "other gains and losses".

38. Acquisitions of a Subsidiary/Businesses

For the year ended 31 August 2020

Acquisition of Foshan Zhonghui

On 3 July 2018, the Group entered into a series of agreements with independent third parties to acquire 80% equity interest in Foshan Zhonghui at a total consideration of RMB213,600,000 (the "Acquisition of Foshan Zhonghui"). The Group has obtained control over Foshan Zhonghui on 31 August 2020 upon satisfaction of criteria set out in respective acquisition agreements.

Foshan Zhonghui is principally engaged in education investment, cultural industry investment and related management consulting activities, which lease a land parcel and a series of buildings and properties business from an independent third party with an original lease terms of 35 years but without significant process at the date of the acquisition. The directors of the Company are of the view that the objective of the Acquisition of Foshan Zhonghui is to acquire substantially assets and liabilities that allows the Group to further expand its school network in Guangdong province on the readily available school campus leased by Foshan Zhonghui, which does not constitute a business.

Therefore, the Acquisition of Foshan Zhonghui is accounted for as acquisition of assets and liabilities through acquisition of a subsidiary. Details of Acquisition of Foshan Zhonghui are summarised below:

Consideration transferred

	RMB'000
Cash	213,600

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

	RMB'000
Property, plant and equipment	87,681
Right-of-use assets	389,040
Trade receivables, deposits, prepayments and other receivables	3,323
Bank balances and cash	123
Trade and other payables and accrued expenses	(22,122)
Lease liabilities	(191,045)
	267,000
Less: Non-controlling interests	(53,400)
	213,600

38. Acquisitions of a Subsidiary/Businesses (continued)

For the year ended 31 August 2020 (continued)

Acquisition of Foshan Zhonghui *(continued)*

Net cash outflow of cash and cash equivalents in respect of the above acquisition:

Net cash inflow on acquisition of Foshan Zhonghui

	RMB'000
Cash consideration	213,600
Less: consideration payable (note 28)	(42,720)
Less: cash consideration paid at 31 August 2019	(170,880)
Less: cash and cash equivalents acquired	(123)
	(123)

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 of Zhang Pu Longcheng Schools has been accounted for using the purchase method. The directors of the Company are of the view that the Acquisition of Zhang Pu Longcheng Schools 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 was tax deductible at the time when the business was disposed of. The acquired assets and liabilities have been included in the consolidated financial statements since the date of acquisition.

38. Acquisitions of a Subsidiary/Businesses (continued)

For the year ended 31 August 2019 (continued)

Acquisition of Zhang Pu Longcheng Schools *(continued)*

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 was also the gross contractual amounts of the other receivables.

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

38. Acquisitions of a Subsidiary/Businesses (continued)

For the year ended 31 August 2019 (continued)

Acquisition of Zhang Pu Longcheng Schools (continued)

Goodwill arising on acquisition: (continued)

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 1 September 2018, 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.

39. Operating Leases

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2019 RMB'000
Premises	14,237

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
Within one year	11,971
In the second to fifth year inclusive	25,535
Over five years	37,024
	74,530

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.

39. Operating Leases (continued)

The Group as lessor

Property rental income earned during the year ended 31 August 2020 was RMB1,657,000 (2019: RMB1,430,000). The direct outgoings to generate property rental income is insignificant throughout the years. Certain of the properties held have committed tenants for the next 1 year (2019: 2 years).

Minimum lease payments receivable on leases are as follows:

	2020 RMB'000
Within one year	**482**

	2019 RMB'000
Within one year	1,423
In the second to fifth year inclusive	409
	1,832

40. Capital Commitments

	2020 RMB'000	2019 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	**1,018,680**	1,273,494

41. 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	Borrowings	Convertible loan notes	Lease liabilities	Accrued issued costs	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 borrowings	—	—	—	—	—	121,774	121,774
At 31 August 2019	—	2,169,430	479,134	—	—	4,499	2,653,063
Adjustment upon application of IFRS 16	—	—	—	66,541	—	—	66,541
At 1 September 2019 (restated)	—	2,169,430	479,134	66,541	—	4,499	2,719,604
Financing cash flows	(205,394)	616,090	(518,151)	(11,595)	(4,627)	(141,473)	(265,150)
Non-cash movement:							
Acquisition of a subsidiary	—	—	—	191,045	—	—	191,045
New leases entered/lease modified	—	—	—	271,404	—	—	271,404
Interest on lease liabilities	—	—	—	12,527	—	—	12,527
Fair value gain	—	—	(10,972)	—	—	—	(10,972)
Foreign exchange difference	—	—	104	—	—	—	104
Effective interest expenses	—	—	49,885	—	—	—	49,885
Costs incurred in connection with the issuance of ordinary shares	—	—	—	—	4,910	—	4,910
Dividend distribution	205,394	—	—	—	—	—	205,394
Interest expenses on borrowings	—	—	—	—	—	143,277	143,277
At 31 August 2020	—	2,785,520	—	529,922	283	6,303	3,322,028

42. 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.

43. Related Party Disclosure

During the years ended 31 August 2020 and 2019, the Group entered into the following transactions with Mr. Liu, Ms. Li and related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	2020 RMB'000	2019 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	2,621	2,068
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
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	221,380	24,202
Ms. Li (Note i)	Controlling equity holder and director	Interest expenses in relation to lease liabilities	41	—

* The English names are for identification purpose only.

Note:

(i) During the year ended 31 August 2020, Ms. Li leases a property to Guangdong Guangzheng and the Group has recognised right-of-use assets and lease liabilities of RMB649,000 and RMB642,000 at the date of initial application of IFRS 16, respectively. The interest expenses in relation to the lease liabilities amounting to RMB41,000 (2019: nil) were recognised as finance costs as set out in note 10 to the consolidated financial statements. As at 31 August 2020, the balances of right-of-use assets and lease liabilities are RMB499,000 and RMB524,000, respectively.

During the years ended 31 August 2020 and 2019, Mr. Liu provided financial guarantee to the Group in respect of the issue of convertible loan notes which set out in note 31 and released upon the repayment of the convertible loan notes. In addition, Mr. Liu, Ms. Li and an entity controlled by Mr. Liu provides financial guarantee to the Group in respect of borrowings which set out in note 30.

43. Related Party Disclosure (continued)

Compensation of key management personnel

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

	2020 RMB'000	2019 RMB'000
Short-term benefits	11,931	11,873
Post-employment benefits	171	171
Share-based payment expenses	4,557	6,881
	16,659	18,925

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 22.

44. 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				Principal activities
			Directly		Indirectly		
			2020	2019	2020	2019	
東莞市睿興後勤服務有限公司 Dongguan Ruixing Logistics Service Co., Ltd.*	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (notes iii and iv)
東莞市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 (notes iii and iv)
東莞市睿興商務服務有限公司 Dongguan Ruixing2 Business Service Co., Ltd.*	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (notes iii and iv)
東莞市睿興科技服務有限公司 Dongguan Ruixing Technology Service Co., Ltd*	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (notes iii and iv)

44. 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
			Directly		Indirectly		
			2020	2019	2020	2019	
東莞市文達教育咨詢有限公司 Dongguan Wenda Education Consulting Co., Ltd.*	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (notes iii and iv)
贛州興聚企業管理有限公司 Ganzhou Xingju Corporate Management Co., Ltd.*	The PRC	RMB– (note i)	—	—	100%	100%	Educational consultancy service (notes iii and iv)
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%	100%	100%	100%	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 high school, 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 high school, middle school and primary school full time education (note iii)

44. 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
			Directly		Indirectly		
			2020	2019	2020	2019	
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)
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 high school, 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)
雲浮市光明外國語學校 Yunfu Guangming Foreign Language School*	The PRC	RMB3,000,000	—	—	75%	75%	Provision of high school, middle school and primary school full time education (note iii)

44. 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
			Directly		Indirectly		
			2020	2019	2020	2019	
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 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 high school, 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%	100%	Investment holding (note iii)
漳浦龍成中學 Zhang Pu Longcheng School	The PRC	RMB20,000,000	—	—	100%	100%	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%	100%	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%	100%	Provision of pre-school education (note iii)
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%	100%	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)

44. 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
			Directly		Indirectly		
			2020	2019	2020	2019	
巴中光正實驗學校 Bazhong Guangzheng Preparatory School*	The PRC	RMB1,000,000	—	—	100%	100%	Provision of high school, middle school and primary school full time education (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)
潮州市文匯教育投資有限公司 Chaozhou Wenhui Education Investment Co., Ltd.*	The PRC	RMB1,000,000	—	—	100%	100%	Education investment (note iii)
佛山市中輝教育投資有限公司 Foshan Zhonghui Education Investment Co., Ltd.*	The PRC	RMB125,000,000	—	n/a	80%	n/a	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.

44. Particulars of Principal Subsidiaries of the Company (continued)

Notes: (continued)

iv. Within the above table lists, except for Dongguan Ruixing, Dongguan Ruixing Logistics Service Co., Ltd, Dongguan Ruixing Business Services Co., Ltd., Dongguan Ruixing2 Business Services Co., Ltd., Dongguan Wenda Education Consulting Co., Ltd. and Ganzhou Xingju Corporate Management 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, Dongguan Ruixing Business Services Co., Ltd., Dongguan Ruixing2 Business Services Co., Ltd., Dongguan Wenda Education Consulting Co., Ltd., Ganzhou Xingju Corporate Management 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., Chaozhou Guangzheng Education Investment Co., Ltd. and Chaozhou Wenhui 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, primary 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.

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	
		2020	2019	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Jieyang School	The PRC	35%	35%	(7,334)	(5,174)	53,926	61,260
Yunfu Guangzheng and Yunfu School	The PRC	25%	25%	(2,856)	(709)	21,407	24,263
Foshan Zhonghui	The PRC	20%	N/A	—	N/A	53,400	N/A
Individually immaterial subsidiaries with non-controlling interests	The PRC			—	(1)	(6)	(6)
				(10,190)	(5,884)	128,727	85,517

44. Particulars of Principal Subsidiaries of the Company (continued)

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	2020 RMB'000	2019 RMB'000
Current assets	10,217	12,326
Non-current assets	379,159	362,893
Current liabilities	140,415	105,306
Non-current liabilities	—	—
Equity attributable to owners of the Company	195,035	208,653
Non-controlling interests of Jieyang School	53,926	61,260

	2020 RMB'000	2019 RMB'000
Revenue	76,535	77,975
Expenses	(97,487)	(92,759)
Loss for the year	(20,952)	(14,784)
Loss for the year attributable to the Company	(13,618)	(9,610)
Loss for the year attributable to non-controlling interests of Jieyang School	(7,334)	(5,174)
Loss for the year	(20,952)	(14,784)
Dividends paid to non-controlling interests of Jieyang School	—	—
Net cash inflow from operating activities	33,797	59,321
Net cash outflow from investing activities	(30,033)	(57,538)
Net cash inflow from financing activities	—	—

44. Particulars of Principal Subsidiaries of the Company (continued)

Yunfu Guangzheng	2020 RMB'000	2019 RMB'000
Current assets	15,929	73,698
Non-current assets	437,682	293,456
Current liabilities	178,483	124,602
Non-current liabilities	230,000	186,000
Equity attributable to owners of the Company	23,721	32,289
Non-controlling interests of Yunfu Guangzheng	21,407	24,263

	2020 RMB'000	2019 RMB'000
Revenue	17,142	—
Expenses	(28,566)	(2,836)
Loss for the year	(11,424)	(2,836)
Loss for the year attributable to the Company	(8,568)	(2,127)
Loss for the year attributable to non-controlling interests of Yunfu Guangzheng	(2,856)	(709)
Loss for the year	(11,424)	(2,836)
Dividends paid to non-controlling interests of Yunfu Guangzheng	—	—
Net cash inflow (outflow) from operating activities	94,780	(23,194)
Net cash outflow from investing activities	(147,415)	(140,524)
Net cash inflow from financing activities	44,000	186,000

44. Particulars of Principal Subsidiaries of the Company (continued)

Foshan Zhonghui	**2020** **RMB'000**
Current assets	**3,446**
Non-current assets	**476,721**
Current liabilities	**25,919**
Non-current liabilities	**187,248**
Equity attributable to owners of the Company	**213,600**
Non-controlling interests of Foshan Zhonghui	**53,400**

45. Statement of Financial Position and Reserves of the Company

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	**1,603**	2,333
Right-of-use assets	**8,655**	—
Investments in subsidiaries	**5,420**	5,420
Amount due from a subsidiary	**—**	102,278
	15,678	110,031
Current assets		
Prepayments and other receivables	**1,214**	2,209
Amounts due from subsidiaries	**85,086**	5,059
Pledged bank deposits	**—**	495,650
Bank balances and cash	**512,591**	110,316
	598,891	613,234
Current liabilities		
Other payables and accrued expenses	**9,390**	5,979
Amounts due to subsidiaries	**120,314**	—
Lease liabilities	**3,084**	—
Convertible loan notes	**—**	479,134
	132,788	485,113
Net current assets	**466,103**	128,121
Total assets less current liabilities	**481,781**	238,152
Capital and reserves		
Share capital	**19,255**	18,093
Reserves	**457,049**	220,059
	476,304	238,152
Non-current liability		
Lease liabilities	**5,477**	—
	481,781	238,152

45. 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 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**
Loss and total comprehensive expense for the year	**—**	**—**	**—**	**(49,205)**	**(49,205)**
Issuance of ordinary shares	**491,201**	**—**	**—**	**—**	**491,201**
Costs incurred in connection with the issuance of ordinary shares	**(4,910)**	**—**	**—**	**—**	**(4,910)**
Recognition of share-based payments	**—**	**514**	**4,784**	**—**	**5,298**
Share vested under share award scheme	**—**	**—**	**(312)**	**312**	**—**
Dividend recognised as distribution	**(205,394)**	**—**	**—**	**—**	**(205,394)**
At 31 August 2020	**722,497**	**811**	**(29,955)**	**(236,304)**	**457,049**