Wisdom Education International Holdings Company Limited
睿 見 教 育 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6068)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2020

HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of RMB0.056 (equivalent to HK$0.066) per share for the year ended 31 August 2020 (2019: RMB0.042 (equivalent to HK$0.049) per share).

	2019/2020 School Year	2018/2019 School Year	**Change**	**Percentage Change**
Total number of students enrolled	**60,116**	54,420	**+5,696**	**+10.5%**

	For the year ended 31 August			
	2020	2019	**Change**	**Percentage**
	RMB'000	*RMB'000*	***RMB'000***	**Change**
Revenue	**1,792,728**	1,681,530	**+111,198**	**+6.6%**
Gross profit	**867,936**	741,694	**+126,242**	**+17.0%**
Profit for the year	**501,681**	353,578	**+148,103**	**+41.9%**
Core net profit *(Note 1)*	**559,317**	428,610	**+130,707**	**+30.5%**
Basic earnings per share *(RMB cents)*	**25.09**	17.17	**+7.92**	**+46.1%**

Note 1: Core net profit was derived from 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. For details, please refer to the following reconciliation and the section headed "Financial Review" in this announcement.

	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 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.

	As at 31 August			
	2020	2019	**Change**	**Percentage**
	RMB'000	*RMB'000*	***RMB'000***	**Change**
Contract liabilities				
— Tuition and boarding fees	**783,765**	671,067	**+112,698**	**+16.8%**

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2020

The board (the "**Board**") of directors (the "**Directors**") of Wisdom Education International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 August 2020. These annual results have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**1,792,728**	1,681,530
Cost of revenue		**(924,792)**	(939,836)
Gross profit		**867,936**	741,694
Other income	*5*	**58,277**	33,390
Other gains and losses	*6*	**61,375**	(176)
Selling expenses		**(23,282)**	(25,783)
Administrative expenses		**(253,793)**	(252,987)
Finance income		**9,869**	20,254
Finance costs		**(107,018)**	(107,117)
Profit before taxation		**613,364**	409,275
Taxation	*7*	**(111,683)**	(55,697)
Profit and total comprehensive income for the year	*8*	**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)*	*10*	**0.25**	0.17
Diluted *(RMB)*	*10*	**0.25**	0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 August

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,005,450**	3,035,707
Right-of-use assets		**1,569,322**	—
Prepaid lease payments		**—**	781,494
Intangible assets		**9,723**	26,471
Goodwill		**149,592**	149,592
Investment properties		**22,000**	22,000
Trade receivables, deposits, prepayments and other receivables	*11*	**522,549**	630,826
Financial assets at fair value through profit or loss		**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	*11*	**99,637**	97,056
Prepaid lease payments		**—**	18,555
Financial assets at fair value through profit or loss		**376,000**	312,000
Pledged bank deposits		**3,317**	498,958
Bank balances and cash		**1,122,778**	662,454
		1,609,429	1,595,205
CURRENT LIABILITIES			
Contract liabilities		**858,305**	750,820
Refund liabilities		**11,091**	—
Trade and other payables and accrued expenses	*12*	**505,264**	502,974
Income tax payable		**134,432**	117,844
Lease liabilities		**40,801**	—
Borrowings		**122,600**	628,960
Convertible loan notes		**—**	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

	2020 *RMB'000*	2019 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**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	**489,121**	—
Borrowings	**2,662,920**	1,540,470
Deferred tax liabilities	**4,278**	4,278
	3,156,319	1,544,748
	6,245,572	3,791,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 People's Republic of China (the "**PRC**" or "**China**").

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 International Accounting Standard ("**IAS**") 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current 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.

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

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.

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.

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 *RMB'000*	Adjustments *RMB'000*	Carrying amounts under IFRS 16 at 1 September 2019 *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.

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 IFRS Standards	Annual Improvements to IFRS Standards 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.

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.

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.

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. 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	2019
	RMB'000	*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.

(i) Disaggregation of revenue from contracts with customers

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

	2020	2019
	RMB'000	*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.

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.

5. OTHER INCOME

	2020	2019
	RMB'000	*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.

6. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*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	**—**	1,400
Gain (loss) on change in fair value of convertible loan notes — embedded derivatives component	**10,972**	(786)
Gain on change in fair value of financial assets at fair value through profit or loss ("**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.

7. 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	**—**	650
	111,683	55,697

8. 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.

9. 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.

10. 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	2019
	RMB'000	*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	2019
	'000	*'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.

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**21,389**	—
Deposits paid for the acquisitions of new private schools	**30,000**	200,880
Deposits paid for the acquisitions of leasehold lands	**55,860**	—
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
Prepayments for construction to a related company	**—**	197,234
Prepayments for construction of schools	**436,689**	232,712
Other prepayments	**20,210**	21,175
Total trade and other receivables	**622,186**	727,882
Current	**99,637**	97,056
Non-current	**522,549**	630,826
	622,186	727,882

Trade receivables represent receivables from customers, which were from contracts for provision of ancillary services.

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 the date of revenue recognition.

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

12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Trade and construction payable	**181,559**	159,146
Accruals for construction	**76,749**	107,012
Consideration payable for acquisitions of subsidiaries	**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

As at 31 August 2020 and 2019, the trade payables were aged within 180 days based on invoice date.

13. ACQUISITION OF A SUBSIDIARY

On 3 July 2018, the Group entered into a series of agreements with independent third parties to acquire 80% equity interest in Foshan Zhonghui Education Investment Co., Ltd. (佛山市中輝教育投資有限公司) ("**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 the 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Established in 2003, we 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.

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

Campus	Province	Curricula
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

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 this announcement.

Total Revenue

	For the year ended 31 August			
	2020	**% of Total**	2019	% of Total
Total Revenue by Service	***RMB'000***		*RMB'000*	
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:

Student Enrolment by School	**School Year** **2019/2020**	2018/2019	**Change**	**Percentage Change**
Dongguan Guangming Secondary and Primary Schools	**17,623**	17,358	**+265**	**+1.5%**
Dongguan Guangzheng Preparatory School	**14,773**	12,645	**+2,128**	**+16.8%**
Huizhou Guangzheng Preparatory School	**9,694**	8,413	**+1,281**	**+15.2%**
Panjin Guangzheng Preparatory School	**4,070**	3,119	**+951**	**+30.5%**
Weifang Guangzheng Preparatory School	**2,522**	2,133	**+389**	**+18.2%**
Jieyang 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.

Average Tuition and Boarding Fees per student by School	For the year ended 31 August **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 announcement.

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 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	**% of**	2019	% of
	RMB'000	**Revenue**	*RMB'000*	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 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) unrealised 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 announcement, 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.

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	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 Preparatory 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 announcement, 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 announcement, 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 Foreign Language 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 announcement, 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 above, 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).

EVENTS AFTER THE REPORTING PERIOD

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

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 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. The unutilized net proceeds from the Placing are generally placed in the licensed financial institutions as short-term interest-bearing deposits. We anticipated to use up the unutilized net proceeds from the Placing within 2 years from the completion date of the Placing.

FINAL DIVIDEND

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 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 (the "**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).

SHARE AWARD SCHEME

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

As at 31 August 2020, the Trustee has purchased a total of 11,704,000 Shares (as at 31 August 2019: 11,704,000 Shares) on the Stock Exchange. On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Shares (the "**Awarded Shares**") to 12 Selected Participants. The Awarded Shares represent approximately 0.39% of the total issued shares of the Company as at the date of this announcement. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant. Save for Mr. Li Jiuchang and Mr. Wang Yongchun, being executive Directors, who have been granted not more than 1,500,000 and not more than 1,200,000 Awarded Shares, respectively, none of the Selected Participants is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the section headed "Share Award Scheme" above, 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.

CORPORATE GOVERNANCE

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

Ms. Li Suwen ("**Ms. Li**") performs the dual roles of both Chairperson and CEO. The Board believes that it is in the interest of the Company and its Shareholders for Ms. Li to assume the responsibilities of such positions, given that Ms. Li is one of the 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.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2020 and has met with the independent auditor, Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the year ended 31 August 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.wisdomeducationintl.com. The annual report of the Group for the year ended 31 August 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders in due course.

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

Hong Kong, 23 November 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Xuebin, Ms. Li Suwen, Mr. Li Jiuchang and Mr. Wang Yongchun; and three independent non-executive Directors, namely Prof. Sun Kai Lit Cliff, BBS, J.P., Mr. Tam King Ching Kenny and Mr. Huang Weiguo.