The following is the text of a report, prepared for the purpose of inclusion in this document, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

35/F One Pacific Place
88 Queensway
Hong Kong

16 January 2017

The Directors
Wisdom Education International Holdings Company Limited
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Wisdom Education International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 August 2016 (the "Track Record Period") for inclusion in this document of the Company dated 16 January 2017 (the "[**REDACTED**]") in connection with the [**REDACTED**].

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 13 July 2010. Pursuant to a special resolution of the Company dated 12 May 2016, the name of the Company has been changed from Bright Education Group Co. Limited to Wisdom Education Group Company Limited, the name of the Company has been further changed to Wisdom Education International Holdings Company Limited pursuant to a special resolution of the Company dated 28 June 2016. The change was certified by the Registrar of Companies of Cayman Islands on 5 July 2016.

Pursuant to a corporate reorganization, as described more fully in the section headed "History and development" to this document, the Company became the holding company of the Group on 1 July 2016.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group As at 31 August 2014	2015	2016	Date of this report	Principal activities
Bright Education Co. Limited ("Bright Education BVI") 光正教育有限公司	29 July 2010 British Virgin Islands ("BVI")	United States Dollars ("USD") 1	100%	100%	100%	100%	Investment holding
Bright Education (HK) Co. Limited ("Bright Education HK") 光正教育(香港)有限公司	15 September 2010 Hong Kong	Hong Kong Dollars ("HK$") 1	100%	100%	100%	100%	Investment holding
Brighter Dewey Education Corporation ("Brighter Dewey")	27 May 2016 Canada	Canadian Dollars 100	N/A	N/A	55%	55%	Provision of middle school and primary school full time education

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group As at 31 August 2014	2015	2016	Date of this report	Principal activities
廣東光正教育集團有限公司 Guangdong Guangzheng Educational Group Co., Ltd.* ("Guangdong Guangzheng")	10 October 2002 The People's Republic of China (the "PRC")	RMB83,400,000	100%	100%	100%	100%	Education investment
東莞瑞興商務服務有限公司 Dongguan Ruixing Business Services Co., Ltd.* ("Dongguan Ruixing")	17 May 2013 The PRC	HK$1,000,000	100%	100%	100%	100%	Educational consultancy service
東莞悦興教育諮詢有限公司 Dongguan Yuexing Education Consulting Co., Ltd.* ("Dongguan Yuexing")	4 December 2012 The PRC	HK$– *(note vi)*	100%	100%	100%	100%	Educational consultancy service
盤錦光正投資有限公司 Panjin Guangzheng Investment Co., Ltd.* ("Panjin Guangzheng")	13 March 2013 The PRC	RMB80,000,000	100% *(note i)*	100% *(note i)*	100%	100%	Education investment
盤錦光正實驗學校 Panjin Guangzheng Preparatory School*	1 September 2014 The PRC	RMB– *(note vi)*	N/A	100%	100%	100%	Provision of high school, middle school and primary school full time education
惠州市光正投資有限公司 Huizhou Guangzheng Investment Co., Ltd.* ("Huizhou Guangzheng") *(note ii)*	23 July 2009 The PRC	RMB20,000,000	100%	100%	100%	100%	Education investment
惠州市光正實驗學校 Huizhou Guangzheng Preparatory School*	10 April 2014 The PRC	RMB5,000,000	100%	100%	100%	100%	Provision of high school, middle school and primary school full time education
東莞市光明中學 Dongguan Guangming School*	9 April 2003 The PRC	RMB232,524,000	100%	100%	100%	100%	Provision of high school and middle school full time education
東莞市光明小學 Dongguan Guangming Primary School*	25 August 2004 The PRC	RMB85,912,900	100%	100%	100%	100%	Provision of primary school full time education

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group				Principal activities
			As at 31 August			Date of this report	
			2014	2015	2016		
東莞市光正實驗學校 Dongguan Guangzheng Preparatory School*	1 July 2004 The PRC	RMB50,434,794	100%	100%	100%	100%	Provision of high school, middle school and primary school full time education
深圳光正優越科技開發有限公司 Shenzhen Guangzheng Youyue Technology Development Co., Ltd.* ("Shenzhen Youyue")	10 October 2015 The PRC	RMB– *(note vi)*	N/A	N/A	100%	100%	Software development
江蘇省南通市光正投資有限公司 Jiangsu Nantong Guangzheng Investment Co., Ltd.* ("Nantong Guangzheng")	12 August 2011 The PRC	RMB60,000,000	100%	100%	– *(note iii)*	–	Inactive
東莞市光正物業服務有限公司 Dongguan Guangzheng Property Services Co., Ltd.* ("Dongguan Guangzheng Property")	16 January 2009 The PRC	RMB200,000	100%	100%	– *(note iv)*	–	Inactive
東莞市光正醫藥有限公司 Dongguan Guangzheng Pharmaceutical Co., Ltd.* ("Dongguan Guangzheng Pharmaceutical")	29 September 2003 The PRC	RMB1,000,000	60%	60%	– *(note v)*	–	Inactive
東莞市文匯教育投資有限公司 Dongguan Wenhui Education Investment Co., Ltd.* ("Dongguan Wenhui")	6 August 2015 The PRC	RMB– *(note vi)*	N/A	100%	100%	100%	Education investment
濰坊光正實驗學校投資有限公司 Weifang Guangzheng Preparatory School Investment Co., Ltd.* ("Weifang Guangzheng")	9 October 2015 The PRC	RMB– *(note vi)*	N/A	N/A	100%	100%	Education investment
濰坊光正實驗學校 Weifang Guangzheng Preparatory School*	28 July 2016 The PRC	RMB20,000,000	N/A	N/A	100%	100%	Provision of middle school and primary school full time education
廣安光正教育發展有限公司 Guang'an Guangzheng Education Development Co., Ltd.* ("Guang'an Guangzheng")	8 April 2016 The PRC	RMB– *(note vi)*	N/A	N/A	100%	100%	Education investment

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group				Principal activities
			As at 31 August			Date of this report	
			2014	2015	2016		
雲浮市光正投資有限公司 Yunfu Guangzheng Investment Co., Ltd.* ("Yunfu Guangzheng")	31 August 2016 The PRC	RMB– *(note vi)*	N/A	N/A	75%	75%	Education investment

* The English names are for identification purpose only.

Notes:

i. To finance the establishment of Panjin Guangzheng Preparatory School, in May 2014, Guangdong Guangzheng, Panjin Guangzheng and 東莞信託有限公司 ("Dongguan Trust"), an independent third party, entered into a financing arrangement, pursuant to which Dongguan Trust injected RMB200 million, of which RMB50 million in the form of registered capital and RMB150 million in the form of contributed surplus into Panjin Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Panjin Guangzheng has increased to RMB80 million, of which RMB50 million, equivalent to 62.5% of the registered capital of Panjin Guangzheng, was held under the name of Dongguan Trust as security of the financial arrangement. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer back the 62.5% of registered capital in Panjin Guangzheng to the Group upon full repayment of RMB200 million in two years, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. In June 2016, 62.5% of registered capital in Panjin Guangzheng was transferred from Dongguan Trust to Guangdong Guangzheng upon full repayment of the said amount pursuant to the financing arrangement. Details of the financing arrangement is included in note 24 of Section A.

ii. To finance the establishment of Huizhou Guangzheng Preparatory School, in July 2011, Guangdong Guangzheng, Huizhou Guangzheng and Dongguan Trust entered into a financing arrangement, pursuant to which Dongguan Trust injected RMB100 million, of which RMB15 million in the form of registered capital and RMB85 million in the form of contributed surplus into Huizhou Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Huizhou Guangzheng has increased to RMB20 million, of which RMB15 million, equivalent to 75.0% of the registered capital, was held under the name of Dongguan Trust as security of the financial arrangement. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer back the 75.0% of registered capital in Huizhou Guangzheng to the Company upon full repayment of RMB100 million in two years, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. In May 2013, full repayment of the said amount pursuant to the financing arrangement has been made to Dongguan Trust. In September 2013, 75.0% of registered capital in Huizhou Guangzheng was transferred from Dongguan Trust to 富盈集團有限公司 ("Cinese Group"), a company controlled by Mr. Liu Xuebin ("Mr. Liu"), one of the controlling shareholders of the Company. In July 2014, Cinese Group transferred the 75.0% of registered capital in Huizhou Guangzheng to the Group for a consideration of RMB15 million. Details of the financing arrangement is included in note 24 of Section A.

iii. Nantong Guangzheng was disposed of on 18 January 2016 to Mr. Liu and Ms. Li Suwen ("Ms. Li"), controlling shareholders of the Company for RMB1,000,000. The disposal was completed with consideration received in April 2016. Details of the disposal are included in note 32 of section A.

iv. Dongguan Guangzheng Property was disposed of on 29 January 2016 to Mr. Liu Jiefeng ("Mr. JF Liu"), a close family member of Mr. Liu and Mr. Liu Shoupeng ("Mr. SP Liu"), father of Mr. Liu for RMB200,000. The disposal was completed with consideration received in February 2016. Details of the disposal are included in note 32 of section A.

v. Dongguan Guangzheng Pharmaceutical was disposed of on 7 December 2015 to Mr. JF Liu for RMB600,000. The disposal was completed with consideration received in January 2016. Details of the disposal are included in note 32 of section A.

vi. As at the date of this report, no registered capital has been paid.

Bright Education BVI was a direct subsidiary of the Company and other subsidiaries are indirect subsidiaries of the Company.

The Company's financial year end date is 31 August, which is consistent with the school year. Except for the Company, Bright Education HK and Brighter Dewey that have a financial year end of 31 August, all subsidiaries have a financial year end of 31 December.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/period ended	Name of auditors
Dongguan Guangming School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangming Primary School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangzheng Preparatory School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Huizhou Guangzheng Preparatory School	31 December 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Ruixing	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Yuexing	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Guangdong Guangzheng	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Huizhou Guangzheng	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangzheng Property	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch

Name of subsidiaries	Financial year/period ended	Name of auditors
Dongguan Guangzheng Pharmaceutical	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch

According to the Law for Promoting Private Education, the private schools should engage external auditors to issue audit report for each fiscal year. Panjin Guangzheng Preparatory School has not engaged an auditor to issue statutory financial statement for the year ended 31 December 2015, since audited financial statements were not requested by local authorities during the annual inspection.

Panjin Guangzheng has not engaged an auditor to issue statutory financial statements for the period from 13 March 2013 to 31 December 2013 and for the year ended 31 December 2014 and 2015 as it was not required by local authorities.

No statutory financial statements were prepared for Nantong Guangzheng as it was inactive during the Track Record Period since its date of establishment.

No audited financial statements have been prepared for Weifang Guangzheng, Weifang Guangzheng Preparatory School, Guang'an Guangzheng, Shenzhen Youyue, Dongguan Wenhui, Yunfu Guangzheng and Brighter Dewey as they are either newly incorporated/established or incorporated in jurisdictions which do not have any statutory audit requirements.

No statutory financial statements have been prepared for the Company and Bright Education BVI as they were incorporated in jurisdictions where there are no statutory audit requirements.

Statutory financial statements of Bright Education HK for the year ended 31 August 2014, 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Track Record Period (hereinafter referred to as "Underlying Financial Statements") in accordance with accounting policies which confirm with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). We have undertaken an independent audit in accordance with International Standards on Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of the Section A below. No adjustment is considered necessary for the purpose of preparing our report for inclusion in this document.

The preparation of the Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of this document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to Section A below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the financial position of the Company and the Group as at 31 August 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 August		
	Notes	**2014**	**2015**	**2016**
		(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	*5*	450,913	568,715	700,741
Cost of revenue		(239,717)	(289,194)	(370,352)
Gross profit		211,196	279,521	330,389
Other income	*6*	7,007	6,858	7,499
Other gains and losses	*7*	176	(1,260)	(6,201)
Selling expenses		(6,289)	(7,513)	(13,271)
Administrative expenses		(72,150)	(76,114)	(93,945)
[**REDACTED**] expenses		–	–	(24,401)
Finance income	*8a*	46,316	117,600	64,105
Finance costs	*8b*	(73,987)	(106,750)	(69,640)
Profit before taxation		112,269	212,342	194,535
Taxation	*9*	(21,360)	(30,045)	(40,172)
Profit and total comprehensive income for the year	*10*	90,909	182,297	154,363
Attributable to:				
Owners of the Company		90,917	182,305	154,367
Non-controlling interests		(8)	(8)	(4)
		90,909	182,297	154,363
Earnings per share				
Basic (RMB)	*13*	0.06	0.12	0.10

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

			The Group At 31 August	
	Notes	**2014**	**2015**	**2016**
		(RMB'000)	*(RMB'000)*	*(RMB'000)*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	925,194	1,006,912	1,344,405
Prepaid lease payments	*15*	218,308	213,055	226,324
Investment properties	*16*	17,500	18,100	19,700
Amounts due from related parties	*25*	1,074,930	99,220	–
Deposits	*18*	90,271	95,380	–
Deferred tax assets	*26*	666	677	2,775
Prepayments for construction to a related company	*19*	–	–	170,000
		2,326,869	1,433,344	1,763,204
CURRENT ASSETS				
Inventories – goods for sale		1,591	1,978	4,522
Deposits, prepayments and other receivables	*18*	51,952	25,761	30,416
Amounts due from related parties	*25*	287,537	1,486,418	550,830
Prepaid lease payments	*15*	5,253	5,253	5,698
Bank balances and cash	*20*	13,071	12,229	103,705
		359,404	1,531,639	695,171
CURRENT LIABILITIES				
Deferred revenue	*21*	224,817	285,146	365,005
Trade payables	*22*	14,362	25,185	39,936
Other payables and accrued expenses	*23*	286,552	203,971	207,549
Amounts due to related parties	*25*	336,908	432,838	339,788
Income tax payable		38,583	61,210	58,218
Borrowings	*24*	141,362	537,849	142,279
		1,042,584	1,546,199	1,152,775
NET CURRENT LIABILITIES		(683,180)	(14,560)	(457,604)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,643,689	1,418,784	1,305,600
CAPITAL AND RESERVES				
Share capital/paid-in capital	*27*	83,400	83,400	–
Reserves		427,232	592,076	830,775
Equity attributable to owners of the Company		510,632	675,476	830,775
Non-controlling interests		(217)	(225)	–
		510,415	675,251	830,775
NON-CURRENT LIABILITIES				
Borrowings	*24*	1,128,638	737,651	465,421
Deferred tax liabilities	*26*	4,636	5,882	9,404
		1,133,274	743,533	474,825
		1,643,689	1,418,784	1,305,600

STATEMENTS OF FINANCIAL POSITION

	Notes	**The Company At 31 August** **2014** *(RMB'000)*	**2015** *(RMB'000)*	**2016** *(RMB'000)*
NON-CURRENT ASSET				
Investment in a subsidiary	*17*	–	–	–
CURRENT ASSET				
Deferred [**REDACTED**] expenses		–	–	8,134
CURRENT LIABILITIES				
Accrued [**REDACTED**] expenses		–	–	20,037
Amount due to a director	*25*	61	63	10,724
Amount due to a subsidiary	*25*	–	–	759
		61	63	31,520
NET CURRENT LIABILITIES		(61)	(63)	(23,386)
TOTAL ASSETS LESS CURRENT LIABILITIES		(61)	(63)	(23,386)
CAPITAL AND RESERVES				
Share capital	*27*	–	–	–
Reserves	*28*	(61)	(63)	(23,386)
		(61)	(63)	(23,386)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital/ paid-up capital *(RMB'000)*	**Capital reserve** *(RMB'000)* *(note i)*	**Merger reserve** *(RMB'000)*	**Discretionary special reserve** *(RMB'000)* *(note iii)*	**Statutory surplus reserve** *(RMB'000)* *(note iv)*	**Accumulated profits** *(RMB'000)*	**Total** *(RMB'000)*	**Non-controlling interest** *(RMB'000)*	**Total** *(RMB'000)*
At 1 September 2013	83,400	–	–	–	138,496	308,041	529,937	(209)	529,728
Profit and total comprehensive income for the year	–	–	–	–	–	90,917	90,917	(8)	90,909
Deemed contribution from equity holder	–	85,000	–	–	–	–	85,000	–	85,000
Deemed distribution to equity holder *(note ii)*	–	–	–	–	–	(195,222)	(195,222)	–	(195,222)
Transfer	–	–	–	–	28,676	(28,676)	–	–	–
At 31 August 2014	83,400	85,000	–	–	167,172	175,060	510,632	(217)	510,415
Profit and total comprehensive income for the year	–	–	–	–	–	182,305	182,305	(8)	182,297
Deemed distribution to equity holder *(note ii)*	–	–	–	–	–	(17,461)	(17,461)	–	(17,461)
Transfer	–	–	–	–	39,331	(39,331)	–	–	–
At 31 August 2015	83,400	85,000	–	–	206,503	300,573	675,476	(225)	675,251
Profit and total comprehensive income for the year	–	–	–	–	–	154,367	154,367	(4)	154,363
Disposal of a subsidiary *(note 32)*	–	–	–	–	–	–	–	229	229
Deemed contribution from equity holders *(note ii)*	–	–	–	–	–	932	932	–	932
Transfer	–	–	–	182,519	35,404	(217,923)	–	–	–
Arising from reorganisation *(note v)*	(83,400)	–	83,400	–	–	–	–	–	–
At 31 August 2016	–	85,000	83,400	182,519	241,907	237,949	830,775	–	830,775

Notes:

i. Pursuant to the trust financing arrangement between the Group, Huizhou Guangzheng and Dongguan Trust, 75% of equity interest of Huizhou Guangzheng was transferred to Cinese Group from Dongguan Trust upon the full repayment of RMB100,000,000 by Cinese Group in May 2013. The repayment by Cinese Group was settled with the Group's current accounts. In September 2013, the 75% equity interest in Huizhou Guangzheng was subsequent transferred from Cinese Group to the Group at a consideration of RMB15,000,000 and settled by the current accounts with Cinese Group. The difference of RMB85,000,000 between the consideration and the investment in Huizhou Guangzheng by Cinese Group of RMB100,000,000 is accounted for as a deemed contribution from equity holders.

ii. The deemed distribution to equity holders represents the differences between the fair value of the lower-than-market interest rate advances to Cinese Group and other related parties, and the principal amount of the advances at initial recognition. Details of the advances to Cinese Group and other related parties is included in note 25 of section A below. For the year ended 31 August 2016, the deemed contribution includes the gain on disposal of Nantong Guangzheng amounting to RMB932,000, which represents the differences between the consideration received and the carrying amount of the assets and liabilities disposed of at the date of disposal.

iii. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets and liabilities of the special reserve would be treated similar to other assets and liabilities of the schools pursuant to 《中華人民共和國民辦教育促進法》 and 《中華人民共和國企業破產法》. Upon the establishment of a special reserve committee in May 2016, the Group has transferred all the retained earnings of its on-campus canteens since the operation thereof to the discretionary special reserve. As at 31 August 2016, all such retained earnings in the amount of RMB182,519,000 had been transferred to the discretionary special reserve.

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

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 August		
	Notes	**2014**	**2015**	**2016**
		(RMB'000)	*(RMB'000)*	*(RMB'000)*
OPERATING ACTIVITIES				
Profit before taxation		112,269	212,342	194,535
Adjustments for:				
Finance costs		73,987	106,750	69,640
Interest income		(46,316)	(117,600)	(64,105)
[**REDACTED**] expenses		–	–	24,401
Depreciation of property, plant and equipment		29,308	41,037	49,413
Increase in fair value of investment properties		(600)	(600)	(1,600)
Release of prepaid lease payments		4,962	5,253	5,503
Loss on disposal of subsidiaries		–	–	2,353
Loss on disposal of property, plant and equipment		95	153	827
Operating cash flows before movements in working capital		173,705	247,335	280,967
Increase in inventories		(481)	(387)	(2,547)
(Increase) decrease in deposits, prepayments and other receivables		(4,551)	(4,448)	4,252
Increase in deferred revenue		46,527	60,329	79,859
Increase in trade payables		6,007	10,823	14,751
Increase in amounts due to related parties		1,170	2,375	6,605
Increase (decrease) in other payables and accrued expenses		19,286	9,304	(4,535)
Cash generated from operations		241,663	325,331	379,352
Income tax paid		(563)	(6,183)	(41,740)
NET CASH FROM OPERATING ACTIVITIES		241,100	319,148	337,612

	Notes	Year ended 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
INVESTING ACTIVITIES				
Interest received		271	89	155
Disposal of subsidiaries	32	–	–	(30)
Refund of deposits paid for a school building project		–	–	95,380
Deposit paid for a school building project		(40,000)	–	–
Payments for acquisition of property, plant and equipment		(231,558)	(193,628)	(178,191)
Payments for acquisition of prepaid lease		(5,000)	–	(19,217)
Proceeds from disposal of property, plant and equipment		108	–	185
Advances to related parties		(427,993)	(786,738)	(989,821)
Repayments from related parties		555,200	664,008	627,805
Advances to Cinese Group		(1,190,000)	(100,000)	–
Repayment from Cinese Group		455,000	94,500	717,800
Repayment from a local land authority	18	–	30,000	–
Payment for acquisition of Dongguan Guangzheng Preparatory School		(26,000)	(17,000)	(3,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(909,972)	(308,769)	251,066
FINANCING ACTIVITIES				
Proceeds from bank borrowings		1,190,000	100,000	50,000
Repayment of bank borrowings		(455,000)	(94,500)	(717,800)
Repayments to related parties		(69,972)	(102,729)	(383,108)
Advances from related parties		59,113	196,284	654,500
Interest paid		(76,106)	(110,276)	(88,296)
[**REDACTED**] expenses paid		–	–	(12,498)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		648,035	(11,221)	(497,202)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(20,837)	(842)	91,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		33,908	13,071	12,229
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		13,071	12,229	103,705

NOTES TO THE FINANCIAL INFORMATION

1a. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 July 2010 as an exempted company under the Companies Law of the Cayman Islands. Its parent is Bright Education (Holdings) Co. Limited ("Bright Education Holdings") (incorporated in the British Virgin Islands) and its ultimate controlling parties are Mr. Liu, who is also the Chairman and executive director of the Company and Ms. Li, who is the Chief Executive Officer and executive director of the Company (Mr. Liu and Ms. Li collectively as the "Controlling Equity Holders"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is No. 28 Chiling Road Section, Guantai Road, Houjie Town, Dongguan, Guangdong, the PRC.

The Group provides full spectrum private fundamental education, including primary, middle and high schools in the PRC.

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Guangdong Guangzheng and its subsidiaries, which were established in the PRC. The Company and its subsidiaries comprising the Group are under the control of Mr. Liu and Ms. Li, of which Mr. Liu and Ms. Li effectively owns 70% and 30% interests respectively in the Company and Guangdong Guangzheng. On 7 August 2016, Mr. Liu and Ms. Li have executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Company and Guangdong Guangzheng. In preparation for the [**REDACTED**], the Group underwent the reorganisation through entering into contractual arrangements (the "Contractual Arrangements") between Guangdong Guangzheng and Dongguan Ruixing, an indirect subsidiary of the Company as detailed below.

Pursuant to the reorganisation as more fully explained in the paragraph headed under the section headed "Contractual Arrangements" in this document, the Company became the holding company of the companies now comprising the Group on 1 July 2016. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the reorganisation, the Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities as defined below) is regarded as a continuing entity. The Financial Information for the Track Record Period has been prepared on the basis as if the Company had been always been the holding company of the Group using the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang'an Guangzheng and Yunfu Guangzheng ("Consolidated Affiliated Entities") in the PRC. A wholly-owned subsidiary of the Company, Dongguan Ruixing, has entered into the Contractual Arrangements with Guangdong Guangzheng and their respective equity holders, which, effective from 1 July 2016, enable Dongguan Ruixing and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services provided by Dongguan Ruixing. Such services include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions, educational software and course materials research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time; and
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Dongguan Ruixing may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dongguan Ruixing.

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

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

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	450,913	568,715	700,741
Profit before taxation	112,340	212,376	220,559

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Non-current assets	2,326,869	1,433,344	1,763,204
Current assets	358,584	1,530,824	685,401
Current liabilities	(1,041,625)	(1,545,211)	(1,121,173)
Non-current liabilities	(1,133,274)	(743,533)	(474,825)

The Financial Information is presented in RMB, which is also the functional currency of the Company.

1b. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

As of 31 August 2014, 2015 and 2016, the Group recorded net current liabilities of RMB683,180,000, RMB14,560,000 and RMB457,604,000, respectively. 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 Group's net current liabilities as of 31 August 2016 primarily as a result of: (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of the schools; (ii) other payables and accrued expenses, which consist primarily of accruals for construction in connection with the maintenance and improvement of the school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of short-term bank borrowings.

The Financial Information has 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, repayment from related parties, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 September 2015 throughout the Track Record Period.

At the date of this report, the following new and revised standards and amendments and an interpretation (collectively referred to as "new and revised IFRSs") have been issued which are not yet effective. The Group has not early adopted these new and revised IFRSs in the preparation of the Financial Information for the Track Record Period.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[6]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 15 Revenue from Contracts with Customers

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Based on the preliminary analysis, the management of the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on recognition of service income from tuition fees, boarding fees and ancillary services.

IFRS 16 Leases

IFRS 16 was issued by IASB in January 2016. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33, total operating lease commitments of the Group in respect of leased premises as at 31 August 2014, 2015 and 2016 are amounted to RMB54,511,000, RMB53,810,000 and RMB52,056,000, respectively, the directors of the Company do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company consider that the application of the other new and revised IFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, as appropriate, and in accordance with the following accounting policies which conform to IFRSs issued by IASB. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

(i) has power over the investee;

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

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

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

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

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

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

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

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

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

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

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

Business combinations other than those under common control

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

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

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

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

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

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Borrowing costs

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Construction in progress is carried out at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

Investment properties

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

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

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

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

Impairment of assets

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

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

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

Impairment of loan and receivables

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

Objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Contractual Arrangements

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2014, 2015 and 2016, the carrying amount of property, plant and equipment are RMB925,194,000, RMB1,006,912,000 and RMB1,344,405,000 respectively. Any change in these estimates may have a material impact on the results of the Group.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

Information reported to the CODM, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. 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:

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Tuition fees	315,211	391,685	489,561
Boarding fees	36,439	50,539	60,555
Ancillary services	99,263	126,491	150,625
	450,913	568,715	700,741

Major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

Geographical information

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

6. OTHER INCOME

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Rental income from investment properties	1,046	896	1,043
Government grants *(note i)*	620	1,450	1,956
Donations	260	260	680
Staff quarter income	3,418	3,442	2,649
Others	1,663	810	1,171
	7,007	6,858	7,499

Note:

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

7. OTHER GAINS AND LOSSES

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Loss on disposal of property, plant and equipment, net	(95)	(153)	(827)
Gain on change in fair value of investment properties *(note 16)*	600	600	1,600
Penalties and late surcharges	(330)	(1,847)	(4,553)
Loss on disposal of subsidiaries *(note 32)*	–	–	(2,353)
Others	1	140	(68)
	176	(1,260)	(6,201)

8a. FINANCE INCOME

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Bank interest income	271	89	155
Interest income from deposits paid for a school building project *(note 18)*	3,824	5,109	–
Imputed interest income on advances to Cinese Group	34,923	101,074	63,950
Imputed interest income on advances to related parties	7,298	11,328	–
	46,316	117,600	64,105

8b. FINANCE COSTS

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Interest expense on bank and other borrowings			
– wholly repayable within 5 years	67,465	86,124	70,159
– not wholly repayable within 5 years	11,574	23,752	9,849
Less: amounts capitalised in the cost of property, plant and equipment	(5,052)	(3,126)	(10,368)
	73,987	106,750	69,640

Borrowing costs capitalised during the year ended 31 August 2014, 2015 and 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.2%, 8.5% and 9.1% per annum, respectively to expenditure on property, plant and equipment (construction in progress).

9. TAXATION

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
The income tax expense comprises:			
Current tax:			
PRC EIT	19,742	28,810	38,748
Deferred tax *(note 26)*	1,618	1,235	1,424
	21,360	30,045	40,172

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

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Profit before taxation	112,269	212,342	194,535
Tax at PRC EIT rate of 25%	28,067	53,086	48,634
Tax effect of tax loss not recognised	3,101	4,556	265
Tax effect of income not taxable for tax purposes *(note i)*	(10,555)	(28,101)	(15,988)
Tax effect of expenses not deductible for tax purposes	686	952	7,482
Utilisation of tax loss previously not recognised	–	(552)	–
Others	61	104	(221)
Income tax expense for the year	21,360	30,045	40,172

Note:

i. The income not taxable for tax purposes mainly represents the tax effect of imputed interest income on advances to Cinese Group and related parties.

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

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit during the Track Record Period.

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Track Record Period.

As at 31 August 2014, 2015 and 2016, the Group had estimated unused tax losses of approximately RMB23,828,000, RMB42,052,000 and RMB43,112,000, respectively available for offset against future profits. Deferred tax asset has been recognised in respect of RMB7,668,000 of the tax losses as at 2016. No deferred tax asset has been recognised in respect of the remaining unused tax losses amounted to RMB23,828,000, RMB42,052,000 and RMB35,444,000 for the year ended 31 August 2014, 2015 and 2016 due to the unpredictability of future profit stream.

10. PROFIT FOR THE YEAR

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Profit for the year has been arrived at after charging (crediting):			
Staff costs, including directors' remuneration			
– salaries and other allowances	165,346	191,618	225,383
– retirement benefit scheme contributions	10,360	12,263	21,299
Total staff costs	175,706	203,881	246,682
Depreciation of property, plant and equipment	29,308	41,037	49,413
Release of prepaid lease payments	4,962	5,253	5,503
Auditors' remuneration	71	181	182

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Mr. Liu and Ms. Li were appointed as directors of the Company on 12 July 2010. Mr. Li Jiuchang and Mr. Ng Cheuk Him were appointed as directors of the Company on 7 June 2016. Mr. Sun Kai Lit, Cliff, Mr. Tam King Ching, Kenny and Mr. Yau Sze Ka were appointed as directors of the Company on 3 January 2017. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/ directors of the group entities by entities comprising the Group) during the Track Record Period are as follows:

For the year ended 31 August 2014

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Executive directors					
Mr. Liu Xuebin	–	–	–	–	–
Ms. Li Suwen	–	300	–	15	315
	–	300	–	15	315

For the year ended 31 August 2015

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Executive directors					
Mr. Liu Xuebin	–	–	–	–	–
Ms. Li Suwen	–	300	–	15	315
	–	300	–	15	315

For the year ended 31 August 2016

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

Note:

i. No emoluments were paid to any of the other directors, namely Mr. Sun Kai Lit, Cliff, Mr. Tam King Ching, Kenny and Mr. Yau Sze Ka during the Track Record Period.

Employees

The five highest paid individuals of the Group included one, one and three directors of the Company for the years ended 31 August 2014, 2015 and 2016 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining four, four and two individuals for the years ended 31 August 2014, 2015 and 2016, respectively, are as follows:

	Year ended 31 August		
	2014 *(RMB'000)*	**2015** *(RMB'000)*	**2016** *(RMB'000)*
Salaries and other benefits	1,099	1,280	673
Retirement benefit scheme contributions	36	74	43
	1,135	1,354	716

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

	Year ended 31 August		
	2014	**2015**	**2016**
Nil to [**REDACTED**]	4	4	2

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

12. DIVIDENDS

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the consolidated profit attributable to the owners of the Company and the weighted average number of approximately 1,500,000,000, 1,500,000,000 and 1,500,000,000 shares outstanding during the years ended 31 August 2014, 2015 and 2016 after retrospective adjustment and on the assumption that the reorganisation and capitalisation issue as described in the Paragraph headed "Share Capital" to this document had been in effective on 1 September 2013.

No diluted earnings per share is presented as there were no dilutive potential shares during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
COST						
At 1 September 2013	570,794	12,738	3,796	36,537	51,719	675,584
Additions	13,483	12,301	93	14,539	303,979	344,395
Transfer	299,401	–	–	1,564	(300,965)	–
Disposals	–	–	(528)	(1,101)	–	(1,629)
At 31 August 2014	883,678	25,039	3,361	51,539	54,733	1,018,350
Additions	6,872	12,809	294	20,689	82,244	122,908
Transfer	120,812	4,775	–	429	(126,016)	–
Disposals	–	–	–	(1,509)	–	(1,509)
At 31 August 2015	1,011,362	42,623	3,655	71,148	10,961	1,139,749
Additions	20,169	15,850	340	27,607	323,952	387,918
Transfer	172,380	6,194	–	–	(178,574)	–
Disposals	–	–	(750)	(6,519)	–	(7,269)
At 31 August 2016	1,203,911	64,667	3,245	92,236	156,339	1,520,398
DEPRECIATION						
At 1 September 2013	(39,707)	(3,166)	(1,501)	(20,900)	–	(65,274)
Provided for the year	(15,427)	(4,241)	(374)	(9,266)	–	(29,308)
Eliminated on disposals	–	–	528	898	–	1,426
At 31 August 2014	(55,134)	(7,407)	(1,347)	(29,268)	–	(93,156)
Provided for the year	(22,221)	(7,130)	(328)	(11,358)	–	(41,037)
Eliminated on disposals	–	–	–	1,356	–	1,356
At 31 August 2015	(77,355)	(14,537)	(1,675)	(39,270)	–	(132,837)
Provided for the year	(24,921)	(10,937)	(268)	(13,287)	–	(49,413)
Eliminated on disposals	–	–	680	5,577	–	6,257
At 31 August 2016	(102,276)	(25,474)	(1,263)	(46,980)	–	(175,993)
NET BOOK VALUES						
At 31 August 2014	828,544	17,632	2,014	22,271	54,733	925,194
At 31 August 2015	934,007	28,086	1,980	31,878	10,961	1,006,912
At 31 August 2016	1,101,635	39,193	1,982	45,256	156,339	1,344,405

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

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

At 31 August 2014, 2015 and 2016, the Group is in the process of obtaining the property certificates for the buildings with an aggregate carrying value of RMB487,699,000, RMB504,938,000 and RMB529,635,000 which are located in the PRC.

15. PREPAID LEASE PAYMENTS

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

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Current assets	5,253	5,253	5,698
Non-current assets	218,308	213,055	226,324
	223,561	218,308	232,022

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

At 31 August 2014, 2015 and 2016, the carrying value of the land use rights of RMB37,497,000, RMB36,649,000 and RMB35,800,000 respectively was allocated by the government without land use right certificates. The Group is legally entitled to use them for 50 to 65 years which are stated in the corresponding acquisition agreements. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

16. INVESTMENT PROPERTIES

	(RMB'000)
FAIR VALUE	
At 1 September 2013	16,900
Unrealised gain in fair value (included in other gains and losses)	600
At 31 August 2014	17,500
Unrealised gain in fair value (included in other gains and losses)	600
At 31 August 2015	18,100
Unrealised gain in fair value (included in other gains and losses)	1,600
At 31 August 2016	19,700

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

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

The fair value of the Group's investment properties at 31 August 2014, 2015 and 2016 was RMB17,500,000, RMB18,100,000 and RMB19,700,000 respectively. The fair value has been arrived at based on a valuation carried out by DTZ Cushman & Wakefield Limited ("DTZ"), an independent valuer not connected with the Group. DTZ, located in 16th Floor Jardine House, Connaught Place Central, Hong Kong, is a member of the Hong Kong Institute of Surveyors. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

Income capitalisation method has been adopted for valuing the Group's commercial property units. Key inputs used in valuing the Group's commercial property units were the monthly market rent per square meter which is RMB60 and RMB63 and RMB71 as at 31 August 2014, 2015 and 2016 and the discount rate of 5.5% used. Market rent per square meter is extrapolated using zero growth rate. An increase in the market rent per square meter or discount rate used would result in an increase or decrease in fair value measurement of the commercial property units, and vice versa.

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 August 2014, 2015 and 2016 are as follows:

Commercial property units located in PRC

	Level 3 *(RMB'000)*	**Fair value** *(RMB'000)*
At 31 August 2014	17,500	17,500
At 31 August 2015	18,100	18,100
At 31 August 2016	19,700	19,700

There were no transfers into or out of Level 3 during the Track Record Period.

17. INVESTMENT IN A SUBSIDIARY

		At 31 August	
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
The Company			
Unlisted shares, at cost	–	–	–

Investment in a subsidiary represents the investments cost in Bright Education BVI.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Deposits paid for a school building project *(note i)*	90,271	95,380	–
Advances to a local land authority *(note ii)*	30,000	–	–
Deposits paid for construction of properties	2,811	2,172	3,001
Other deposits	8,126	8,883	8,334
Staff advances	1,583	3,650	3,660
Receivables from education bureau discretionary government subsidies	7,900	4,276	3,175
Other receivables	492	1,061	750
Prepayments	1,040	5,719	3,362
Deferred [**REDACTED**] expenses	–	–	8,134
	142,223	121,141	30,416
Analysed for reporting purpose as:			
Current assets	51,952	25,761	30,416
Non-current assets	90,271	95,380	–
	142,223	121,141	30,416

Notes:

i. In 2011, a deposit of RMB40,000,000 was paid to a local government to secure a school building project. An addition RMB40,000,000 deposit was paid to the local government during the year ended 31 August 2014. As at 31 August 2014 and 2015, these deposits carried a weighted-average interest rate of 7.2% and 6.6% per annum, respectively. In September 2015, the school building project was cancelled mutually by the Group and the local government and subsequently, the deposits of RMB80,000,000 and together with the interest of RMB15,380,000 were refunded to the Group. The accrued interest was recognised as finance income (note 8a). As the school building project was expected to last for more than one year, the deposit was classified as non-current assets.

ii. In 2009 and 2011, the Group made two advances of RMB15,000,000 each to a local land authority for land expropriation purpose. The advances were interest free, unsecured and repayable on demand. During the year ended 31 August 2015, RMB30,000,000 was repaid by the local land authority.

19. PREPAYMENTS FOR CONSTRUCTION TO A RELATED COMPANY

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

During the year ended 31 August 2016, RMB200,000,000 has been transferred to construction in progress with reference to the construction progress and the remaining RMB170,000,000 remains as prepayments as at 31 August 2016.

The school construction in Weifang and Guang'an are expected to complete not later than 30 June 2017 and 31 August 2017 respectively.

20. BANK BALANCES AND CASH

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

As at 31 August 2014, 2015 and 2016, the Group's bank deposits carried a weighted-average interest rate of 0.43%, 0.48% and 0.71% per annum, respectively.

As at 31 August 2014, 2015 and 2016, included in bank balances and cash of RMB4,892,000, RMB2,076,000 and Nil respectively were kept in personal bank accounts under the name of Mr. Liu, Ms. Li and a senior management of the Group.

21. DEFERRED REVENUE

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Tuition fees	194,540	245,954	297,690
Boarding fees	27,256	30,272	37,804
Ancillary services	3,021	8,920	29,511
	224,817	285,146	365,005

22. TRADE PAYABLES

The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit time frame. As at 31 August 2014, 2015 and 2016, the trade payables were aged within 180 days.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Consideration payable for the acquisition of Dongguan Guangzheng Preparatory School *(note)*	24,000	7,000	4,000
Discretionary government subsidies receipt in advance	–	4,775	5,224
Payables for land use right *(note)*	12,448	12,448	12,448
Accruals for construction	189,510	115,025	115,213
Payables to an independent third party relating to international programmes	2,824	2,071	1,285
Receipt on behalf of ancillary services providers	1,861	2,099	1,958
Deposits received	1,657	1,222	2,693
Other tax payables	2,015	4,224	6,304
Accrued staff benefits and payroll	31,541	30,868	24,044
Interest payable	9,683	9,283	995
Accrued operating expenses	1,009	3,894	4,751
Other payables	10,004	11,062	8,597
Accrued [**REDACTED**] expenses	–	–	20,037
	286,552	203,971	207,549

Note:

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

24. BORROWINGS

	At 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Borrowings:			
Bank			
– Secured	1,070,000	1,075,500	607,700
Trust financing arrangements with equity repurchase obligations	200,000	200,000	–
Total borrowings	1,270,000	1,275,500	607,700
Carrying amounts repayable:			
– Within one year	141,362	337,849	142,279
– More than one year, but not exceeding two years	297,849	118,849	119,279
– More than two years, but not exceeding five years	396,547	345,547	235,337
– More than five years	234,242	273,255	110,805
	1,070,000	1,075,500	607,700
Trust financing arrangements with equity repurchase obligations			
– Within one year	–	200,000	–
– More than one year, but not exceeding two years	200,000	–	–
	200,000	200,000	–
Less: Amounts due within one year shown under current liabilities	(141,362)	(537,849)	(142,279)
	1,128,638	737,651	465,421
The exposure of borrowings:			
– Fixed rate	390,000	390,000	23,000
– Variable rate	880,000	885,500	584,700
	1,270,000	1,275,500	607,700

The following table sets out details of the trust financing arrangements with equity repurchase obligation during the years ended 31 August 2014, 2015 and 2016:

	At 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	Principal amount (RMB'000)	Interest rate	Security	Duration
Huizhou Guangzheng	–	–	–	100,000	13.0%	75% equity interest of Huizhou Guangzheng	6 July 2011 to 30 May 2013
Panjin Guangzheng	200,000	200,000	–	200,000	12.0%	62.5% equity interest of Panjin Guangzheng	8 May 2014 to 8 May 2016

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

	At 31 August 2014	2015	2016
Effective interest rate:			
Fixed rates bank borrowings	7.3%	7.3%	4.6%
Variable-rate bank borrowings	6.4% – 8.4%	5.9% – 8.6%	4.8 – 6.9%
Fixed rates trust financing arrangements with equity repurchase obligations	12.0%	12.0%	–

Bank borrowings

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Dongguan Guangming School, Dongguan Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, the land use rights held by 東莞市富盈十里銀灣建造有限公司 (Dongguan Cinese Silver Beach Construction Co., Limited*) ("Dongguan Cinese Silver Beach"), 重慶市富盈酒店有限公司 (Chongqing Cinese Hotel Co., Limited)* ("Chongqing Cinese Hotel"), 盤錦萬盈房地產開發有限公司 (Panjin Wanying Real Estate Development Co. Ltd.*) ("Panjin Wanying") and 盤錦盈天酒店有限公司 (Panjin Yintian Hotel Co. Limited*) ("Panjin Yintian") at no cost and the properties of Dongguan Cinese Real Estate and 東莞石碣富盈酒店有限公司 (Dongguan Shijie Cinese Hotel Co. Limited*) ("Dongguan Shijie Cinese Hotel") at no cost. Dongguan Cinese Silver Beach, Chongqing Cinese Hotel, Panjin Wanying, Panjin Yintian and Dongguan Shijie Cinese Hotel are controlled by Mr. Liu and related parties of the Group.

All the land use rights held by the related parties of the Group were released upon the repayment of bank loans in the current year.

The borrowings are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties at 31 August 2014, 2015 and 2016 are as follows:

Name of related parties	At 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu, Ms. Li and Mr. SP Liu	160,000	135,000	105,000
Mr. Liu, Mr. SP Liu, Cinese Group, Dongguan Cinese Real Estate, Mr. Liu Xuewen and Mr. Liu Xuewei *(note i)*	100,000	98,000	–
Mr. Liu, Ms. Li, Cinese Group and Dongguan Cinese Real Estate	100,000	175,000	169,700
Mr. Liu, Ms. Li and Dongguan Cinese Real Estate	200,000	200,000	–
Mr. Liu, Ms. Wang Lijuan, Ms. Li and Cinese Group *(note ii)*	20,000	20,000	10,000
Mr. Liu, Ms. Li, Mr. SP Liu and Cinese Group	500,000	457,500	300,000
Mr. Liu, Mr. SP Liu, Cinese Group and Dongguan Cinese Real Estate	190,000	190,000	–
Cinese Group	15,000	–	–

note i: Mr. Liu Xuewen and Mr. Liu Xuewei are close family members of Mr. Liu.

note ii: Ms. Wang Lijuan is the spouse of Mr. Liu.

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities. The guarantees by these related parties are expected to be fully released upon [**REDACTED**] of the Company.

Trust financing arrangements

The Group entered into trust financing arrangements with Dongguan Trust, a trust financing company in the form of transferring equity interest of and issuing new paid-in capital of Huizhou Guangzheng and Panjin Guangzheng to the trust financing company with repurchase obligation at a fixed amount in a future date. Under this circumstance with the arrangement, the Group holds legal equity interests or board seats of Huizhou Guangzheng and Panjin Guangzheng at less than 50% during the trust financing period.

The operation environment and structure of Huizhou Guangzheng and Panjin Guangzheng require that all the major financial and operating policies are determined before trust financing arrangements are entered into. Huizhou Guangzheng and Panjin Guangzheng may not deviate from their approved purpose and design in any material respect. At the same time, according to various legal documents, including the articles of association of Huizhou Guangzheng and Panjin Guangzheng, the trust financing arrangement contracts, framework agreements and other agreements with the trust financing company, the Group retains the power to operate and manage Huizhou Guangzheng and Panjin Guangzheng in the ordinary course of business and the day-to-day management. The board seats and the veto/unilateral rights held by the trust financing company is considered as a protection to safeguard the creditor's rights.

In addition, pursuant to the trust financing arrangements, the Group has the obligations to repurchase the equity interests from the trust financing company for fixed amounts upon termination or expiry of the relevant trust financing arrangement. In light of such obligations to repurchase, the instruments are classified as financial liability. Accordingly, the trust financing company is only entitled to pre-determined fixed return as specified in the trust agreements, while the Group is entitled to majority beneficiary interests and bears risks from the operation of Huizhou Guangzheng and Panjin Guangzheng.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

Details of the current accounts with directors of the Company and related companies disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

The Group

						Maximum amount outstanding during		
		At 1 September	At 31 August			Year ended 31 August		
	Relationship	2013	2014	2015	2016	2014	2015	2016
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Mr. Liu *(note i)*	Controlling Equity Holders and director	31,046	120,424	149,877	50,691	120,424	214,735	235,222
Ms. Li *(note i)*	Controlling Equity Holders and director	84,968	77,811	54,221	41,478	84,968	77,811	54,221
Cinese Group *(note ii) – borrowings*	Controlled by Mr. Liu	468,380	1,014,409	1,163,021	212,171	1,014,409	1,163,201	1,163,021
Cinese Group *(note ii)*	Controlled by Mr. Liu	46,465	148,721	216,416	192,269	148,721	216,416	657,469
Dongguan Cinese Real Estate *(note iii)*	Controlled by Mr. Liu	2,000	–	–	44,228	2,000	–	44,228
東莞市富盛實業投資有限公司 Dongguan Fusheng Industrial Investment Co. Ltd.* ("Dongguan Fusheng") *(note iii)*	Controlled by Ms. Li	266	266	266	266	266	266	266
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co. Ltd.* ("Dongguan Cinese Hotel") *(note iii)*	Controlled by Mr. Liu	189,545	836	1,837	787	836	1,837	1,837
東莞市文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd.* ("Dongguan Wenfeng") *(note v)*	Controlled by a close family member of Mr. Liu	5	–	–	8,940	–	–	8,941
		822,675	1,362,467	1,585,638	550,830			
Analysed for reporting purposes as:								
Current assets		725,363	287,537	1,486,418	550,830			
Non-current assets		97,312	1,074,930	99,220	–			
		822,675	1,362,467	1,585,638	550,830			

The Group

	Relationship	At 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu *(note i)*	Controlling Equity Holders and director	(102,727)	(119,725)	(155,877)
Ms. Li *(note i)*	Controlling Equity Holders and director	(7,521)	(10,317)	(7,764)
Cinese Group *(note ii)*	Controlled by Mr. Liu	(147,625)	(145,307)	(25,715)
Dongguan Cinese Hotel *(note iii)*	Controlled by Mr. Liu	(300)	(313)	(247)
Dongguan Fusheng *(note iii)*	Controlled by Ms. Li	(200)	(200)	(200)
Dongguan Cinese Real Estate *(note iii)*	Controlled by Mr. Liu	–	(1,031)	–
Dongguan Shijie Cinese Hotel *(note iii)*	Controlled by Mr. Liu	–	–	(50)
東莞市萬盛房地產開發有限公司 Dongguan Wansheng Real Estate Development Co. Ltd.* ("Dongguan Wansheng Real Estate") *(note iii)*	Controlled by Mr. Liu	(68,852)	(143,897)	(131,282)
東莞市興大教育投資有限公司 Dongguan Xingda Education Investment Co. Ltd.* *(note iii)*	Controlled by Ms. Li	(4,395)	(4,385)	(4,385)
東莞市合興教育投資有限公司 Dongguan Hexing Education Investment Co. Ltd.* *(note iii)*	Controlled by Ms. Li	(598)	(598)	(598)
東莞市富勤實業投資有限公司 Dongguan Fuqin Industrial Investment Co. Ltd.* *(note iii)*	Controlled by Ms. Li	(1,095)	(1,095)	(1,095)
東莞市盈威食品配送中心 Dongguan Yingwei Foods Co. Ltd.* ("Dongguan Yingwei") *(note iv)*	Controlled by Mr. SP Liu	(1,229)	(2,449)	(7,162)
東莞市厚街長盈食品經營店 Dongguan Houjie Chang Ying Food Store* ("Dongguan Changying") *(note iv)*	Controlled by Mr. SP Liu	(382)	(1,272)	(2,609)
東莞市厚街盈發副食店 Dongguan Houjie Yingfa Grocery Store* ("Dongguan Yingfa") *(note iv)*	Controlled by a close family member of Mr. Liu	(388)	(653)	(1,186)
東莞市文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd.* ("Dongguan Wenfeng") *(note iv)*	Controlled by a close family member of Mr. Liu	(1,596)	(1,596)	(1,618)
		(336,908)	(432,838)	(339,788)

The Company

	At 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu *(note i)*	(61)	(63)	(10,724)

Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

note i: The amounts due from/(to) directors represented advances from/(to) Mr. Liu and Ms. Li, directors of the Group as at 31 August 2014, 2015 and 2016.

Included in the amounts due from directors of the Group were advances provided by the Group to the directors with carrying amount of RMB151,039,000 as at 31 August 2014. These advances were unsecured, non-interest bearing and the management of the Company expected the advances would not be recovered within one year. The nominal value of the advances as at 31 August 2014 were RMB162,367,000 with effective interest rate of 7.5% per annum. The imputed interest income recognised in profit or loss for the year ended 31 August 2014, 2015 and 2016 were RMB7,298,000, RMB11,328,000, and nil respectively. As these advances were not expected to receive within one year, the amounts were classified as non-current assets.

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

note ii: The amount due from Cinese Group mainly represented borrowings provided by the Group to Cinese Group with carrying amount of RMB1,014,409,000, RMB1,163,021,000 and RMB212,171,000, respectively as at 31 August 2014, 2015 and 2016. The borrowings were unsecured, non-interest bearing and repayable in two years terms. The nominal value of the borrowings as at 31 August 2014, 2015 and 2016 were RMB1,165,000,000 and RMB1,230,000,000 and RMB215,200,000 with effective interest rate of 9.4%, 8.2% and 8.2% per annum, respectively. The imputed interest income recognised in profit or loss for the year ended 31 August 2014, 2015 and 2016 was RMB34,923,000, RMB101,074,000 and RMB63,950,000, respectively.

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

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

note iv: The amounts are trade in nature, unsecured, non-interest bearing and repayable on demand. As at 31 August 2014, 2015 and 2016, these amounts were aged within 180 days based on invoice date.

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

The outstanding balances with non-trade nature have been settled by the relevant parties/the Group subsequent to 31 August 2016.

26. DEFERRED TAXATION

The following are the major deferred taxation recognised and movements thereon during the Track Record Period:

	Revaluation of investment properties *(RMB'000)*	Fair value change of properties and prepaid lease payments *(RMB'000)*	Deferred tax arising on interest capitalisation *(RMB'000)*	Tax losses *(RMB'000)*	Others *(RMB'000)*	Total *(RMB'000)*
At 1 September 2013	2,173	(651)	830	–	–	2,352
Charge to profit or loss	157	13	1,263	–	185	1,618
At 31 August 2014	2,330	(638)	2,093	–	185	3,970
Charge to profit or loss	158	13	781	–	283	1,235
At 31 August 2015	2,488	(625)	2,874	–	468	5,205
Charge to profit or loss	622	13	2,592	(1,917)	114	1,424
At 31 August 2016	3,110	(612)	5,466	(1,917)	582	6,629

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

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Deferred tax assets	(666)	(677)	(2,775)
Deferred tax liabilities	4,636	5,882	9,404
	3,970	5,205	6,629

27. SHARE CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	**Amount**	**Amount**	**Shown in the Financial Information as**
		(US$)	*(RMB)*	*(RMB'000)*
Ordinary shares of US$1.00 each				
Authorised:				
At 1 September 2013,				
31 August 2014, 2015 and 2016	50,000	50,000	300,000	–
Issued and fully paid:				
At 1 September 2013,				
31 August 2014 and 2015	10	10	60	–
Issue of shares to shareholders *(note i)*	90	90	590	–
At 31 August 2016	100	100	650	–

Notes:

i. During the year ended 31 August 2016, the Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment Co. Limited ("Bright Education Investment"), a company wholly owned by Ms. Li, respectively at nominal value. Bright Education Holdings then transferred eight shares in the Company to Bright Education Investment, upon which 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of the Company, respectively.

ii. All the new shares issued rank pari passu with the then existing shares in issue.

The Group

The paid-in capital as at 31 August 2014 and 2015 represented the combined paid-in capital of the Consolidated Affiliated Entities. The share capital as at 31 August 2016 represented share capital of the Company following the completion of Reorganisation.

28. RESERVES

The Company

	Accumulated losses *(RMB'000)*
At 1 September 2013	27
Other comprehensive expense and loss for the year	34
At 31 August 2014	61
Other comprehensive expense and loss for the year	2
At 31 August 2015	63
Other comprehensive expense and loss for the year	23,323
At 31 August 2016	23,386

29. RETIREMENT BENEFIT PLANS

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme for the Track Record Period are disclosed in note 10.

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 24, bank balance and cash, and equity attributable to owners of the Company, comprising capital, reserves and accumulated profits.

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

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group At 31 August			The Company At 31 August		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial assets						
Other receivables	9,975	8,987	7,585	–	–	–
Amounts due from related parties	1,362,467	1,585,638	541,890	–	–	–
Bank balances and cash	13,071	12,229	103,705	–	–	–
Loans and receivables	1,385,513	1,606,854	653,180	–	–	–
Financial liabilities						
Trade and other payables	67,156	65,862	76,141	–	–	–
Amounts due to related parties	336,908	432,838	339,788	61	63	10,724
Amount due to a subsidiary	–	–	–	–	–	759
Borrowings	1,270,000	1,275,500	607,700	–	–	–
Liabilities measured at amortised cost	1,674,064	1,774,200	1,023,629	61	63	11,483

(b) Financial risk management objectives and policies

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

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

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

Interest rate risk

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 August 2014, 2015 and 2016 would decrease/increase by RMB3,251,000, RMB3,275,000 and RMB1,804,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowings with variable rate.

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

Credit risk

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

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

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

Liquidity risk

As of 31 August 2014, 2015 and 2016, the Group recorded net current liabilities of RMB683,180,000, RMB14,560,000 and RMB457,604,000, respectively. 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 Group's net current liabilities as of 31 August 2016 primarily as a result of: (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of the schools; (ii) other payables and accrued expenses, which consist primarily of accruals for construction in connection with the maintenance and improvement of the school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of short-term bank borrowings.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Group's cash flow projection, repayment from related parties, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Financial Information has been prepared on a going concern basis.

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

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
The Group								
Non derivative financial liabilities								
Other payables	–	67,156	–	–	–	–	67,156	67,156
Amounts due to related parties	–	336,908	–	–	–	–	336,908	336,908
Borrowings								
– fixed rate	9.8	3,156	6,312	28,403	427,871	–	465,742	390,000
– variable rate	8.3	6,091	12,181	196,177	565,587	253,679	1,033,715	880,000
At 31 August 2014		413,311	18,493	224,580	993,458	253,679	1,903,521	1,674,064
Non derivative financial liabilities								
Other payables	–	65,862	–	–	–	–	65,862	65,862
Amounts due to related parties	–	432,838	–	–	–	–	432,838	432,838
Borrowings								
– fixed rate	9.8	3,156	6,312	418,403	–	–	427,871	390,000
– variable rate	7.7	5,638	11,276	198,589	520,480	292,765	1,028,748	885,500
At 31 August 2015		507,494	17,588	616,992	520,480	292,765	1,955,319	1,774,200
Non derivative financial liabilities								
Other payables	–	76,141	–	–	–	–	76,141	76,141
Amounts due to related parties	–	339,788	–	–	–	–	339,788	339,788
Borrowings								
– fixed rate	4.6	88	175	23,788	–	–	24,051	23,000
– variable rate	6.3	2,899	5,798	137,601	382,233	116,234	644,765	584,700
At 31 August 2016		418,916	5,973	161,389	382,233	116,234	1,084,745	1,023,629
The Company								
Non derivative financial liabilities								
Amount due to a director at 31 August 2014	–	61	–	–	–	–	61	61
Non derivative financial liabilities								
Amount due to a director at 31 August 2015	–	63	–	–	–	–	63	63
Non derivative financial liabilities								
At 31 August 2016								
Amount due to a director	–	10,724	–	–	–	–	10,724	10,724
Amount due to a subsidiary	–	759	–	–	–	–	759	759
		11,483	–	–	–	–	11,483	11,483

(c) Fair value measurements of financial instruments

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

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

32. DISPOSALS OF SUBSIDIARIES

During the year ended 31 August 2016, the Group disposed of Dongguan Guangzheng Pharmaceutical, a subsidiary with 60% equity interest, Nantong Guangzheng and Dongguan Guangzheng Property, wholly-owned subsidiaries for a consideration of RMB600,000, RMB1,000,000 and RMB200,000, respectively.

Analysis of assets and liabilities over which control was lost:

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

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

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

33. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the Track Record Period:

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Premises	3,502	4,814	5,787

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

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	3,181	4,788	4,701
In the second to fifth year inclusive	13,365	13,720	12,812
Over five years	37,965	35,302	34,543
	54,511	53,810	52,056

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

The Group as lessor

Property rental income earned during the years ended 31 August 2014, 2015 and 2016 was RMB1,046,000, RMB896,000 and RMB1,043,000 respectively. The direct outgoings to generate property rental income is insignificant throughout the Track Record Period. Certain of the properties held have committed tenants for the next 6 years.

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

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	896	1,043	1,116
In the second of fifth year inclusive	299	4,705	3,998
Over five years	–	409	–
	1,195	6,157	5,114

34. CAPITAL COMMITMENTS

	At 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	61,777	31,404	231,756

35. CONTINGENT LIABILITY

On 19 March 2015, an individual who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5,000,000 and the interests thereof. As of the date of this report, the outcome of this legal proceeding was yet to be finalised. In the opinion of the directors of the Company, after consultation of the external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision is made in the Financial Information.

36. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31 August 2014, 2015 and 2016, the Group entered into the following transactions with Mr. Liu, Mr. SP Liu, Mr. JF Liu and related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	Year ended 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Dongguan Yingwei	Controlled by Mr. SP Liu	Purchase of goods	10,943	11,957	13,150
Dongguan Changying	Controlled by Mr. SP Liu	Purchase of goods	2,622	3,754	5,854
Dongguan Yingfa	Controlled by a close family member of Mr. Liu	Purchase of goods	1,656	2,987	3,661
Dongguan Cinese Hotel	Controlled by Mr. Liu	Hospitality expenses	45	364	1,263
Dongguan Wenfeng	Controlled by close family member of Mr. Liu	Construction expenses	504	5,158	48,674
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	–	–	212,500
Mr. Liu	Controlling equity holder and director	Acquisition of a subsidiary	–	–	10
Mr. JF Liu	Close family member of Mr. Liu	Disposal of subsidiaries	–	–	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	–	–	80

During the year ended 31 August 2014, 2015 and 2016, the Group entered into the following construction contracts with related parties, which are controlled by Mr. Liu and/or his close family members:

Dongguan Wenfeng	Controlled by close family member of Mr. Liu	Contract amounts entered	5,351	29,937	51,774
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Contract amounts entered	–	–	590,000

In the opinion of the directors of the Company, except for the construction expenses paid to related parties, all other related party transactions will discontinue upon [**REDACTED**] of the Company. The constructions are expected to complete not later than 31 August 2017.

Compensation of key management personnel

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

	Year ended 31 August		
	2014	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Short-term benefits	1,695	1,989	3,669
Post-employment benefits	62	123	133
	1,757	2,112	3,802

Balances and other arrangement with related parties are set out in the consolidated statements of financial position on pages I-8 and I-9, consolidated statements of changes in equity on page I-10 and I-11 and in notes 19, 24 and 25 and 32.

B. SUBSEQUENT EVENTS

The following events took place subsequent to the reporting date:

On 20 December 2016, the Group entered into an agreement with Dongguan Cinese Real Estate to construct the school premises in Yunfu with contracted amount of approximately RMB250,000,000 to RMB300,000,000.

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

On 3 January 2017, written resolutions of the shareholders of the Company was passed to approve the below matters set out in "Appendix V – A. Further information about our Group – 3. Resolutions of the Shareholders of Our Company" to this document.

(a) It was conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited as a result of [**REDACTED**], the directors of the Company were authorised to allot and issue a total of [**REDACTED**] shares credited as fully paid at par to the persons whose names appear on the register of members of the Company at the close of business on 25 January 2017 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.

(b) It was conditional upon all the conditions set out in (" [**REDACTED**]" of this document) being fulfilled:

(i) the [**REDACTED**] be approved and the directors of the Company be authorised to allot and issue the shares pursuant to the [**REDACTED**];

(ii) the granting of the [**REDACTED**] (as defined in this document) be approved;

(iii) the proposed [**REDACTED**] be approved.

On 3 January 2017, the [**REDACTED**] Share Option Scheme (as defined in this document) was conditionally approved and adopted by the Board, of which the principal terms are set out in "Appendix V – D. Share Option Schemes" to this document. As at 6 January 2017, 8,000,000 share options have been granted to Mr. Ng Cheuk Him, executive director, chief financial officer and company secretary of the Group under the [**REDACTED**] Share Option Scheme.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 August 2016.

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong