ANNUAL REPORT 2018

博學致遠 駿馳天下

A Knowledgeable Man Wins The Whole World

BOJUN EDUCATION COMPANY LIMITED
博駿教育有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1758

CONTENTS

COMPANY PROFILE

We are one of the leading private education service groups in Chengdu, Sichuan Province, the PRC with a track record of more than 17 years in the provision of private education services. Through our schools, we provide education services to students of different age groups from kindergarten to high school. Up to September 2018, we operated a total 12 schools, comprising six kindergartens, one primary and middle school, two middle schools and one middle and high school in Chengdu, as well as one primary and middle school in each of Bazhong and Guangyuan, Sichuan Province. As at 1 September 2018, we had an enrollment of 10,173 students supported by 1,391 employees, including 852 teachers.

Since 2001, we have built the foundation of our business upon private preschool education and expanded our footprints to the private primary and middle school education industry. In June 2001, we established Chengdu Youshi Experimental Kindergarten, our first kindergarten formed in joint venture with Chengdu Preschool Normal School. This was followed by Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten. We established Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University in April 2012, followed by Longquan School and Tianfu School in successful replications of our business model for school management. After years of planning and preparations, in September 2018, we launched our own education brand name of "Bojun School" and established three through-train schools in Chengdu, Bazhong and Guangyuan in Sichuan Province, to provide education from primary to high-school levels.

We aim to provide quality education services with a strong emphasis on the all-round development of students. With increasing demand for quality private education from parents in the PRC, we have undergone significant development since the opening of our first school in 2001. On the back of experience gained over the years and the dedication and commitment of our management team, we have built a strong reputation for quality in the industry, which will allow us to attract outstanding students and teachers as we further expand our school network and geographic coverage to enhance and cement our market position in the private fundamental education sector in Sichuan Province.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xiong Tao *(Chairman of the Board)*
Mr. Ran Tao
Ms. Liao Rong

Non-executive Directors

Mr. Bai Zimin
Mr. Wang Ping

Independent Non-executive Director

Mr. Cheng Tai Kwan Sunny *(Chairman)*
Mr. Mao Daowei
Ms. Luo Yunping

Audit Committee

Mr. Cheng Tai Kwan Sunny *(Chairman)*
Mr. Mao Daowei
Ms. Luo Yunping

Nomination Committee

Mr. Xiong Tao *(Chairman)*
Mr. Mao Daowei
Ms. Luo Yunping

Remuneration Committee

Mr. Bai Zimin *(Chairman)*
Mr. Mao Daowei
Ms. Luo Yunping

Joint Company Secretary

Mr. Lam Wai Kei
Mr. Wang Shudong

Authorised Representatives

Mr. Wang Ping
Mr. Lam Wai Kei

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

As to Hong Kong law:

Loeb & Loeb LLP

As to PRC law:

Jingtian & Gongcheng

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANKERS

Agricultural Bank of China, Hong Kong branch
Agricultural Bank of China, Chengdu Shahebao branch
China CITIC Bank, Chengdu Jinsha branch
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 288 Jingan Road, Jinjiang District
Chengdu
Sichuan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

1758

COMPANY'S WEBSITE

http://bojuneducation.com

INVESTOR RELATIONS

Phone: +86-28-86002115
Email: BJJY@bojuneducation.com

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from published audited financial statements, is set out below:

FOUR-YEAR COMPARISON OF KEY FINANCIAL FIGURES

	For the year ended 31 August			
Result of operation	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	103,223	135,371	181,240	**231,259**
Gross Profit	35,304	49,387	59,134	**61,814**
Profit for the year	20,597	31,909	35,050	**15,308**
Adjusted net profit (Note)	14,778	30,035	37,858	**26,294**
Profit and total comprehensive income for the year attributable to Owners of the Company	21,117	29,453	35,377	**17,133**
Basic earning per share (RMB)	0.04	0.07	0.06	**0.03**

	For the year ended 31 August			
Financial ratio	2015	2016	2017	**2018**
Gross profit margin (%)	34.2%	36.5%	32.6%	**26.7%**
Net profit margin (%)	20.0%	23.6%	19.3%	**6.6%**
Adjusted net profit margin (%)	14.3%	22.2%	20.9%	**11.4%**

Note: The adjusted net profit, which is unaudited in nature, is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items. For the details of reconciliation to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year, please refer to "Financial review" under the section headed "Management discussion and analysis" in this annual report.

Assets and liabilities	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
	As at 31 August			
Non-current assets	158,774	326,001	274,041	**848,658**
Current assets	848,318	386,225	427,327	**631,127**
Current liabilities	945,807	376,280	333,295	**621,778**
Net current (liabilities)/assets	(97,489)	9,945	94,032	**9,349**
Total assets less current liabilities	61,285	335,946	368,073	**858,007**
Non-current liabilities	8,061	6,196	2,946	**45,634**
Capital and reserves	53,224	329,750	365,127	**812,373**
Property, plant and equipment	133,653	213,089	224,341	**671,226**
Bank balances and cash	77,870	373,579	332,531	**607,062**
Deferred revenue	100,305	144,389	201,325	**280,481**
Borrowings	79,000	–	–	**60,000**

As at 31 August

Financial ratio	2015	2016	2017	**2018**
Current ratio	0.90	1.03	1.28	**1.02**
Gearing ratio (Note)	166.6%	2.2%	1.0%	**7.4%**

Note: Gearing ratio is calculated by dividing total debts (which equal interest-bearing bank borrowings and obligation under finance leases) by total equity attributable to owners of the Company as of the respective year end date.

For the year ended 31 August

Cash flows	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Net cash from operating activities	153,507	69,668	127,812	**126,931**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the first annual report of the Company, covering the consolidated results of the Group for the year ended 31 August 2018 following the successful listing of the Company's shares on the Main Board of the Stock Exchange on 31 July 2018 (the "Listing").

RESULTS OVERVIEW

Compared with the previous financial year, the Group's total revenue for the year ended 31 August 2018 grew by 27.6% to RMB231.3 million. Profit for the year decreased by 56.3% to RMB15.3 million, while adjusted net profit for the year decreased by 30.5% to RMB26.3 million.

SUMMARY OF BUSINESS

As of now, we have been running private schools in Chengdu, Sichuan Province, China for more than 17 years and have built a strong reputation in the region for this sector. The overwhelming number of applications for enrollment received, outstanding examination results of our graduates and the positive response to and support for our school network expansion on the part of local governments bear testimony to the Group's exceptional strengths in education. As at 1 September 2017, we had a student enrollment of 7,211, representing year-on-year growth of 24.6%.

We aim to provide all-round education services to our students, endeavoring not only to nurture students for academic excellence, but also to help them grow into good communicators, innovators and collaborators by offering them vibrant learning opportunities through a wide range of extracurricular activities in areas such as music, arts, foreign languages, sports and robotics. In the Zhongkao of 2018, approximately 91.7% of our graduating middle school students scored well enough for admission by first-tier high schools in Chengdu.

DEVELOPMENT PLANS

Looking to the future, we believe we will continue to benefit from the PRC Government's strong efforts to promote the regulated development of private education. To further enhance and expand our market position as a provider of premium private education in Southwest China, the Group will continue to focus on the growth of its K12 education services in Sichuan Province by actively increasing our utilisation of space through the opening of new schools and expansion of existing ones, with a view to the ongoing growth of our education services.

The Group opened three new schools in Chengdu, Nanjiang County of Bazhong and Wangcang County of Guangyuan, respectively, in Sichuan Province, China in September 2018, which are expected to provide more than 11,200 new places for students. The Group plans to open one new school in each of Ziyang and Deyang, both in Sichuan Province, in 2019. The Group believes the establishment of new schools will further cement our position as a major provider of K-12 private education services in Southwest China.

APPRECIATION

On behalf of the Board, I would like to extend heartfelt gratitude to all shareholders and stakeholders of the Company for their ongoing trust and confidence in us. Sincere appreciation is also due to the management and staff for the professionalism, loyalty and dedication they demonstrated in the execution of the Group's development strategy. The Group will continue to step up with its business development with dedicated efforts and focus on increasing shareholders' return.

Bojun Education Company Limited
Xiong Tao
Chairman

Chengdu, the PRC, 27 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

(The contents of the following market review are extracted from the independent market research report on China's private education market dated 9 July 2018 commissioned by the Company and prepared by Frost & Sullivan)

Overview

The PRC fundamental education market operates under the formal education system, comprising in general four phases, namely, preschool, primary school, middle school and high school education. Among the four phases of fundamental education, primary and middle schools constitute the nine-year compulsory education in China.

Fundamental education operated by private entities was first allowed in China in the early 1980s. The primary purpose of the Chinese government in allowing private capital was to solve the problem of insufficient public funds for educational businesses. During the 1990s, private fundamental education experienced rapid growth. Currently, private fundamental education has become an important force in the China's overall education system.

Overview of the Private Fundamental Education Industry in Sichuan and Chengdu

Due to its large population base, Sichuan has been one of the largest private fundamental education markets in China in terms of total student enrollments. In 2016, the penetration rate of private fundamental education in Sichuan province reached 17.4% based on an approximately 2,084,000 total student enrollments. Chengdu, as the provincial capital of Sichuan and the most important economic, political and cultural center in Sichuan, accounted for approximately 19.3% of Sichuan's total population and approximately 37.2% of provincial GDP in 2016. Chengdu led the province's private fundamental education market with a total student enrollment of approximately 578,200 and a penetration rate of approximately 28.8%, 11.4% higher than the average rate of Sichuan.

Market Size of and Trends in Sichuan's Private Fundamental Education Industry

Total annual revenue of private fundamental education industry in Sichuan climbed from approximately RMB5.5 billion in 2012 to approximately RMB10.9 billion in 2016, representing a CAGR of approximately 18.7%. By 2016, total annual revenue of private fundamental education accounted for approximately 8.6% of the overall fundamental education industry in Sichuan. From 2017 to 2021, total annual revenue of the private fundamental education industry in Sichuan is expected to rise from approximately RMB12.7 billion to approximately RMB22.4 billion, representing a CAGR of approximately 15.1%.

Student Enrollment in Private Fundamental Education in Sichuan

The total enrollment of private fundamental education in Sichuan has witnessed stable growth from approximately 1.7 million in 2012 to approximately 2.1 million in 2016, representing a CAGR of approximately 5.6%. High-school enrollment enjoyed the fastest growth with a CAGR of approximately 11.1%. The number of high-school student enrollment increased from approximately 80,500 in 2012 to approximately 122,500 in 2016. Preschool enrollment accounted for the largest share of private fundamental education in Sichuan with a CAGR of approximately 6.4% from 2012 to 2016. Rising birth rates since 2010 coupled with parents' stronger willingness and ability to spend on their children's education had provided driving force for the market. Looking forward, the total enrollment of Sichuan's private fundamental education is expected to sustain stable growth, reaching approximately 2.7 million in 2021. Preschool is likely to remain a major driver of the market in the coming years due to the relaxation of the One-Child Policy.

Business Review

Our Schools

We are a leading private education service group in Chengdu, Sichuan Province, China. In the 2017/2018 school year, we operated one middle and high school, two middle schools and six kindergartens in Chengdu. As measured by student enrollment, we ranked second in the private middle school education industry and fifth in the private preschool education industry in Chengdu with approximately 6.6% and 0.4% of market share respectively in the 2017/2018 school year (2016/2017 school year: approximately 5.2% and 0.5%), according to Frost & Sullivan.

Our Objectives in Education

We aim to provide all-round education services to our students and nurture them to excel not only in academics by offering them with vibrant learning opportunities. We believe the success of our education services have developed our students' skills in communication, creativity and collaboration, thereby helping them to achieve excellence in academic achievements.

Education Services and Academic Performance

The core educational curriculum of our middle schools and our middle and high schools is designed based on the standards set by the PRC national and provincial educational authorities. The curriculum is primarily formulated towards Zhongkao for middle school students and Gaokao for high school students. At the Zhongkao administered in 2018, approximately 91.7% (2017: 92.0%) of our graduating middle school students who participated in such examinations scored well enough for intake by first-tier high schools in Chengdu.

In addition to standard educational curriculum, we also provide a variety of extracurricular activities for our middle school and high school students, ranging from music, arts, foreign languages to sports and robotics, to benefit their personal development. We also encourage our students to participate in inter-school competitions to cultivate their talents and enrich their school life.

School Facilities

In line with our schools' focus on offering comprehensive educational programs for our students, our campuses have been equipped with a variety of facilities, such as classrooms, lecture halls, multi-media rooms, piano rooms, music rooms, dancing rooms, computer rooms, gymnasiums, general science laboratories, libraries, outdoor fields, sports courts (such as basketball, badminton and volleyball courts), canteens, dormitories, administrative offices and staff apartments.

Students and Admission

We aim to recruit students who are enthusiastic about learning and eager to keep expanding their academic horizons. Apart from careful review of the application documents, we usually require interviews with prospective students and their parents as part of our admission procedures, in order to recruit students that meet our admission requirements through a highly selective process.

As of 1 September 2017, we had an aggregate enrollment of 7,211 students, including 1,556 students at the kindergartens, 5,325 middle school students and 330 high school students. The following table sets forth information relating to the student enrollment of our schools as of the dates indicated:

School	**School Enrollment As at 1 September**	
	2017	2016
Jinjiang School		
Middle school	2,885	2,726
Longquan School		
High school	330	171
Middle school	1,537	993
Tianfu School		
Middle school	903	313
Sub-total (Middle schools and high schools)	5,655	4,203
Youshi Kindergarten	321	308
Lidu Kindergarten	303	327
Longquan Kindergarten	241	258
Peninsula Kindergarten	278	272
Riverside Kindergarten	146	151
Qingyang Kindergarten	267	270
Sub-total (Kindergarten)	1,556	1,586
Total	7,211	5,789

Teachers and Teacher Recruitment

We believe teachers are the key to maintaining our high-quality educational programs and services as well as maintaining the reputation of our schools. We consider that teachers should act as role models for our students and, therefore, they should be competent in teaching and dedicated to their profession as well as the well-being of students. It is crucial to both the development of our students and the success of our schools that we recruit teachers who meet our criteria for appointment and can thrive in our schools.

As of 1 September 2017, we had 580 teachers. Approximately 98.6% of our middle school and high school teachers held a bachelor's degree or above, while approximately 25% of them held a master's degree or above. The following table sets forth the number of teachers at all of our schools for the years indicated:

School	Number of Teachers(1) As at 1 September	
	2017	2016
Jinjiang School	192	177
Longquan School	170	107
Tianfu School	82	36
Youshi Kindergarten	24	23
Lidu Kindergarten	29	29
Longquan Kindergarten	27	26
Peninsula Kindergarten	22	21
Riverside Kindergarten	13	11
Qingyang Kindergarten	21	21
Total	580	451

Note:

(1) Excluding teachers engaged in administrative duties.

We manage our teacher-to-student ratio based on the number of our student enrollments, our education plans and activities and the needs of our students. We review the teacher-to-student ratio of each of our schools from time to time to ensure that we can maintain high-quality educational programs and services.

The following table sets forth the teacher-to-student ratio of our schools:

School	Teacher-to-student ratio[1] As at 1 September	
	2017	2016
Jinjiang School	1:15.0	1:15.4
Longquan School		
– High school	1:9.2	1:8.1
– Middle school	1:11.5	1:11.6
Tianfu School	1:11.0	1:8.7
Youshi Kindergarten	1:13.4	1:13.4
Lidu Kindergarten	1:10.5	1:11.3
Longquan Kindergarten	1:8.9	1:9.9
Peninsula Kindergarten	1:12.6	1:13.0
Riverside Kindergarten	1:11.2	1:13.7
Qingyang Kindergarten	1:12.7	1:12.9

Note:

(1) The teacher-to-student ratio is arrived at by dividing the student enrollment of the school by the number of teachers employed by the school.

Teacher Retention Rate

In order to retain high-caliber teachers, we offer competitive remuneration package and our teachers are also entitled to performance bonuses, which are based on the quality of teaching as assessed by the Group. Our middle and high-school teachers may stay at our staff quarters. Further, as one of the major benefits for our middle and high-school teachers, their children could enroll in our schools free of charge. We believe we have maintained a good working relationship with our teachers and enjoyed a high retention rate.

For the years ended 31 August 2017 and 2018, (i) the teacher retention rates at our high school were approximately 95.0% and 94.1%, respectively, (ii) the teacher retention rates at the middle schools of the Group were approximately 91.7% and 93.2%, respectively, (iii) the teacher retention rates at our kindergartens were approximately 84.0% and 66.2%(1), respectively. The retention rate is calculated based on the total number of teachers at our schools at the beginning of a school year minus the total number of teachers who voluntarily resign from our schools during the corresponding school year, divided by the total number of teachers at our schools at the beginning of a school year.

Note:

(1) There was a higher number of kindergarten teachers leaving during July and August 2018 owing to planned adjustments to the number of new classes and intake of students for the new school year starting from September 2018. While the teacher-to-student ratio was maintained at an appropriate level through the recruitment of new teachers, the retention rate of kindergarten teachers for the year ended 31 August 2018 was duly affected.

Tuition and Boarding Fees

For our middle schools and high schools, our tuition fees for the 2016/2017 school year and the 2017/2018 school year ranged from RMB28,000 to RMB32,000 per student per year. For boarding students, a boarding fee of RMB1,200 per student per year was also charged. The tuition fees of our kindergartens for the 2016/2017 school year and the 2017/2018 school year ranged from RMB26,160 to RMB48,960 per student per year. The following table sets forth the tuition fees and boarding fees of our schools for the school years indicated.

School	Tuition fees and boarding fees	
	2017/2018 school year	2016/2017 school year
Jinjiang School		
Middle school	**RMB28,000 – RMB33,200**	RMB28,000 – RMB33,200
Longquan School		
High school	**RMB33,200**	RMB33,200
Middle school	**RMB29,200 – RMB33,200**	RMB29,200 – RMB33,200
Tianfu School		
Middle school	**RMB33,200**	RMB33,200
Youshi Kindergarten	**RMB33,360 – RMB40,560**	RMB33,360 – RMB40,560
Lidu Kindergarten	**RMB38,160 – RMB45,360**	RMB38,160 – RMB45,360
Longquan Kindergarten	**RMB26,160 – RMB27,360**	RMB26,160 – RMB27,360
Peninsula Kindergarten	**RMB44,160 – RMB48,960**	RMB44,160 – RMB48,960
Riverside Kindergarten	**RMB34,560 – RMB41,760**	RMB34,560 – RMB41,760
Qingyang Kindergarten	**RMB36,960 – RMB44,160**	RMB36,960 – RMB44,160

School Capacity and Utilisation

Enrollment and Capacity

With increasing demand for quality private education from parents in China, our schools experienced significant growth in capacity and enrollment in recent years.

The utilisation rate of our schools is affected by a number of factors, such as the number of applications received by our schools, the availability of our facilities, the marketing activities of our schools and competition from public and private schools in Chengdu. The following table sets forth information relating to student enrollment, capacity and school utilisation rates of our schools by type as of the dates indicated:

Type of school	Enrollment		As at 1 September Student capacity(1)		School utilisation rate(2)(%)	
	2017/2018	2016/2017	2017	2016	2017/2018	2016/2017
High school	330	171	360	180	91.7	95.0
Middle school	5,325	4,032	5,762	4,413	92.4	91.4
Kindergarten	1,556	1,586	1,865	1,835	83.4	86.4
Total	7,211	5,789	7,987	6,428	90.3	90.1

Notes:

(1) For the high school and the middle schools of the Group, the capacity is calculated based on the number of classrooms (excluding special-purpose rooms) in each school and the number of students that each classroom can accommodate or the capacity of the student dormitories according to our calculations. For the kindergartens, the capacity is calculated based on the number of classrooms (excluding special-purpose rooms) of each kindergarten and the class size determined by the Group with reference to the maximum number of students to be accommodated by each classroom for first-tier kindergartens as stipulated by the education authorities in Chengdu.

(2) The school utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school.

(3) The student enrollment information was based on the internal records of our schools.

Outlook

Development Trends in the Private Fundamental Education Industry in Sichuan and Chengdu

The Frost & Sullivan Report indicates the following development trends in the private fundamental education industry in Sichuan and Chengdu:

- **Increasing Penetration:** the demand for private fundamental education in Sichuan and Chengdu is likely to increase in the coming future. Parents from the younger generation put a special emphasis on all-round development in their children's education, and private schools that possess abundant resources to offer a wide array of extracurricular activities and programs are expected to benefit from this trend. Meanwhile, more students choose to enroll in private schools because of the improving quality of teaching in private education in Sichuan and Chengdu.

- **Local Brand Development:** another key trend is the expected rise of more strong local education brands. Sichuan and Chengdu lag behind developed regions in the development private fundamental education. Hence the local private education market has been rather fragmented. However, along with economic development, improvements in policy environment and the increasing experience gained by local educational institutions, local brands are expected to rapidly develop with the rise of local market leaders that are highly competitive in resource integration and commercial operations.

- **Differentiation:** with continuous development in the private fundamental education market in Sichuan and Chengdu, the competition among private schools and between private schools and public schools is expected to further intensify. Compared with developed markets such as Beijing and Shanghai, private fundamental education in Sichuan and Chengdu lacks differentiation from public education. In the future, private education is expected to develop more unique features, such as foreign language, sports and art programs and an international environment.

- **Industry Consolidation:** The education market in Sichuan and Chengdu is also undergoing reform. A large number of ownership transfers and mergers and acquisitions have been taking place and increasing consolidation is expected in the market. The rise and further development of leading private education operators are based primarily on a strategy of organic growth.

Our Business Development Strategies and Plans

Our aim is to maintain and cement our leading position in the private education market in Chengdu and further expand the geographic coverage of our school network in Sichuan Province, China. To achieve this aim, we plan to pursue the following business strategies:

(a) Extend our geographic coverage in Sichuan, China through the further expansion of our school network by way of market penetration and market diversification

1) Establishing new schools by purchasing land use rights in Sichuan Province: We intend to expand our school network by purchasing land use rights in Sichuan Province and developing new schools when we identify appropriate opportunities. As at the date of this report, we had undertaken the following steps to expand our business:

   – In August 2017, we entered into an educational project investment agreement with the local government of Nanjiang County (南江縣) of Bazhong City (巴中市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Nanjiang Bojun School (also known as Nanjiang School) with an estimated total student enrollment of approximately 3,200 students. Nanjiang Bojun School would comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Nanjiang Bojun School commenced operation in September 2018 with intake of students from grade 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In August 2017, we entered into an educational project investment agreement with the local government of Wangcang County (旺蒼縣) of Guangyuan City (廣元市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Wangcang Bojun School (also known as Wangcang School) with an estimated total student enrollment of approximately 4,000 students. Wangcang Bojun School would comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Wangcang Bojun School commenced operation in September 2018 with intake of students from grade 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In December 2017, we entered into an educational project investment agreement with the local government of Lezhi County (樂至縣) of Ziyang City (資陽市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Lezhi School with an estimated total student enrollment of approximately 3,200 students. Lezhi School will comprise a kindergarten, a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Lezhi School is expected to commence operation in September 2019 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2022.

- In August 2018, we entered into an educational project investment agreement with the local government of Zhongjiang County (中江縣) of Deyang City (德陽市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Zhongjiang School with an estimated total student enrollment of approximately 4,500 students. Zhongjiang School will comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Zhongjiang School is expected to commence operation in September 2019 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2022.

- In November 2018, we entered into an educational project investment agreement with Neijiang High and New Technology Industrial Zone Management Committee* (內江高新技術產業園區管理委員會), pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Neijiang School in Neijiang High and New Technology Zone, Sichuan Province with an estimated total student enrollment of approximately 4,000 students. Neijiang School will comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Neijiang School is expected to commence operation in September 2020 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2023.

2) In addition to developing new schools by acquiring land use rights, we also establish new schools through cooperation with third-party business partners:

- In July 2017, we entered into a cooperation agreement with the Shuangquan Village Committee of Wanan Street of Tianfu New District (天府新區萬安街道雙泉村村民委員會) in Chengdu in relation to the joint project for the expansion of Tianfu School campus and school premises. We will also start a high school section at Tianfu School with an estimated enrollment of approximately 960 students. Subject to approval by and registration with relevant PRC authorities, the new high school section is expected to commence on 1 September 2019.

- In September 2017, we entered into a cooperation agreement with an independent third party (the "School Investor") in connection with the establishment of Pengzhou Bojun School (also known as Chengdu School) comprising a primary school, a middle school and a high school with a total enrollment of not less than 4,000 students. Chengdu Mingxian and the School Investor would act as the joint school sponsors of Pengzhou Bojun School and would own 51% and 49% sponsor interests, respectively. Pengzhou Bojun School commenced operation in September 2018 with intake of students for grades 1, 5 and 6 (primary school) and grade 7 (middle school).

- In January 2018, we entered into a memorandum of understanding with Excelsior School System Inc. (the "US Partner") to expand our school network abroad. The US Partner is engaged in the provision of private high school education services in California for grades 9-12 students and is an accredited school of the Western Association of Schools and Colleges. Pursuant to the memorandum of understanding, the Group and the US Partner will set up a joint venture to establish the US School, being a for-profit private international school in the Los Angeles area offering grades 7-12. The joint venture will be owned by the Group as to 70% and the US Partner as to 30%. We will provide funding for the operations and purchase of facilities and will be involved in the planning of teaching programs to be offered by the US School. The US Partner will provide management services to the US School, assist the Group in identifying school premises and recruiting teachers for the US School.

The following table provides a summary of the estimated capacities of the new school premises to be opened in September 2019:

School premises	Date of commencement[(1)]	Estimated capacities for students
Tianfu School (High School Section)	September 2019	960
Zhongjiang School	September 2019	4,500
Lezhi School	September 2019	3,200
US School	September 2019	240
Total		8,900

Note:

1. The commencement of schools is subject to among other things, successful acquisition of land (where applicable), approval by the registration with relevant authorities and the progress of construction work. Therefore, the aforesaid new schools may or may not be opened according to our plans.

(b) Increase the student enrollment level of our existing schools

We intend to increase the student enrollment level of our existing schools, in particular the schools newly established in recent years. Since certain of our construction investments and operation costs are fixed, we believe that our financial results would be significantly improved if we are able to enroll more students at such schools. To achieve this objective, we plan to continue to publish our application information and admission requirements on the Internet and social media.

The following table provides a summary of the schools in operation as at September 2018 and their estimated capacity:

School premises	Student at school September 2018	Expected capacity for students
Jinjiang School	**3,055**	3,300
Longquan School	**2,487**	3,500
Tianfu School***	**1,635**	2,000
Nanjiang Bojun School* (also known as Nanjiang School)	**318**	3,200
Wangcang Bojun School* (also known as Wangcang School)	**412**	4,000
Pengzhou Bojun School* (also known as Chengdu School)	**979**	4,000
Affiliated kindergarten**	**1,287**	1,865
Total	**10,173**	21,865

*: New schools opened in September 2018

**: Including 6 kindergartens in Chengdu, namely, Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten.

***: Middle School Section

(c) Provide private education services in a "through-train" mode under our new brand of Bojun School (博駿公學)

Leveraging on over 16 years' experience in the private education industry and success in replicating our business model for the management of private high schools, we have successfully expanded our school network under the new brand under our new brand of Bojun School (博駿公學) by adopting our existing teaching management system and administration system to provide primary school, middle school and high school education services in a "through-train" mode, so that we could increase market opportunities in the private education industry, enhance the continuity of our curriculum and strengthen support for students to the benefit of their growth and development.

(d) Consistently provide high-quality education and maintain a strong team of experienced and qualified teaching team

We plan to consistently provide high-quality education to our students. We believe this will not only enhance our reputation on a continuous basis, but is also key to our future success. We will continue to focus on the quality of the education we provide and monitor the academic performance of our students. We are committed to nurturing our students to become well-rounded individuals and constructive members of society, providing each of our students with customized advice and guidance through our dedicated and professional teaching staff. To achieve this objective, we will increase the variety of our extracurricular activities and enhance cooperation with overseas educational institutions so as to broaden the knowledge base and enrich the learning experience of our students.

The quality of our teaching team is crucial for maintaining and enhancing the quality of our education services. We will retain a strong team of experienced and qualified teachers and other teaching staff and improve their teaching quality by arranging various training for them in respect of teaching theories and methodologies. With respect to the recruitment of new teachers, we will maintain our rigorous hiring process. In addition to assessing the applicants' academic background, we will evaluate their abilities in using different teaching methods and skills by requiring them to teach a live class. We also intend to attract and retain well-qualified teachers by providing sound career advancement opportunities and competitive remuneration packages.

(e) Enhance our profitability by optimizing our pricing ability and improving our services

Our profitability is highly dependent on the tuition fees and boarding fees we charge. In order to optimise our pricing ability, we will enhance our services by upgrading and improving the campus facilities and increasing the variety of our extracurricular activities. We will proactively apply for the increase of our tuition fees after taking into account the general market conditions and the costs of our operations. Such increase is subject to approval by the relevant PRC regulatory authorities.

Having a strong reputation for the quality of our education services and the performance of our students and taking into consideration the growing demand for private education services in Sichuan Province, we believe we are in a position to increase our pricing without compromising our ability to attract and retain students.

Latest Regulatory Developments

(i) On 20 April 2018, the Ministry of Education issued the "Implementation Rules for the Private Education Law of the People's Republic of China (Amendment Bill) (Draft for Comment)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) to solicit public views. On 10 August 2018, the PRC Ministry of Justice announced the "Implementation Rules for the Private Education Law of the People's Republic of China (Amendment Bill) (Submission Draft)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "Amendment Bill") for consultation on the basis of the aforesaid Draft for Comment issued by the Ministry of Education. As advised by our PRC legal advisor in respect of PRC laws, the Amendment Bill has yet to be promulgated or enacted in the PRC, the Company will continue to monitor developments of the Amendment Bill and related laws and regulations.

(ii) In the "Implementation Opinions on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education" (Chuan Fu Fa 2018 No. 37) (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》(川府發2018 37 號)) ("Sichuan Implementation Opinion") announced by Sichuan People's Government on 17 September 2018, it is stipulated that "the sponsors of existing private schools shall submit an election of the nature of schools operated in writing to the competent authorities by 1 September 2020, and schools that fail to submit such information by the stipulated timeline shall not be eligible for election as for-profit private schools. Schools that have elected to be not-for-profit private schools shall complete relevant procedures by 1 September 2021. Schools that have elected to be for-profit private schools shall complete relevant procedures by 1 September 2023 in case of private schools offering tertiary formal education, or by 1 September 2022 in case of other schools."As of now, all the schools operated by us have been registered as not-for-profit private schools. As Sichuan Implementation Opinion does not provide for any specific procedures or rules relating to the conversion of existing private schools to for-profit schools or not-for-profit schools and Sichuan Province has not promulgated other implementation rules or detailed guidance, the Group's schools have yet to complete the new election and registration procedures under Sichuan Implementation Opinion as at the date of this report. Our PRC legal advisor is of the view that our schools in operation will not violate Sichuan Implementation Opinion and related laws and regulations as a result of not electing and registering their types for the time being.

(iii) On 15 November 2018, the Central Committee of the Communist Party of China and the State Council of the People's Republic of China jointly issued "Certain Opinions on Deepening the Reform and Regulating the Development of Pre-school Education" (關於學前教育深化改革規範發展的若干意見) (the "Opinions"). Pursuant to the Opinions, among other things, private companies should not control not-for-profit kindergartens through contractual arrangements. As at the date of this report, the Group operates six not-for-profit kindergartens through contractual arrangements, which account for approximately 24.6% of the Group's revenue for the year ended 31 August 2018 and approximately 12.7% of the Group's total number of students enrolled as at 1 September 2018. The Company is seeking legal advice on the Opinions and will take all reasonable steps to comply with the Opinions as it may be advised.

As at the date of this report, the Group's operations have not been affected by the above Opinions and regulatory policies. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above Opinions and regulations do not have an immediate material adverse impact on the Group's operation and financial conditions.

The Company will continue to monitor developments of above Opinion and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

Financial Review

Revenue

We derive revenue from tuition fees and boarding fees our schools collected from our students. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August			
	2018	**Percentage of total**	2017	Percentage of total
	RMB'000	**%**	RMB'000	%
Tuition fees				
– Kindergartens	**56,781**	**24.6**	56,233	31.0
– Middle schools and high schools	**169,151**	**73.1**	121,370	67.0
Sub-total	**225,932**	**97.7**	177,603	98.0
Boarding fees	**5,327**	**2.3**	3,637	2.0
Total	**231,259**	**100.0**	181,240	100.0

Our revenue increased by approximately RMB50.0 million or 27.6% from approximately RMB181.2 million for the year ended 31 August 2017 to approximately RMB231.3 million for the year ended 31 August 2018. The increase was mainly attributable to the increased total student enrollment level, which resulted in an increase in tuition and boarding fees.

Student enrollment level in our schools increased by approximately 24.6% from 5,789 as of 1 September 2016 to 7,211 as of 1 September 2017, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Jinjiang School, Longquan School and Tianfu School.

Costs of services

Our costs of services primarily consist of staff costs, depreciation, cost of cooperative education, rental expenses and other costs. For the years ended 31 August 2017 and 2018, our costs of services represented approximately 67.4% and 73.3% of our total revenue, respectively. The table below sets forth the breakdown of the major components of our costs of services for the years indicated:

	For the year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Staff costs	**98,115**	72,219
Depreciation and amortization	**19,850**	17,646
Royalty fees	**11,727**	9,554
Rental and management fees	**22,991**	8,260
Office expenses	**7,929**	6,265
Repair and maintenance	**1,077**	2,864
Utilities expenses	**2,229**	1,910
Training expenses	**2,242**	1,120
Others	**3,285**	2,268
Total	**169,445**	122,106

Our costs of services increased by approximately RMB47.3 million or 38.8% from approximately RMB122.1 million for the year ended 31 August 2017 to approximately RMB169.4 million for the year ended 31 August 2018. The increase was primarily attributable to the expansion of Jinjiang School, Longquan School and Tianfu School in terms of student capacity and student enrollment level, which resulted in an increase in the number of teachers we employed, the depreciation and management fees for school buildings, the rental and management fees of the school premises and related operating costs, among which,

(i) staff costs increased by approximately RMB25.9 million or 35.9% from approximately RMB72.2 million for the year ended 31 August 2017 to approximately RMB98.1 million for the year ended 31 August 2018, primarily because (i) the number of teachers we hired increased from 451 as of 1 September 2016 to 580 as of 1 September 2017. In particular, the number of teachers we hired for Jinjiang School, Longquan School and Tianfu School increased from 320 as of 1 September 2016 to 444 as of 1 September 2017 so as to be in line with the expansion; and (ii) we offered more competitive remuneration packages to attract and retain high quality teachers during the year ended 31 August 2018.

(ii) depreciation and amortization expenses increased by approximately RMB2.2 million or 12.5% from approximately RMB17.6 million for the year ended 31 August 2017 to approximately RMB19.9 million for the year ended 31 August 2018, primarily due to the enhancement and expansion of Longquan School and Tianfu School.

(iii) royalty fees increased by approximately RMB2.2 million or 22.7% from approximately RMB9.6 million for the year ended 31 August 2017 to approximately RMB11.7 million for the year ended 31 August 2018, due to the increase in tuition fees income from our middle schools and high schools as a result of increased number of students enrolled and the increase in applicable royalty rate.

(iv) rental and management fees increased by approximately RMB14.7 million or 178.3% from approximately RMB8.3 million for the year ended 31 August 2017 to approximately RMB23.0 million for the year ended 31 August 2018, primarily because of the increase in rental and management fees for Longquan School and property rental expenses which Tianfu School incurred for student residence.

In addition, our costs of services such as office expenses, utilities expenses and training expenses increased in line with the expansion in scale of the schools operated by the Group.

Gross profit and gross profit margin

The following table sets forth the breakdown of the gross profits and gross profit margins for the years indicated:

	For the year ended 31 August					
	2018			2017		
	Segment revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin %**	Segment revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Middle schools and high schools	**174,478**	**46,241**	**26.5**	125,007	41,167	32.9
Kindergartens	**56,781**	**15,573**	**27.4**	56,233	17,967	32.0
Total	**231,259**	**61,814**	**26.7**	181,240	59,134	32.6

Gross profit margin of our middle schools and high schools decreased from approximately 32.9% for the year ended 31 August 2017 to approximately 26.5% for the year ended 31 August 2018. The decrease in gross profit margin was mainly because of (i) the increase in staff costs and depreciation and amortization for Tianfu School and Longquan School resulted from the expansion of student capacity and student enrollment level; and (ii) the increase in rental and management fees for Longquan School and property rental expenses which Tianfu School incurred for student residence during the year ended 31 August 2018.

Gross profit margin of our kindergartens decreased from approximately 32.0% for the year ended 31 August 2017 to approximately 27.4% for the year ended 31 August 2018. The decrease in gross profit margin was mainly attributable to the higher remuneration package offered to teaching staff of our kindergartens which resulted in an increase in the staff costs of our kindergartens for the year ended 31 August 2018.

Other income and (expenses)

Our other income and (expenses) primarily consists of (i) imputed interest income from advances to directors, (ii) imputed interest income from advances to related companies; and (iii) interest income from banks.

Our other income and (expenses) decreased by approximately RMB5.0 million or 57.5% from approximately RMB8.7 million for the year ended 31 August 2017 to approximately RMB3.7 million for the year ended 31 August 2018. Such decrease was mainly attributable to the start-up cost of approximately RMB6.8 million of three newly established schools in the 2018/2019 school year, namely Nanjiang Bojun School, Wangcang Bojun School and Penzhou Bojun School, which offset the aforesaid other income.

Listing expenses

Listing expenses primarily consisted of professional fees in relation to the preparation for and the proceeding with our Global Offering.

Listing expenses increased by approximately RMB10.0 million or 130.3% from approximately RMB7.7 million for the year ended 31 August 2017 to approximately RMB17.6 million for the year ended 31 August 2018, primarily attributable to the increase in professional fees in relation to the preparation for our Global Offering.

Administrative expenses

Administrative expenses primarily consist of administrative staff costs, office expenses, entertainment expenses, motor vehicle expenses, deprecation, handling charges and certain other administrative expenses. Other administrative expenses generally include staff travel expenses, management meetings expenses and welfare expenses.

Our administrative expenses increased by approximately RMB8.2 million or 38.0% from approximately RMB21.6 million for the year ended 31 August 2017 to approximately RMB29.9 million for the year ended 31 August 2018, mainly attributable to the expansion of the Group's business scale, the increase in the number of administrative staff and the increase in administrative operating expenses.

Finance costs

Our finance costs primarily consist of bank borrowings and obligation under finance leases.

Our finance costs decreased by approximately RMB0.4 million or 26.9% from approximately RMB1.4 million for the year ended 31 August 2017 to approximately RMB1.0 million for the year ended 31 August 2018, primarily attributable to the decrease in and termination of in obligation under finance leases for the year ended 31 August 2018.

Taxation

Our income tax expenses for the year ended 31 August 2017 and 2018 amounted to approximately RMB1.8 million and RMB1.8 million, respectively.

Profit for the year

Our profit for the year decreased by approximately RMB19.7 million or 56.3% from approximately RMB35.1 million for the year ended 31 August 2017 to approximately RMB15.3 million for the year ended 31 August 2018, which primarily attributable to: (i) the increase in non-recurring listing expenses of approximately RMB10.0 million; (ii) the start-up cost of approximately RMB6.8 million for the three newly established schools, namely Nanjiang Bojun School, Wangcang Bojun School and Pengzhou Bojun School, which commenced operations in the 2018/2019 school year; as well as (iii) our increased revenue from student enrollment growth offset by the increase in staff costs and property rental expenses incurred for school capacity improvement.

Deferred revenue

We record tuition fees and boarding fees collected initially as a liability under deferred revenue and recognise such amounts as revenue proportionately over the relevant period of the applicable program. Our deferred revenue increased by approximately RMB79.2 million or 39.3% from approximately RMB201.3 million as of 31 August 2017 to approximately RMB280.5 million as of 31 August 2018. The increase was primarily due to the increase in our student enrollment as a result of our school network expansion as well as the raise in the level of tuition fees.

Adjusted net profit

The adjusted net profit eliminates the effect of certain non-cash or one-off items, including imputed interest income from advances to related companies, imputed interest income from advances due to directors and the listing expenses. The term adjusted net profit is not defined under HKFRS. As a non-HKFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the effect of imputed interest income and listing expenses on our net profit.

The following table reconciles our adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	For the year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**15,308**	35,050
Less:		
Imputed interest income from advances to related companies	**(3,323)**	(2,426)
Imputed interest income from advances to directors	**(3,311)**	(2,416)
Add:		
Listing expenses	**17,620**	7,650
Adjusted net profit	**26,294**	37,858

For the year ended 31 August 2018, our adjusted net profit amounted to RMB26.3 million, representing a decrease of RMB11.6 million or 30.5% from RMB37.9 million as recorded for the year ended 31 August 2017, mainly attributable to the staff costs and the property rental expenses which Tianfu School incurred for student residence.

Liquidity and Capital Resources

During the reporting period, we have principally financed our operations through a combination of internally generated cash flows from our operations, proceeds from the Global Offering and short-term bank borrowings. The short-term bank borrowings amounted to RMB60.0 million as of 31 August 2018, all denominated in Renminbi. As of 31 August 2018, our short-term bank borrowings have a variable interest at 140% of the benchmark interest rate of the People's Bank of China. Our cash and cash equivalents amounted to approximately RMB332.5 million and RMB607.1 million as of 31 August 2017 and 2018, respectively. We generally deposit our excess cash in interest bearing bank accounts.

Our principal uses of cash have been for funding working capital, purchase of property, plant and equipment and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using fund from a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for working capital and capital expenditure needs. For the year ended 31 August 2018, we did not experience any difficulties in settling our obligations in the normal course of business, which would have had a material impact to our business, financial condition or results of operations.

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

	For the year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Net cash from operating activities	**126,931**	127,812
Net cash (used in) investing activities	**(359,813)**	(69,637)
Net cash from (used in) financing activities	**506,824**	(99,223)
Net increase (decrease) in cash and cash equivalents	**273,942**	(41,048)
Cash and cash equivalents at the beginning of the year	**332,531**	373,579
Effect of exchange rate changes	**589**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**607,062**	332,531

Employee benefits

As at 31 August 2018, the Group had approximately 1,391 employees (as at 31 August 2017: approximately 1,114). The Group participates in various employee benefit plans, including provident housing fund, pension, medical insurance and unemployment insurance. The Company has also adopted a share option scheme for its employees and other eligible persons. Salaries and other benefits of the Group's employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees. For the year ended 31 August 2018, the annual staff costs (including directors' fees) amounted to approximately RMB121.0 million (2017: RMB86.5 million).

Capital Expenditures

Our capital expenditures were primarily related to (i) development and construction of new schools; (ii) purchase of leasehold land and buildings for our schools; (iii) maintenance, renovation, expansion and upgrade of our existing schools; and (iv) purchase of education facilities and equipment. The following table sets forth our additions of property, plant and equipment and leasehold land, for the periods indicated:

	For the year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Payment for property, plant and equipment	**(327,855)**	(64,107)
Payment for leasehold land	**(82,586)**	–
Prepayment for property, plant and equipment	**(35,536)**	–

We plan to satisfy such capital expenditures with a combination of our existing cash, cash generated from our operations, proceeds from the Global Offering and/or bank borrowing and other funds raised from the capital markets from time to time.

Capital Commitments

	As at 31 August	
	2018	2017
	RMB'000	RMB'000
Capital expenditure in respect of:		
– the acquisition of property, plant and equipment and land use rights contracted for but not provided in the reporting period	**53,506**	46

Gearing Ratio

Gearing ratio is calculated by dividing total debts (which equal interest-bearing bank borrowings and obligation under finance leases) by total equity attributable to owners of the Company as of the respective year end date.

Our gearing ratio increased from approximately 1.0% as of 31 August 2017 to approximately 7.4% as of 31 August 2018, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2018.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and incurred by bank borrowings. The Group currently does not use any financial instrument to hedge interest rate risk exposure. However, the management of the Group monitors interest rate risk and will consider hedging significant interest rate exposure should the need arise.

If interest rate of variable-rate bank borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2018 would have decreased/increased by approximately RMB60,000 (2017: nil).

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK dollars. As at 31 August 2018, certain bank balances and cash were denominated in HK dollars or US dollars. Any material volatility in the exchange rates of these currencies against RMB may affect the financial condition of the Group. The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Charges On The Group's Assets

Other than those assets held under obligations under finance leases, there were no material charges on the Group's assets as at 31 August 2018.

Contingent Liabilities

As at 31 August 2018, the Group did not have any material contingent liabilities (31 August 2017: nil).

Continuing Disclosure Pursuant to Listing Rules

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 August 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investment Held

As at 31 August 2018, the Group did not hold any significant investment.

Future Plans For Material Investments And Capital Assets

As at 31 August 2018, save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

Use of Proceeds from the Listing

Net proceeds from the Listing (including the partial exercise of over-allotment option) of approximately HK$494.0 million (equivalent to approximately RMB428.9 million), after deducting the underwriting fees, commissions and expenses payable by us in connection with the Listing, will be applied in the manner as set out in the section headed "Future plans and use of proceeds" of the Company's prospectus dated 19 July 2018. As at 31 August 2018, the Company applied the net proceeds in the following manner:

Use of proceeds		% of the net proceeds	Proceeds allocated (RMB million)	Amount utilized (RMB million)	Unutilized balance (RMB million)
I.	Establishing Nanjiang Bojun School (also known as Nanjiang School)	**28%**	**120.1**	108.0	12.1
II.	Establishing Wangcang Bojun School (also known as Wangcang School)	**28%**	**120.1**	106.7	13.4
III.	Establishing the high school section of Tianfu School	**22%**	**94.4**	36.7	57.7
IV.	Establishing Pengzhou Bojun School (also known as Chengdu School)	**9%**	**38.6**	31.1	7.5
V.	Establishing Lezhi School	**5%**	**21.4**	2.0	19.4
VI.	Establishing US School	**3%**	**12.9**	–	12.9
VII.	As working capital and for general corporate purpose	**5%**	**21.4**	21.4	–
Total		**100%**	**428.9**	305.9	123.0

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

REPORT OF DIRECTORS

The board (the "Board") of directors ("Directors") of Bojun Education Company Limited (the "Company") present their report together with the audited financial statements of Company, its subsidiaries and consolidated affiliated entities (the "Consolidated Affiliated Entities") (collectively, the "Group") for the year ended 31 August 2018.

Global Offering

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2016. The Company's shares were listed on the Main Board of the Stock Exchange on 31 July 2018.

Principal Activities and Consolidated Affiliated Entities

The Company is one of the leading providers of K-12 private education services in Chengdu, Sichuan Province, China. Analysis of the principal activities of the Group and particulars of its major subsidiaries and the Consolidated Affiliated Entities during the year ended 31 August 2018 are set out in Notes 1 and 32 to the consolidated financial statements.

Financial Results

The results of the Group for the year ended 31 August 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

Business Review

A review of the business of the Group during the year ended 31 August 2018 and analysis by using financial key performance indicators, and a discussion on the Group's future business development are contained in the section headed Management Discussion and Analysis in this annual report.

Major Risks and Uncertainties

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. Save as disclosed in the Notes to the Consolidated Financial Statements of this annual report, major risks we face include:

(i) we may be subject to severe penalties if the PRC government finds that the Structured Contracts do not comply with applicable PRC laws and regulations;

(ii) the Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business, and our compliance with the Draft Foreign Investment Law depends on the compliance by Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong with the undertakings given by them, which the Stock Exchange has limited power to enforce;

(iii) we have limited experience in high school education and no experience in primary school education;

(iv) our expansion plans may significantly drain our operational and financial resources;

(v) we may be unable to implement our growth strategies or manage our growth effectively, which may materially and adversely affect our ability to capitalize on new business opportunities;

(vi) highly competitive PRC education sector could result in reduced profit margins and market shares, increased pricing pressure, departures of qualified teaching staff and increased spendings;

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

For details of the risk factors, please refer to the section headed "Risk Factors" in the Group's prospectus dated 19 July 2018. Investors are advised to make their own judgement or consult their investment advisors before investing in the shares.

Environment, Health and Safety

The Group's business has not violated applicable environmental laws and regulations of the PRC in any material aspect.

The Group is dedicated to protecting the health and safety of our students. The Group has on-site medical staff or health care personnel at each of our schools to deal with minor medical situations involving our students. For any serious emergency medical situations, we will promptly send our students to local hospitals for medical treatment. Regarding security at the schools, we employed qualified property management companies to provide property security services at our school premises.

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the reporting period.

Compliance with the relevant laws and regulations

During the year ended 31 August 2018, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Final Dividends

The Board did not recommend the payment of final dividend for the year ended 31 August 2018.

Annual General Meeting

The Company will hold an annual general meeting (the "AGM") on Friday, 18 January 2019. Notice of the AGM will be published and dispatched to the shareholders of the Company in accordance with the articles of association of the Company and the Listing Rules as soon as practicable.

Closure of register of members

For determining the entitlement to attend and vote at the AGM to be held on 18 January 2019 (Friday), the register of members of the Company will be closed from 15 January 2019 (Tuesday) to 18 January 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Shops 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 January 2019 (Monday).

Financial Summary

A summary of the Group's results, assets and liabilities for the most recent four financial years are set out in the section headed "Financial Highlights" in this annual report. This summary does not form part of the audited consolidated financial statements.

Major Customers and Suppliers

Major customers

For the year ended 31 August 2018, the Group's customers primarily consist of the Group's students and their parents. The Group did not have any single customer who accounted for more than 5% of the Group's revenue.

Major suppliers

For the year ended 31 August 2018, the Group's five largest suppliers accounted for 94.9% of the Group's total purchases and the Group's single largest supplier accounted for 69.5% of the Group's total purchases.

For the year ended 31 August 2018, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

Relationship With Employees, Suppliers and Customers

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with employees, suppliers and customers. During the year ended 31 August 2018, the Group strived to satisfy both the students and their parents by continuing to provide better education services. The Group also maintained ongoing communication with suppliers to shorten the delivering cycle and to obtain better payment terms. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 August 2018 are set out in Note 14 to the consolidated financial statements.

Share Capital

The Company issued 223,510,000 new Shares at the issue price of HK$2.36 per Share in connection with the Listing. The net proceeds, after deducting the underwriting fees, commissions and expenses payable by the Company in connection with the Listing, amounted to approximately HK$494.0 million (equivalent to approximately RMB428.9 million). The net proceeds has been applied in the manner as set out in the section headed "Future plans and use of proceeds" of the Prospectus. As at 31 August 2018, the Company has applied the net proceeds of approximately RMB305.9 million. The unutilized net proceeds are generally placed in licensed financial institutions as short-term interest-bearing deposits.

Further, details of movements in the share capital of the Company during the year ended 31 August 2018 are set out in Note 26 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year ended 31 August 2018 are set out in the Consolidated Statement of Changes in Equity of this annual report.

Distributable Reserves

As at 31 August 2018, the Company's reserve available for distribution was RMB669.6 million. Details of movements in the reserves of the Company are set out in the Note 34 to the consolidated financial statements.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 August 2018 are set out in Note 23 to the consolidated financial statements.

Directors

The Directors during the year ended 31 August 2018 and up to the date of this annual report are:

Executive directors

Mr. Xiong Tao (redesignated on 13 October 2016)
Mr. Ran Tao (redesignated on 13 October 2016)
Ms. Liao Rong (redesignated on 13 October 2016)

Non-executive directors

Mr. Bai Zimin (redesignated on 13 October 2016)
Mr. Wang Ping (redesignated on 13 October 2016)

Independent Non-executive Director

Mr. Cheng Tai Kwan Sunny (appointed on 11 July 2018)
Mr. Mao Daowei (appointed on 11 July 2018)
Ms. Luo Yunping (appointed on 11 July 2018)

In accordance with article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election. Accordingly, Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 17 December 2018.

Biographies of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" in this annual report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 August 2018 and remain so as of the date of this annual report.

Directors' Service Contracts

Each of the executive Directors and non-executive Directors has entered into a service agreement or a letter of appointment with the Company pursuant to which each of them agreed to act as an executive Director or a non-executive Director (as the case may be) for an initial term of three years commencing from the Listing Date.

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation.

Directors' and Controlling Shareholders' Material Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, no Directors or their connected entity (within the meaning in section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 August 2018.

Apart from the contract relating to the reorganization of the Group in relation to the Listing and save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Controlling Shareholders or any of their connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 August 2018.

No contract of significance for the provision of services to the Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 August 2018.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 August 2018.

Emolument Policy

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed "Share Option Scheme" of this annual report.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in Note 11 to the consolidated financial statements.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in Note 25 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations

As at 31 August 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Director/ Chief executive	Capacity/Nature of interest held	Number of shares	Long position/ Short position	Approximate percentage of shareholding held in the Company
Mr. Xiong Tao (Note 1)	Interest in a controlled corporation	213,120,000	Long position	25.88%
	Interest of spouse	83,160,000	Long position	10.10%
Ms. Liao Rong (Note 2)	Interest in a controlled corporation	83,160,000	Long position	10.10%
	Interest of spouse	213,120,000	Long position	25.88%
Mr. Ran Tao (Note 3)	Interest in a controlled corporation	123,390,000	Long position	14.98%

Notes:

1. Mr. Xiong Tao is the sole shareholder and sole director of Cosmic City Holdings Limited, and is therefore deemed to be interested in 213,120,000 shares held by Cosmic City. Mr. Xiong Tao is also the husband of Ms. Liao Rong, and is therefore deemed to be interested in 83,160,000 shares held by Ms. Liao Rong through Surpass Luck.

2. Ms. Liao Rong is the sole shareholder and sole director of Surpass Luck Global Limited, and is therefore deemed to be interested in 83,160,000 shares held by Surpass Luck. Ms. Liao Rong is also the wife of Mr. Xiong Tao, and is therefore deemed to be interested in 213,120,000 shares held by Mr. Xiong Tao through Cosmic City.

3. Mr. Ran Tao is the sole shareholder and sole director of Zheng Yong Global Limited, and is therefore deemed to be interested in 123,390,000 shares held by Zheng Yong.

Save as disclosed above, as 31 August 2018, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Scheme" of this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 August 2018, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest held	Number of shares	Long position/ Short position	Approximate percentage of shareholding held in the Company
Cosmic City Holdings Limited (Note 1)	Beneficial owner	213,120,000	Long position	25.88%
Zheng Yong Global Limited (Note 2)	Beneficial owner	123,390,000	Long position	14.98%
Surpass Luck Global Limited (Note 3)	Beneficial owner	83,160,000	Long position	10.10%
Ms. Gong Yahong (Note 4)	Interest of spouse	123,390,000	Long position	14.98%
Wuxi Guolian Shoukong Capital Investment LLP 無錫國聯首控股權投資基金中心(有限合夥) (Note 5)	Beneficial owner	150,000,000	Long position	18.21%
Wuxi Shoukong Lianxin Investment Management LLP* (無錫首控聯信投資管理中心(有限合夥)) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%
First Capital Fund Management Company Limited* (首控基金管理有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%
Shanghai Shenlian Investment Management Company Limited* (上海申聯投資管理有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%

Name	Capacity/Nature of interest held	Number of shares	Long position/ Short position	Approximate percentage of shareholding held in the Company
Shanghai Jintang Investment Consultancy Company Limited* (上海錦塘投資諮詢有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%
Brilliant Rich International Holdings Limited (錦地國際控股有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%
Brilliant Rich Holdings Limited (錦豐控股有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%
China First Capital Group Limited (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.21%

Notes:

1. Cosmic City is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Mr. Xiong Tao. Therefore, Mr. Xiong Tao is deemed to be interested in shares held by Cosmic City by virtue of SFO.

2. Zheng Yong is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Mr. Ran Tao. Therefore, Mr. Ran Tao is deemed to be interested in shares held by Zheng Yong by virtue of SFO.

3. Surpass Luck is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Ms. Liao Rong. Therefore, Ms. Liao Rong is deemed to be interested in shares held by Surpass Luck by virtue of SFO.

4. Ms. Gong Yahong is the wife of Mr. Ran Tao, and is therefore deemed to be interested in 123,390,000 shares indirectly held by Mr. Ran Tao through Zheng Yong.

5. Wuxi Guolian Shoukong Capital Investment LLP ("Wuxi Guolian") is a limited partnership established in the PRC and its general partner is Wuxi Shoukong Lianxin Investment Management LLP ("Wuxi Shoukong Lianxin"), a limited partnership established in the PRC. The general partner of Wuxi Shoukong Lianxin is First Capital Fund Management Company Limited ("First Capital Fund"), a limited liability company established in the PRC. First Capital Fund is wholly-owned by Shanghai Shenlian Investment Management Company Limited ("Shanghai Investment Management"), a limited liability company established in the PRC. Shanghai Investment Management is wholly-owned by Shanghai Jintang Investment Consultancy Company Limited ("Shanghai Jintang"), a limited company established in the PRC. Shanghai Jintang is wholly-owned by Brilliant Rich International Holdings Limited ("Brilliant Rich International"), a limited liability company incorporated in Hong Kong. Brilliant Rich International is wholly-owned by Brilliant Rich Holdings Limited ("Brilliant Rich"), a limited liability company incorporated in BVI. Brilliant Rich is wholly-owned by China First Capital Group Limited ("CFC"), a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange (stock code: 1269). Thus, Wuxi Shoukong Lianxin, First Capital Fund, Shanghai Investment Management, Shanghai Jintang, Brilliant Rich International, Brilliant Rich and CFC are deemed to be interested in the Shares held by Wuxi Guolian under the SFO.

Save as disclosed above, as at 31 August 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Option Scheme

We adopted the Share Option Scheme conditionally by a resolution in writing on 12 July 2018. The following is a summary of the principal terms of the Share Option Scheme:

(i) Purpose of the Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

(aa) any employee of the Company, any of our subsidiaries or any entity in which the Group holds an equity interest;

(bb) any non-executive director (including independent non-executive director) of the Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of any member of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) Maximum number of shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the Shares in issue from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 80,000,000 Shares).

(iv) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

(v) Grant of options to connected persons

Any offer to grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors.

Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favor at such general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before the exercise of an option granted to him under the Share Option Scheme.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(xi) Period of the share option scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The remaining life of the Share Option Scheme is around 9 years and 7 months.

During the period between the Listing and 31 August 2018, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

Equity-Linked Agreements

Save as disclosed in the section headed "Share Option Scheme" of this annual report, during the year ended 31 August 2018, neither the Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 August 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Non-Competition Undertaking

As of 31 August 2018, the Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with the business of the Group.

Under the Structured Contracts, Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong has provided certain non-competition undertaking in favor of the Company. For details of the Non-Competition Undertaking, please refer to the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Undertaking during the Reporting Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the Non-Competition Undertaking during the Reporting Period based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Non-Competition Undertaking.

Directors' Interest in Competing Business

Save as disclosed in this annual report, during the year ended 31 August 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Connected Transactions

Exempt Continuing Connected Transactions

Office lease

On 1 September 2016, Chengdu Bojun entered into a lease agreement ("Office Lease Agreement") with Chengdu Hengyu Industrial Company Limited* (成都恒宇實業有限公司) ("Chengdu Hengyu"), pursuant to which Chengdu Bojun leased from Chengdu Hengyu an office located in Chengdu, Sichuan Province with an aggregate construction area of 408.85 sq.m. The term of the lease shall be three years and the monthly rent payable shall be approximately RMB16,354 (equivalent to RMB40.0 per sq.m.).

The fixed rent payable by us for the year ended 31 August 2017 and 2018 were RMB0.2 million, respectively, under the Office Lease Agreement.

Listing rules implications

Chengdu Hengyu, which is held as to 95% by Mr. Xiong Tao and 5% by the sister of Ms. Liao Rong, is an associate of Mr. Xiong Tao and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Office Lease Agreement constitute continuing connected transactions for the Company under the Listing Rules upon the Listing.

Based on the current annual rent payable by us, we expect that each of the applicable percentage ratios (other than profit ratio) for the Office Lease Agreement will be less than 5% and the total consideration is less than HK$3,000,000. Thus, the continuing connected transactions contemplated under the Office Lease Agreement constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

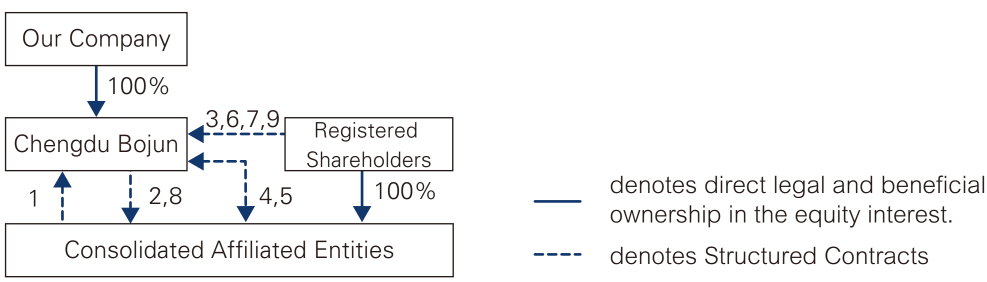
The Directors (including our independent non-executive Directors) have confirmed that the transactions under the Office Lease Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-Exempt Continuing Connected Transactions

Structured contracts

A. Overview

The Group conducted its private education business through the Consolidated Affiliated Entities in the PRC which has laws and regulations in place prohibiting foreign ownership of middle schools in the PRC and restricting operation of preschools and high schools by sino-foreign ownership with qualification requirements imposed on the foreign owners. Although the Company and its subsidiaries do not hold any equity interest in the Consolidated Affiliated Entities, Chengdu Bojun has control over and derive economic benefits from the Consolidated Affiliated Entities through the provision of services by Chengdu Bojun and receipt of service fees in return in accordance with the Structured Contracts. According to the Group's PRC legal advisors, no current PRC laws or regulations restrict or prohibit Chengdu Bojun's contractual rights to receive service fees from the Consolidated Affiliated Entities for the services provided under the Structured Contracts. The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Group under the Structured Contracts:



Notes:

1. Payment of service fees. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" in the Prospectus for details.

2. Provision of exclusive technical and management consultancy services. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" in the Prospectus for details.

3. Exclusive call option to acquire all or part of the equity interest in the School Sponsors and their school sponsor's interest in the PRC Operating Schools (where applicable). Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (2) Exclusive Call Option Agreement" in the Prospectus for further details.

4. Entrustment of school sponsors' rights in the PRC Operating Schools by the School Sponsors including school sponsors' powers of attorney. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (3) School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (4) School Sponsors' Powers of Attorney" in the Prospectus for further details.

5. Entrustment of directors and council members' rights in the PRC Operating Schools by directors and council members of the PRC Operating Schools appointed by Chengdu Mingxian, Chengdu Youshi Preschool Investment, Sichuan Boai, Chengdu Jinbojun, Nanjiang Bojun and Wangcang Bojuin including directors' (council members') powers of attorney. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (3) School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (5) Directors' (Council Members') Powers of Attorney" in the Prospectus for further details.

6. Spouse undertakings by the respective spouse of the Registered Shareholders, who are shareholders of Chengdu Mingxian. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (6) Spouse Undertakings" in the Prospectus for further details.

7. Pledge of equity interest by the Registered Shareholders of their equity interest in Chengdu Mingxian, and pledge of equity interest by Chengdu Mingxian of its equity interest in Chengdu Youshi Preschool Investment, Sichuan Boai, Chengdu Jinbojun, Renshou Bojun, Lezhi Bojun, Nanjiang Bojun and Wangcang Bojun. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (7) Equity Pledge Agreement" in the Prospectus for further details.

8. Provision of loans by Chengdu Bojun to our Consolidated Affiliated Entities for the operations of the Consolidated Affiliated Entities. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (8) Loan Agreement" of the Prospectus for further details.

9. Entrustment of shareholders' rights in the School Sponsors by the Registered Shareholders and Chengdu Mingxian including shareholders' powers of attorney. Please refer to the sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (9) Shareholders' Rights Entrustment Agreement and Shareholders' Powers of Attorney" of the Prospectus for further details.

B. Summary of the material terms of the Structured Contracts

(1) Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreements entered into by and among Chengdu Bojun, the Registered Shareholders, Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai and Renshou Bojun, the PRC Operating Schools, Nanjiang Bojun, Wangcang Bojun and Lezhi Bojun, Chengdu Bojun agreed to provide exclusive technical service, management support and consulting service necessary for the education business to the Consolidated Affiliated Entities which, shall in return make payments to Chengdu Bojun in accordance with the Structured Contracts.

To ensure the due performance of the Structured Contracts, each of the Consolidated Affiliated Entities agreed to comply with, and procure its subordinate enterprises, units and legal entities established from time to time (including its subsidiaries, branches and other entities) to comply with, and the Registered Shareholders agreed to procure the Consolidated Affiliated Entities to comply with the following obligations as prescribed under the Exclusive Business Cooperation Agreement.

In order to prevent the leakage of assets and values of the Consolidated Affiliated Entities, the Registered Shareholders and each of the Consolidated Affiliated Entities have undertaken that, without prior written consent of Chengdu Bojun or its designated party, they shall not conduct or cause to conduct any activity or transaction which may have actual impact (i) on the assets, business, staff, rights, obligations or operations of the Consolidated Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of the Consolidated Affiliated Entities to perform their obligations under the Structured Contracts.

In addition, each of the Registered Shareholders irrevocably undertakes (severally and jointly) to Chengdu Bojun that, unless with its written waiver, the Registered Shareholders shall not (i) directly or indirectly invest, operate, engage, participate in, conduct, acquire or hold any business or activities, which compete or may potentially compete with the business of Chengdu Bojun, the Company, the Consolidated Affiliated Entities or their respective subordinate enterprises, units or legal entities, within or outside of the PRC, whether independently or with other party or as a representative of other party (the "Competing Business") or have any interest in the Competing Business, (ii) use information obtained from any of the Consolidated Affiliated Entities or their respective subordinate enterprises, units or legal entities for the Competing Business, (iii) obtain any benefit from any Competing Business, and (iv) procure the Consolidated Affiliated Entities to engage in any other businesses. The Registered Shareholders further consent and agree that, in the event that the Registered Shareholders (severally and jointly) directly or indirectly engage, participate in or conduct any Competing Business, Chengdu Bojun and/or other entities as designated by us shall be granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation of the Competing Business within a reasonable time.

(2) Exclusive Call Option Agreement

Pursuant to the exclusive call option agreements entered into by and among Chengdu Bojun, the Registered Shareholders, Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai, Renshou Bojun, the PRC Operating Schools, Nanjiang Bojun, Wangcang Bojun and Lezhi Bojun, the Registered Shareholders and the School Sponsors have irrevocably granted Chengdu Bojun or its designated purchaser an exclusive option to purchase all or part of the equity interest in our School Sponsors and their school sponsor's interest in the PRC Operating Schools (where applicable) (the "Interest") (the "Equity Call Option"). In relation to the transfer of the Interest upon exercise of the Equity Call Option, the purchase price payable by Chengdu Bojun shall be the lowest price permitted under the PRC laws and regulations. Chengdu Bojun or its designated purchaser shall have the right to purchase such proportion of the equity interest and/or school sponsor's interest in our Consolidated Affiliated Entities as it decides at any time.

If Chengdu Bojun is allowed to directly hold all or part of the equity interest and/or school sponsor's interest in the Consolidated Affiliated Entities and operate private education business in the PRC under the PRC laws and regulations, Chengdu Bojun shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of equity interest and/or sponsor's interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Chengdu Bojun or us under the PRC laws and regulations (as the case may be).

(3) School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement

According to the school sponsors' and directors' (council members') rights entrustment agreement entered into by and among Chengdu Bojun, Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai, Renshou Bojun, the Appointees, Qu Yingshu (瞿穎姝), Lezhi Bojun and the PRC Operating Schools (the "School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement"), each of the School Sponsors has irrevocably authorized and entrusted Chengdu Bojun or its designated party to exercise all its rights as school sponsor of the relevant PRC Operating School to the extent permitted by the PRC laws.

Pursuant to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement, each of the Appointees has irrevocably authorized and entrusted Chengdu Bojun to exercise all his/her rights as directors and/or council members of our relevant PRC Operating School as appointed by Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun or Sichuan Boai and to the extent permitted by the PRC laws.

In addition, each of our School Sponsors and the Appointees has irrevocably agreed that (i) Chengdu Bojun may, without prior notice to or approval by the School Sponsors and the Appointees, delegate its rights under the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement to the directors of Chengdu Bojun or its designated party; and (ii) any person as successor of civil rights of Chengdu Bojun or liquidator as a result of subdivision, merger, liquidation of Chengdu Bojun or other circumstances shall have authority to replace Chengdu Bojun to exercise all rights under the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

(4) School Sponsors' Powers of Attorney

Pursuant to the school sponsors' powers of attorney executed by each of our School Sponsors in favor of Chengdu Bojun and each of the School Sponsors authorized and appointed Chengdu Bojun, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of our relevant PRC Operating School. For further information of the rights granted, please refer to the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (3) School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement" in the Prospectus.

Chengdu Bojun shall have the right to further delegate the rights so delegated to directors of Chengdu Bojun or other designated party. Chengdu Bojun confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. The School Sponsors irrevocably agreed that the authorization and appointment in the School Sponsor's Powers of Attorney shall not be invalid, revoked, prejudiced or otherwise adversely affected by reason of the subdivision, merger, winding up, consolidation, liquidation or other similar events of our School Sponsors. The School Sponsors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

(5) Directors' (Council Members') Power of Attorney

Pursuant to the directors' (council members') powers of attorney executed by each of the Appointees in favor of Chengdu Bojun, each of the Appointees authorized and appointed Chengdu Bojun, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors or council members of our relevant PRC Operating School. For further information of the rights granted, please refer to the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (3) School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement" in the Prospectus.

Chengdu Bojun shall have the right to further delegate the rights so delegated to directors of Chengdu Bojun or other designated party. Chengdu Bojun confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Each of the Appointees irrevocably agreed that the authorization and appointment in the Directors' (Council Members') Powers of Attorney shall not be invalid, revoked prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' (Council Members') Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

(6) Spouse Undertakings

Pursuant to the spouse undertakings executed by each of the respective spouse of the Registered Shareholders, namely Mr. Xiong Tao, Ms. Liao Rong, Ms. Gong Yahong (龔亞虹), Ms. Hu Sha (胡莎) and Mr. Zheng Quanguo (鄭權國), all dated 26 January 2018 (the "Spouse Undertaking"), the respective spouse of each of the Registered Shareholders (if any) has acknowledged and consented to the signing of the structured contracts by their respective spouse.

(7) Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into by and among Chengdu Bojun, the Registered Shareholders, Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai, Renshou Bojun, Nanjiang Bojun, Wangcang Bojun and Lezhi Bojun (the "Equity Pledge Agreement"), each of the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his/her equity interest in Chengdu Mingxian and Chengdu Mingxian unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of its equity interests in Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai, Renshou Bojun, Lezhi Bojun, Nanjiang Bojun and Wangcang Bojun together with all related rights thereto to Chengdu Bojun as security for performance of the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by Chengdu Bojun as a result of any event of default on the part of the Registered Shareholders or each of our Consolidated Affiliated Entities and all expenses incurred by Chengdu Bojun as a result of enforcement of the obligations of the Registered Shareholders and/or each of our Consolidated Affiliated Entities under the Structured Contracts (the "Secured Indebtedness"). For further information of our School Sponsors, please refer to the section headed "History and Development — Sponsors of our Schools" in this report.

According to the Equity Pledge Agreement, the Registered Shareholders and Chengdu Mingxian shall not transfer the pledged equity interests or create further pledge or encumbrance over the pledged equity interest without the prior written consent of Chengdu Bojun. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Chengdu Bojun. The Registered Shareholders and Chengdu Mingxian also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

(8) Loan Agreement

Pursuant to the loan agreement entered into by and among Chengdu Bojun, Chengdu Mingxian, Chengdu Youshi Preschool Investment, Chengdu Jinbojun, Sichuan Boai, Renshou Bojun, Nanjiang Bojun, Wangcang Bojun, Lezhi Bojun and the PRC Operating Schools, Chengdu Bojun agreed to provide interest-free loans to our Consolidated Affiliated Entities for their operations. Our School Sponsors also agreed to utilize the proceeds of such loans to contribute as capital of our PRC Operating Schools in their capacity as school sponsors of our PRC Operating Schools in accordance with our instructions as permitted by the PRC laws and regulations. The parties agreed that all such capital contribution can be directly settled by Chengdu Bojun on behalf of our School Sponsors.

The term of the loan agreement shall continue until all school sponsor's interest of our PRC Operating Schools are transferred to Chengdu Bojun or its designee and the required registration process has been completed with the relevant local authorities thereafter.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Chengdu Bojun. The loan will become due and payable upon demand of Chengdu Bojun under any of the following circumstances:

(i) the winding-up or liquidation of any of our Consolidated Affiliated Entities;

(ii) any of our Consolidated Affiliated Entities becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, or

(iii) Chengdu Bojun exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations.

(9) Shareholders' Rights Entrustment Agreement and Shareholders' Powers of Attorney

Pursuant to the shareholders' rights entrustment agreement entered into by and among Chengdu Bojun, the Registered Shareholders and Chengdu Mingxian with effect from 30 August 2017 (the "Shareholders' Rights Entrustment Agreement") and the respective powers of attorney dated 26 January 2018 executed by each of the Registered Shareholders and Chengdu Mingxian, respectively (the "Shareholders' Power of Attorney"), each of the Appointees authorized and appointed Chengdu Bojun, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors or council members of the relevant PRC Operating School.

Chengdu Bojun shall have the right to further delegate the rights so delegated to directors of Chengdu Bojun or other designated party. Chengdu Bojun confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Each of the Appointees irrevocably agreed that the authorization and appointment in the Directors' (Council Members') Powers of Attorney shall not be invalid, revoked, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' (Council Members') Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

C. Business activities of the Consolidated Affiliated Entities

The business activities of the Consolidated Affiliated Entities are primarily to offer private education services to kindergartens and primary, middle and high schools students.

D. Significance and financial contributions of Consolidated Affiliated Entities

Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the Consolidated Affiliated Entities. The table below sets out the financial contribution of the Consolidated Affiliated Entities to the Group:

	Revenue For the year ended 31 August		**Net profit For the year ended 31 August**		**Total assets As of 31 August**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Consolidated Affiliated Entities	**231,259**	181,240	**42,251**	47,492	**1,053,282**	595,025

E. Revenue and assets involved in Structured Contracts

The table below sets out (i) the revenue and (ii) the total assets of the Consolidated Affiliated Entities, that are consolidated into the Group's financial statements pursuant to the Structural Contracts:

	Revenue For the year ended 31 August	Total Assets As of 31 August
	2018 RMB'000	2018 RMB'000
Consolidated Affiliated Entities	**231,259**	**1,053,282**

F. Regulatory Framework

1. Middle School Education

Under the Implementation Opinions on Private Fund's Entry into the Education Sector, which was promulgated on 18 June 2012, foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog. According to the Foreign Investment Catalog, the latest version to which was jointly promulgated by the NDRC and the MOFCOM on 28 June 2017 and came into effect on 28 July 2017, middle schools offering compulsory education for students from grade seven to nine in the PRC fall within the "prohibited" catalog for foreign investment.

Due to the prohibitions on foreign ownership, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC. Therefore, we do not hold any direct equity interest in any of Jinjiang School, Longquan School and Tianfu School, each of which offers middle school education, and control each of them through the Structured Contracts.

2. Preschool and High School Education

The operation of preschool and high school in the PRC falls within the "restricted" catalog for foreign investment and is explicitly restricted to Sino-foreign cooperation. Foreign investors may only operate preschool and high school through joint ventures with PRC-incorporated entities that are in compliance with the Sino-Foreign Regulation. Moreover, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, and it requires that (a) the principal or other chief executive officer of the schools shall be a PRC national (with which we had fully complied); and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction").

According to the Implementing Rules for the Regulations on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for any of our kindergartens and high school to be reorganized as a Sino-foreign joint venture private school (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Furthermore, according to the Implementation Opinions on Private Fund's Entry into the Education Sector, the foreign portion should be below 50% of the total investment in a Sino-Foreign Joint Venture Private School (the "Foreign Ownership Restriction") and the establishment of such school is subject to approval of education authorities at the provincial or national level.

3. Compliance with the Qualification Requirement

According to the Regulations on Operating Sino-foreign Schools (《中外合作辦學條例》), the foreign investor in a Sino-Foreign Joint Venture Private School must be a foreign educational institution which has acquired relevant qualifications and experience in a foreign country (the "Qualification Requirement"). As part of our effort to fulfill the Qualification Requirement, we have adopted specific plans and taken concrete steps reasonably considered by us to be significant to indicate our compliance with the Qualification Requirement. On 19 August 2016, we established US Bojun as an operating entity in the United States. On 29 January 2018, we entered through US Bojun into a memorandum of understanding with the US Partner, an institution which had extensive experience in provision of private education services in the United States, to expand our school network abroad. Pursuant to the memorandum of understanding, the Group and the US Partner will set up a joint venture for the establishment of the US School in the Los Angeles area. The joint venture will be owned by the Group as to 70% and the US Partner as to 30%. We will provide funding to finance operations and the purchase of facilities, and will be involved in the design of the education programs to be offered by the US School. The US Partner will provide management services to the US School, assist the Group in identifying school premises and recruiting teachers for the US School. We intend to allocate approximately US$3.2 million for the purpose of establishing the US School. We intend to meet part of such capital expenditure by utilising approximately RMB12.9 million (equivalent to approximately US$1.9 million) from the Hong Kong public offering and the international offering (the "Global Offering") and the remainder through equity and/or debt financing and/or with our internal funds, as and when we see fit. As of the date of this report, we were in the process of identifying a suitable site for the US School.

The Group's PRC legal advisor indicated to the Group that the relevant regulatory developments and guidance related to the qualification requirements have not changed.

4. Draft Foreign Investment Law and the Explanatory Notes

In January 2015, MOFCOM published the Draft Foreign Investment Law and in March 2018, the State Council promulgated the legislation plan of year 2018 including the Draft Foreign Investment Law. The Draft Foreign Investment Law aims to replace the major existing laws and regulations governing foreign investment in the PRC upon its enactment. However, there are uncertainties with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law. If the Draft Foreign Investment Law is enacted, it may materially impact the entire legal framework regulating foreign investments in the PRC. Among other things, the Draft Foreign Investment Law purports to introduce the concept of "actual control" in determining whether a company is considered as a foreign invested enterprise, or a foreign invested entity. The Draft Foreign Investment Law specifically provides that entities established in the PRC but "controlled" by foreign investors will be treated as foreign invested entities; whereas an entity incorporated in a foreign jurisdiction, which is "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the Draft Foreign Investment Law to cover the following summarized categories:

(i) holding directly or indirectly, 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire not less than 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board of directors; or

(iii) having the power to impose decisive influence, through contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters. In respect of "actual control", the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. As defined in Article 19 of the Draft Foreign Investment Law, "actual controllers" are natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is considered to be a foreign invested entity, the entity will be required to obtain market entry permission from the authority in charge of foreign investment if its investment amount exceeds certain thresholds or its business operation falls within a "negative list" to be separately issued by the State Council in the future. Similar to many PRC-based companies, the Company has adopted the "variable interest entity" or VIE structure and established control of our Consolidated Affiliated Entities by Chengdu Bojun through Structured Contracts to operate our private education business in the PRC. Under the Draft Foreign Investment Law, if the variable interest entities are ultimately "controlled" by foreign investors, they would be considered as foreign invested entities. If the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens), the VIE structure of companies controlled by such controlling person(s) may be deemed as legitimate even though such companies are in an industry that is in the "restricted" category on the "negative list". Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign invested entities and any operation in the industry category on the "negative list" without market entry permission may be considered as illegal. Pursuant to the Draft Foreign Investment Law, if a domestic enterprise under the contractual arrangements is controlled by Chinese nationals, it may be treated as a Chinese investor and therefore the contractual arrangements may be regarded as legal. On the contrary, if a domestic enterprise is controlled by foreign investors, it may be treated as a foreign-invested enterprise, and therefore the operation of such domestic enterprise through contractual arrangements may be regarded as illegal if the domestic enterprise operates in a sector which is on the "negative list" and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The "negative list" set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively. As such, foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Unless otherwise specified by the State Council, if any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions. For sectors set out in the Catalogue of Restrictions, foreign investors are allowed to make investment provided that the foreign investors have fulfilled certain conditions and applied for permission before making such investment.

Although the accompanying explanatory notes to the Draft Foreign Investment Law (《關於〈中華人民共和國外國投資法（草案徵求意見稿）〉的説明》) do not provide a clear guidance on the treatment of existing VIE structures, the accompanying explanatory notes to the Draft Foreign Investment Law cite three possible approaches in dealing with foreign-invested enterprises with existing VIE structures, which are conducting business in an industry falling in the "negative list": (a) to make a declaration to the competent regulatory authority that the actual control is vested with Chinese investors, then the contractual arrangements may be retained for its operation; (b) to apply to the competent regulatory authority for certification that the actual control is vested with Chinese investors and upon verification by the competent regulatory authority, the contractual arrangements may be retained for its operation; (c) to apply for permission from the competent regulatory authority, and such authority together with the relevant departments shall decide whether to grant such permission after taking into account of the actual control of the foreign-invested enterprise and other factors.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong are of Chinese nationality, the Group's PRC Legal Advisors are of the view that the Structured Contracts are likely to be regarded as a domestic investment and it is likely that the Company can exercise effective control over the Consolidated Affiliated Entities through the Structured Contracts and the Consolidated Affiliated Entities can continue to carry on their operations.

G. Risks associated with the arrangements and the actions taken to mitigate the risks

The Group may be subject to severe penalties if the PRC government finds that the Structured Contracts do not comply with applicable PRC laws and regulations. The Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign-invested enterprises primarily through contractual arrangements, such as our business, and our compliance with the Draft Foreign Investment Law depends on the compliance by Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong with the undertakings given by them, which the Stock Exchange has limited power to enforce. Moreover, the Structured Contracts may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. Furthermore, the Registered Shareholders may have conflicts of interest with us, which may materially and adversely affect our business and financial condition. The exercise of the option to acquire equity interest of Chengdu Mingxian may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Structured Contracts if any of our Consolidated Affiliated Entities fails to perform its obligations thereunder. The Structured Contracts may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and value of your investment. Certain terms of the Structured Contracts may not be enforceable under the laws of the PRC. The Group relies on funds from our subsidiary in the PRC to pay dividends and other cash distributions to the Shareholders. If any of the Consolidated Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue. The Consolidated Affiliated Entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and its compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, for review and discussion where necessary;

(b) the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) the Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) the Directors undertake to provide periodic updates in the annual and interim reports regarding the qualification requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC legislation on foreign investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement;

(e) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Chengdu Bojun and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts. Moreover, notwithstanding that our executive Directors, Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

(f) the Articles contain provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be considered as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(g) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;

(h) with a view to promoting the interests of the Company and the Shareholders as a whole, we have appointed three independent non-executive Directors, comprising more than one-third of the Board so as to provide a balance of the number of interested and independent Directors; and

(i) the Company will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

H. Material changes

As at the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

For the year ended 31 August 2018, the Group completed the establishment of Nanjiang Bojun School, Wangcang Bojun School, Pengzhou Bojun School. All of them entered into the Structured Contracts, with Chengdu Bojun, upon their establishment, the framework of which is a reproduction of the existing arrangements of the Structured Contracts as disclosed in the Prospectus. As such, each of these schools is a consolidated affiliated entity of the Company.

I. Unwinding of the Structured Contracts

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. If there are changes in applicable PRC laws and regulations and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed, Chengdu Bojun will exercise the Equity Call Option (as defined in the paragraph headed "Structured Contracts – Operation of the Structured Contracts – Summary of the material terms of the Structured Contracts – (2) Exclusive Call Option Agreement" in this section) in full to unwind the contractual arrangements so that we are able to operate our schools directly without using the Structured Contracts. For further details, please see "Structured Contracts – Termination of the Structured Contracts" in this report.

Contractual arrangements in place

Listing rules implications

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

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

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to various conditions as disclosed in the section headed "Connected Transaction" in the Prospectus.

New transactions amongst the Consolidated Affiliated Entities and the Company

Given that the financial results of the Consolidated Affiliated Entities will be consolidated into the financial results and the relationship between the Consolidated Affiliated Entities and the Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of the Consolidated Affiliated Entities and the Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Confirmation from independent non-executive directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 August 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by the Consolidated Affiliated Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group, and (iii) the Structured Contracts and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Confirmations from the company's independent auditor

The auditor of the Company has confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended 31 August 2018:

a. nothing has come to our attention that causes us to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.

b. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

c. the transactions contemplating under the Structured Contracts:

   - have been approved by the directors;
   - have been entered into in accordance with the contractual arrangements under the Structured Contracts;
   - no dividends or other distributions have been made by the PRC Operating Entities to the School Sponsors which are not otherwise subsequently assigned or transferred to the Group.

Related Party Transactions

Other than the above mentioned transaction, details of transactions entered into with related parties by the Group during the year ended 31 August 2018 are set out in Note 29 to the consolidated financial statements.

Significant Legal Proceedings

For the year ended 31 August 2018, the Group had not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

Compliance With Laws and Regulations

During the year ended 31 August 2018 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company. In particular, the Group is committed to minimizing the impact on the environment from our business activities and the details of such effort are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

Permitted Indemnity Provision

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Important Events Since the Year End

The Group had no important events occurred since the year ended 31 August 2018.

Sufficiency of Public Float

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times from the Listing Date and up to the date of this annual report.

Auditor

Messrs. Deloitte Touche Tohmatsu ("Deloitte") was appointed as the auditor for the year ended 31 August 2018. The accompanying financial statements prepared in accordance with IFRSs have been audited by Deloitte.

Deloitte shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Deloitte as auditor will be proposed at the AGM.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

Recommendation to Consult Professional Tax Advice

If the Shareholders are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

On behalf of the Board
Xiong Tao
Chairman

Chengdu, the PRC, 27 November 2018

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors

Mr. Xiong Tao (熊濤), aged 54, was appointed as our Director in June 2016, was redesignated as an executive Director and appointed as the chairman of the Board in October 2016, and was appointed as the chairman of the nomination committee of the Board in July 2018. Mr. Xiong Tao is responsible for our overall business development and strategic planning. Mr. Xiong Tao is the spouse of Ms. Liao Rong.

Mr. Xiong Tao has over 19 years of experience in business management and investment. Since he joined the Group in April 2003, Mr. Xiong Tao has been a legal representative and executive director of certain Consolidated Affiliated Entities, and a council member or director of certain schools of the Group.

Mr. Xiong Tao studied Chinese language and literature and graduated from Daxian Normal School* (達縣師範專科學校) (currently known as Sichuan University of Arts and Science* (四川文理學院)) in the PRC in July 1982. Mr. Xiong Tao was an invited member of the 9th and 10th committees of the Education Committee of Chinese People's Political Consultative Conference of Sichuan Province in the PRC* (四川省政協教育委員會第九屆和第十屆教育委員會的特邀委員).

Mr. Ran Tao (冉濤), aged 45, was appointed as our Director on 30 September 2016, was redesignated as an executive Director on 13 October 2016, and was appointed as the chief executive officer of the Company in July 2018. Mr. Ran Tao is responsible for our overall business development, strategic planning and daily operation of the Group.

Mr. Ran Tao has approximately 18 years of experience in daily management and operation of education institutes, business management and investment. Since he joined the Group in March 2004, Mr. Ran Tao has been a supervisor, executive director and manager of certain Consolidated Affiliated Entities of the Group, and has served as a council member or director of certain schools.

Mr. Ran graduated from Sichuan Music College* (四川音樂學院) in the PRC with a bachelor's degree in vocal studies in July 1998.

Ms. Liao Rong (廖蓉), aged 55, was appointed as our Director on 30 September 2016, and was redesignated as an executive Director on 13 October 2016. Ms. Liao Rong is responsible for our overall business development, strategic planning and daily operation. Ms. Liao is the spouse of Mr. Xiong Tao.

Ms. Liao Rong has over 19 years of experience in business management and investment. Since she joined the Group in November 2006, Ms. Liao has been a legal representative, director and manager of certain Consolidated Affiliated Entities of the Group, and has served as a council member or director of certain schools.

Ms. Liao Rong completed a college-based undergraduate program on economic management, and graduated from Correspondence Institute of the Party School of the Sichuan Provincial Committee of the Communist Party of China* (中共四川省委黨校函授學院) in the PRC in December 2000. She was appointed as a vice president* (副理事長) of the first and second committees of the Preschool Education Committee of the Association for Non-government Education Institutes of Sichuan Province* (四川省民辦教育協會學前教育專業委員會). She was also appointed as a vice president of the first committee of the Preschool Education Profession committee of the Association for Non-government Education Institutes of Chengdu City* (成都市民辦教育協會學前教育專業委員會) in April 2013.

Non-executive directors

Mr. Bai Zimin (柏子敏), aged 45, was appointed as our Director in September 2016, was redesignated as a non-executive Director in October 2016, and was appointed as the chairman of the Remuneration Committee in July 2018. Mr. Bai Zimin is responsible for providing advice on strategic development and financial planning of the Group.

Mr. Bai Zimin has approximately 18 years of experience in project management and planning. From July 1999 to May 2012, he worked at the People's Procuratorate of Sichuan Province* (四川省人民檢察院) and his last position was a deputy director of the technology service department. From May 2012 to August 2015, Mr. Bai Zimin served as a standing committee member and a vice chief executive in provincial committee of Zizhong County, Neijiang, Sichuan Province* (四川省內江市資中縣縣委常委及副縣長), which is a state organisation. Mr. Bai Zimin was appointed as a general manager, chairman and legal representative of First Capital Education Investment (Shenzhen) Company Limited* (首控教育投資(深圳)有限公司), and was appointed as director in March 2016. Since May 2016, Mr. Bai Zimin has been an executive director and legal representative of Jianyang Xintai Shuyi Education Investment Management Company Limited (簡陽新泰樹藝教育投資管理有限公司). Since September 2016, Mr. Bai Zimin has been a manager of Chongqing Shoukong Education Information Consulting Services Company Limited (重慶首控教育信息諮詢服務有限公司). From October 2016 to November 2017, Mr. Bai Zimin was a deputy chief executive officer of China First Capital Group Limited (stock code: 1269). Since May 2017, Mr. Bai Zimin has been a director of Shoukong West Education Investment Company Limited (首控西部教育投資有限公司). Since June 2017, Mr. Bai Zimin has been a director of Chengdu First Capital Education Holdings Company Limited (成都首控教育控股有限公司). Since December 2017, Mr. Bai Zimin has also been an executive director of Jinlu Yuda Education Management Company Limited (金路育達教育管理有限責任公司).

Mr. Bai Zimin graduated from Chongqing Normal College* (重慶師範學院) in the PRC with a bachelor's degree in mathematics education in July 1996 and from Southwest Jiaotong University* (西南交通大學) in the PRC with a master's degree in applied computer science in January 2000. He further obtained a doctorate degree in management studies* (管理學博士學位) from Sichuan University* (四川大學) in the PRC in June 2009.

Mr. Wang Ping (王平), aged 48, was appointed as our Director on 30 September 2016, and was redesignated as a non-executive Director on 13 October 2016. Mr. Wang Ping is responsible for providing advice on strategic development and financial planning of the Group.

Mr. Wang Ping has over 19 years of experience in corporate finance, audit and accounting. From September 1999 to August 2002, he served as a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd, which is an international accounting firm. From February 2004 to March 2007, he served as a chief financial officer of China Jishan Holdings Limited (中國稽山控股有限公司). From May 2007 to March 2010, he served as a vice president of EV Capital Pte Ltd. He also served as an executive director and a chief financial officer of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited, stock code: 1269.hk) from April 2015 to December 2015 and from March 2012 to December 2015, respectively.

Mr. Wang has been appointed as an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange: (a) China Hanking Holdings Limited (stock code: 03788) (since February 2011); (b) China Tianrui Group Cement Company Limited (stock code: 01252) (since December 2012); (c) Tourism International Holdings Limited (stock code: 01626) (since June 2014); and (d) China Sinostar Group Company Limited (stock code: 00485) (since July 2014).

In addition, Mr. Wang was or has been appointed as an independent non-executive director of the following companies, the shares of which are listed on the Shenzhen Stock Exchange: (a) Chongyi Zhangyuan Tungsten Co., Ltd (SZSE: 002378) (from November 2010 to May 2017); (b) Shenzhen Fuanna Bedding and Furnishing Co., Ltd (SZSE: 002327) (from

December 2013 to September 2017); (c) Sichuan Crun Co., Ltd (SZSE: 002272) (from March 2016 to August 2017); (d) Shenzhen Zowee Technology Co., Limited (SZSE: 002369) (since July 2016); and (e) Yunnan Chuangxin New Material Co., Ltd (SZSE: 002812) (since April 2017).

Mr. Wang has been appointed as a non-executive director of the following companies, the shares of which are listed on the Shenzhen Stock Exchange: (a) Chongyi Zhangyuan Tungsten Co., Ltd (SZSE: 002378) (since May 2017); and (b) Sichuan Crun Co., Ltd (SZSE: 002272) (since August 2017).

Mr. Wang Ping graduated from Nanjing University (南京大學) in the PRC majoring in economics and management in December 1993 and obtained a master's degree in business administration from Sun Yat-Sen University* (中山大學) in the PRC in June 2004. He was admitted as a certified public accountant in PRC in December 1993 and has been a non-practicing member of Shanghai Institute of Certified Public Accountants of the PRC since September 2002.

Independent non-executive directors

Mr. Cheng Tai Kwan Sunny (鄭大鈞), aged 46, was appointed as our independent non-executive Director on 11 July 2018. He is primarily responsible for giving independent advice to the Board. He is also the chairman of the Audit Committee.

Mr. Cheng has over 9 years of experience in management, financial reporting and management accounting. He worked for a subsidiary of Li & Fung Limited (stock code: 0494), a company listed on the Stock Exchange, from January 2005 to June 2012. He has been appointed as an independent non-executive director of China Sinostar Group Company Limited (stock code: 0485), which is listed on the Main Board, since July 2014. He has been appointed as an independent non-executive director of Mengke Holdings Limited (stock code: 1629), which is listed on Main Board, since November 2016. He has been appointed as an independent non-executive director of Hua Lien International (Holding) Company Limited (stock code: 969), which is listed on Main Board, since December 2017. Since January 2014, Mr. Cheng has also been a director of Jolly Kingdom Franchise International Limited.

Mr. Cheng obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1996 and a degree of Master of Science from The Chinese University of Hong Kong in December 2006. He completed the Kellogg-HKUST Executive MBA Program and was awarded a degree of Master of Business Administration from Northwestern University and The Hong Kong University of Science and Technology in December 2009. He obtained a Juris Doctor degree from the Chinese University of Hong Kong in November 2017. Mr. Cheng was admitted as an associate and a fellow of The Association of Chartered Certified Accountants in July 1999 and July 2004, respectively. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) in September 2001. Mr. Cheng was a member of the Chinese People's Political Consultative Conference of Enping City, Guangdong Province* (中國人民政治協商會議廣東省恩平市委員會) from November 2011 to November 2016.

Mr. Mao Daowei (毛道維), aged 68, was appointed as our independent non-executive Director on 11 July 2018. He is primarily responsible for giving independent advice to the Board. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Mao was a professor in economic studies of Sichuan University (四川大學) in the PRC from July 2001 to July 2015 and has been a tutor of doctorate students since 2004. Mr. Mao was an independent director of Sichuan Dikang Sci & Tech Pharmaceutical Industry Co., Ltd. (四川迪康科技藥業股份有限公司) (currently known as Sichuan Languang Development Co., Ltd. (四川藍光發展股份有限公司)), which is listed on the Shanghai Stock Exchange (stock code: 600466), from April 2001 to October 2008. Mr. Mao studied politics and economics and graduated at Chengdu Telecommunication Engineering College* (成都電訊工程學院) in January 1982. Mr. Mao also graduated from Sichuan University in the PRC with a master's degree in politics and economics studies in July 1987.

Ms. Luo Yunping (雒蘊平), aged 69, was appointed as our independent non-executive Director in 11 July 2018. She is primarily responsible for giving independent advice to the Board. She is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Ms. Luo has accumulated 44 years of working experience in the education industry. She worked at Chengdu Preschool Education Normal School* (成都幼兒師範學校) from July 1973 to February 2005. During her tenure from July 1973 to July 2004, she served as a teacher, supervisor, principal and secretary of the communist committee. Ms. Luo joined the Group from June 2001 to April 2009, and acted as a legal representative of a number of kindergartens of the Group.

Ms. Luo graduated from Sichuan Normal University (四川師範大學) in the PRC with a bachelor's degree in chemical studies in June 1985. She completed a postgraduate program in preschool education studies* (學前教育專業在職人員研究生課程進修班) from East China Normal University* (華東師範大學) in April 2003. Ms. Luo obtained the qualification as vice professor in chemistry from Chengdu Professional Title Reform Leading Group* (成都市職稱改革工作領導小組) in March 2007 and the qualification as higher education teacher* (高等學校教師) from the Education Department of Sichuan Province* (四川省教育廳) in May 2007.

Senior management

Mr. Duan Bicong (段必聰), aged 55, joined the Group as the education director in June 2016, and took up the post of principal of Pengzhou Bojun School in September 2018.

Mr. Duan has accumulated 35 years of working and management experience in the education industry. He worked at No. 1 Middle School of Xichang from July 1984 to July 1996. From July 1996 to December 2009, he served as a supervisor of academic affairs office, assistant to principal and vice-principal of Chengdu No. 7 High School. From December 2009 to May 2016, he served as the principal and secretary of the communist committee of Chengdu Foreign Languages School.

Mr. Duan Bicong graduated from China West Normal University with a degree in political education in July 1984.

Mr. Jiang Bohan (蔣伯瀚), aged 46, joined the Group in April 2012, and is the principal of Jinjiang School. He was also the principal of Longquan School from September 2015 to August 2017 and the principal of Tianfu School from April 2016 to August 2017.

Mr. Jiang Bohan has accumulated 23 years of working experience in the education industry. From July 1995 to July 2005, he served as the dean (教導主任) of Experimental School (Primary School Division) Attached to Sichuan Normal University* (四川師範大學附屬實驗學校小學部). From July 2005 to March 2012, he served as the school principal of Experimental School (Secondary School Division) Attached to Sichuan Normal University* (四川師範大學附屬實驗學校(中學部)). Since September 2017, he has been the chairman of the committee of principals of No. 1 Experimental Schools Attached to Sichuan Normal University (師大一中校長委員會主任). Mr. Jiang Bohan is also a supervisor of Sichuan Normal University Haowen Education Investment Management Company Limited (四川師大浩文教育投資管理有限公司).

Mr. Jiang Bohan studied mathematics and graduated from Leshan Normal Higher Education Institute* (樂山師範高等專科學校) in July 1995. He completed a program on education studies and graduated from the Education Science Faculty of the Sichuan Normal University* (四川師範大學教育科學學院) in January 2007.

Mr. Wang Shudong (王樹東), aged 50, is the chief financial officer and the joint company secretary of the Company and was appointed as a joint company secretary of the Company on 3 July 2018. He joined the Group in September 2015 as a supervisor of Longquan School. He is primarily responsible for our financial management and overall corporate governance. Prior to his joining of the Group, Mr. Wang Shudong worked at Chengdu Huitong Chengshi Cooperation Bank* (成都滙通城市合作銀行) from 1986 to 1998 and was appointed as a section head of the commercial credit department of Chengdu Huitong Chengshi Cooperation Bank from July 1995 to July 1998. He was a chairman of the board and general manager of Chengdu Chengdian Cable Manufacture Co., Ltd.* (成都成電電纜制造有限公司), which is principally engaged in manufacturing cables, from 1998 to 2006, and he was primarily responsible for business operation, overall management and strategic development. Since April 2006, Mr. Wang Shudong has been an assistant director, vice general manager and chief financial officer of Chengdu Mingxian, the school sponsor of our schools.

Mr. Wang Shudong studied finance, accounting and computer applications* (財會與計算機應用) and graduated from Sichuan Radio and TV University* (四川廣播電視大學) in the PRC in July 2002.

Mr. Lam Wai Kei (林偉基), aged 45, was appointed as a joint company secretary of the Company on 3 July 2018. He has over 10 years of experience in accounting and company secretarial practices. He is a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam Wai Kei is currently the company secretary of China Sinostar Group Company Limited (formerly known as Shihua Development Company Limited), a company listed on the Main Board (stock code: 00485) and the managing director of Conpak CPA Limited, which is an audit firm in Hong Kong. Prior to joining the audit firm, Mr. Lam Wai Kei has worked in PricewaterhouseCoopers for approximately 9 years. Mr. Lam Wai Kei graduated from the Hong Kong University of Science and Technology with a bachelor of business administration degree in accounting in November 1996 and obtained a master of science degree in financial engineering from City University of Hong Kong in November 2004.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the purpose of inclusion in the Company's annual report for the year ended 31 August 2018.

Compliance With The Corporate Governance Code

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

Since the Listing Date, the Company has applied the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring business and performance. The Board has delegated the authority and responsibility of day-to-day management and operation of the Group to the senior management of the Group.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times. The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board composition

During the year ended 31 August 2018 and as at the date of this annual report, the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Xiong Tao *(chairman)*
Mr. Ran Tao *(chief executive officer)*
Ms. Liao Rong

Non-executive Directors

Mr. Bai Zimin
Mr. Wang Ping

Independent non-executive Directors

Mr. Cheng Tai Kwan Sunny
Mr. Mao Daowei
Ms. Luo Yunping

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

Changes in Information of Directors

Since the Listing Date on 31 July 2018, there were no changes to information which is required to be disclosed and disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Independent non-executive Directors

Since the Listing Date on 31 July 2018, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" and otherwise disclosed in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board diversity

The Company believes that the diversity of the Board is immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard to the benefits of diversity of the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time devoted to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and continuous professional development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided the Company with written training materials relating to the roles, functions and duties of a Director.

The principal approaches taken by the Directors for continuous professional development during the year ended 31 August 2018 are as follows:

Name of Directors	Joining training course/ seminar/conference	Reading books/ journals/articles
Mr. Xiong Tao	√	√
Mr. Ran Tao	√	√
Ms. Liao Rong	√	√
Mr. Bai Zimin	√	√
Mr. Wang Ping	√	√
Mr. Cheng Tai Kwan Sunny	√	√
Mr. Mao Daowei	√	√
Ms. Luo Yunping	√	√

Chairman and chief executive officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The chairman of the Board and the chief executive officer of the Company are currently two separate positions held by Mr. Xiong Tao and Mr. Ran Tao, respectively, with clear distinction in responsibilities. The chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the chief executive officer of the Company is responsible for the day-to-day operations of the Group.

Appointment and re-election of directors

Each of our executive Directors and non-executive Directors has entered into a service agreement or a letter of appointment with the Company pursuant to which each of them agreed to act as an executive Director or a non-executive Director (as the case may be) for an initial term of three years commencing from the Listing Date.

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Pursuant to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Board meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the Board Committees prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 August 2018, one Board meeting was held and no general meeting was held by the Company and the attendance of each Director at such meeting is set out in the table below:

Name of Directors	Attendance/ Number of meetings
Mr. Xiong Tao	1/1
Mr. Ran Tao	1/1
Ms. Liao Rong	1/1
Mr. Bai Zimin	1/1
Mr. Wang Ping	1/1
Mr. Cheng Tai Kwan Sunny	1/1
Mr. Mao Daowei	1/1
Ms. Luo Yunping	1/1

The Board held only one meeting during the year ended 31 August 2018 as the shares of the Company was listed on the main board of the Stock Exchange on 31 July 2018.

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealings in the Company's securities by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code for the period from the Listing Date to 31 August 2018.

Corporate governance function

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Board Committees

Audit Committee

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 12 July 2018 with written terms of reference in compliance with paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules.

At present, our Audit Committee comprises Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping, all being independent non-executive Directors. Mr. Cheng Tai Kwan Sunny is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures of the Group. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the shares of the Company was listed on the main board of the Stock Exchange on 31 July 2018 and the Audit Committee was established on 12 July 2018, no meeting, therefore, was held by the Audit Committee during the year ended 31 August 2018.

The Audit Committee reviewed the annual results and annual report for the year ended 31 August 2018, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor of the Company. Having reviewed the effectiveness of the external audit process as well as the independence, the Audit Committee is satisfied with this relationship.

Nomination Committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 12 July 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 of the Listing Rules.

At present, the Nomination Committee comprises Mr. Xiong Tao, an executive Director, Mr. Mao Daowei and Ms. Luo Yunping, the independent non-executive Directors. Mr. Xiong Tao is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The Company recognises and embraces the benefits of having a diverse Board to enhance its performance and has adopted a board diversity policy aiming to set out the approach to achieve diversity of the Board. The implementation of the policy is monitored by the Nomination Committee. In designing the Board's composition, board diversity has been considered from a number of measurable objectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will continue to monitor the implementation of the board diversity policy and will review the board diversity policy periodically to ensure its continued effectiveness.

As the shares of the Company was listed on the main board of the Stock Exchange on 31 July 2018 and the Nomination Committee was established on 12 July 2018, no meeting, therefore, was held by the Nomination Committee during the year ended 31 August 2018.

Remuneration Committee

The Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of the Directors passed on 12 July 2018 with written terms of reference in compliance with paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules.

At present, the Remuneration Committee comprises Mr. Bai Zimin, an non-executive Director, Mr. Mao Daowei and Ms. Luo Yunping, the independent non-executive Directors. Mr. Bai Zimin is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all the Directors and senior management of the Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the shares of the Company was listed on the main board of the Stock Exchange on 31 July 2018 and the Remuneration Committee was established on 12 July 2018, no meeting, therefore, was held by the Remuneration Committee during the year ended 31 August 2018.

Remuneration of directors and senior management

Details of the remuneration by band of the members of the Board and senior management of the Company for the year ended 31 August 2018 are set out below:

Remuneration band	Number of individual
RMB1 million or above	–
Nil to RMB1 million	12

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 August 2018 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

Risk Management and Internal Controls

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

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

During the financial year ended 31 August 2018, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review during the financial year ended 31 August 2018 did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate.

Auditors' remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor. During the year ended 31 August 2018, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's independent auditor are set out below:

Type of services	**Amount** (RMB'000)
Audit services	1,388
Non-audit services	Nil
Total	1,388

Joint Company Secretaries

Mr. Wang Shudong is one the joint company secretaries of the Company and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong ordinances, the Company also engages Mr. Lam Wai Kei as a joint company secretary to assist Mr. Wang Shudong in discharging the duties of company secretary of the Company. His primary contact person at the Company is Mr. Wang Shudong, the chief financial officer of the Company.

During the year ended 31 August 2018, Mr. Lam Wai Kei has undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

Change in Constitutional Documents

The Company has adopted the amended and restated memorandum and articles of association of the Company on 12 July 2018, with effect from the same date and the Listing Date, respectively. There was no change in the memorandum and articles of association of the Company during the year ended 31 August 2018.

Shareholders' Rights

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

Convening of extraordinary general meeting and putting forward proposals

Pursuant to article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Putting forward enquiries to the Board

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

Contact Details:

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

Address:	No. 288 Jingan Road, Jinjiang District, Chengdu, Sichuan Province, the PRC (for the attention of Company Secretary)
Fax:	+86 28 8600 2115
Email:	BJJY@bojuneducation.com

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

Communication With Shareholders and Investor Relations

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make informed investment decisions.

The annual general meetings of the Company provide opportunities for the Shareholders to communicate directly with the Directors. The chairmen of the Board Committees will attend the annual general meetings to answer Shareholders' questions. The auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at (http://bojuneducation.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

1 Company Review

1.1.1 The Group is a high-quality private education services group founded in 2001. Originally specialising in pre-school education, the Group now provides a wide range of education services covering kindergarten, primary, middle and high schools in Sichuan province, the PRC. With over a decade of intensively hard work, the Group has achieved the first step of success in education. The Group has created high quality education brands including the "Chengdu Youshi Experimental Kindergarten", the "No.1 Experimental School Attached to Sichuan Normal University" and the "Bojun School", achieving a good reputation for running schools.

2 About this Report

2.1 Reporting period and scope

2.1.1 This is the Company's first published environmental, social and governance ("ESG") report (the "Report") covering the financial reporting period from 1 September 2017 to 31 August 2018 (the "Reporting Year"). All ESG-related activities during the Reporting Year were presented in this Report.

2.1.2 The scope of the Report covers the Group's 12 schools in operation as of 1 September 2018 and the facilities including classrooms, dormitories and canteens. The 12 schools consist of six kindergartens, three primary and middle schools, two middle schools and a middle and high school in Sichuan province. The Group opened three new primary and middle schools in Sichuan province in September 2018 which were not included in the reporting scope of the Reporting Year.

2.2 Reporting standard

2.2.1 The Report was prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In preparation of this report, the Group strictly adhered to the reporting principles in the ESG Guide to reveal all the material aspects of the business in a quantitative, balanced and consistent manner.

2.2.2 A content index is attached to the back of the Report as a tool to navigate readers to the specific sections corresponding to the ESG Guide requirements and to provide explanation for the key performance indicators ("KPIs") that are not material to the Group's business operations. Information regarding the Group's corporate governance is disclosed more in depth in the annual report in accordance with Appendix 14 of the Main Board Listing Rules.

2.2.3 The Group appointed Allied Sustainability and Environmental Consultants Group Limited (stock code: 8320) to prepare the Report.

2.3 Reporting theme

2.3.1 The reporting theme "Perpetuate Quality Education, Cultivate Excellent Talents" reflects the Group's sustainable development strategy. The Group believes that education is the prevailing approach for achieving sustainable development, and schools, with the support of teachers and curriculum, provide an ideal environment for perpetuating quality education. Since students are the future decision makers, cultivating students' sustainable development values will greatly enrich the society and brighten up the future.

2.3.2 The Report reflects the Group's endeavour in implementing environmental and social initiatives that enhances the school value, which is composed of four focused areas, including "Curriculum Quality", "Teacher Quality", "Facility Quality" and "Student Quality". The Group wishes to enhance enterprise transparency and communication with the stakeholders through this Report.

3 Chairman's Statement

Dear Shareholders,

I am pleased to present our first environmental, social and governance report of Bojun Education Company Limited and its subsidiaries. This year has marked our success of listing on the Main Board of the Stock Exchange of Hong Kong Limited. Our vision on sustainable development is based on providing all-round quality private education to students, with endeavours on expanding our education services in pursuance of ongoing business growth, and becoming a major provider of private education services in Southwest China.

With the opening of three new schools in Sichuan province this year, the Group has further expanded its school network which enables the Group to provide more vacancies and handle the expected overwhelming number of applications for enrolment. Besides, through our well-designed education programmes offered as delivered by the professional management and staff, we had achieved an extensively high rate of middle-school graduates entering first-tier high schools. In recognition of our effort on providing premium quality education, we have received numerous awards issued by local government authorities.

Looking forward to our future operations, our Group will continue to diversify our programmes, and provide quality education and vibrant learning opportunities to our students. In the upcoming year, the Group plans to open two more schools in the Sichuan province to expand our network. With the support of school network expansion, and the professionalism, loyalty and dedication the management and staff have delivered as a collective effort, we are confident that the development strategies will be successfully executed.

Last but not least, on behalf of the board of directors of the Company, I would like to express my sincere gratitude to our management team and staff for their effort and support in steering the Group towards sustainable development.

Xiong Tao
Chairman
27 November 2018

4 Curriculum Quality

4.1.1 The Group has upheld a vision of "cultivating contemporary elites through absorbing essence of Chinese and Western culture"（「汲中西文化精髓，育當代精英人才」). Therefore, the Group has placed a strong emphasis on creating an "east meets west" culture that combines Chinese and Western education perspectives. For this instance, the Group promoted culture exchange for students to widen their horizons and to enhance their lateral thinking progressively.

4.1.2 To further integrate the "east meets west" culture, the Group imitated a common western education model to establish the curriculum. The curriculum featured "one unique curriculum, all-rounded talents"（「一生一課表，兩走兩擅長」）which provided diversified resources for students to explore different learning opportunities. In the process of customising their curriculum, students were allocated to different level of core subject classes so teachers could take care of various level of students. Also, students were able to choose and multiple electives based on their talents and interests.

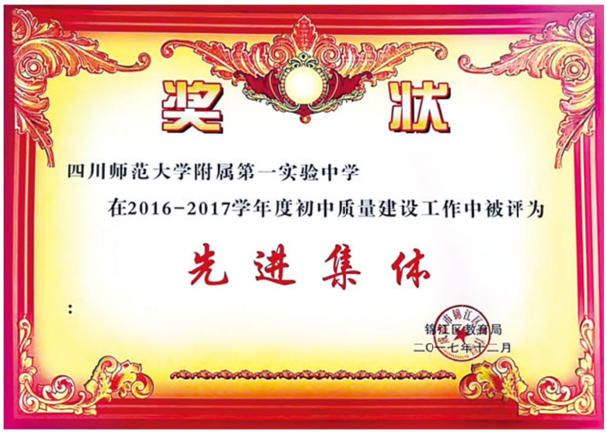
4.1 Education quality

4.1.3 Designing high quality education programmes has been critical to the formation of an outstanding education system. The Group endeavoured to maintain students' all-round development from early childhood to high school education. Thus, the Group valued both students' academic achievement and other learning experience. The Group organised mock examinations and extra tutorial classes to help students achieve good result in public examinations. Besides, the Group designed a broad range of learning opportunities to foster students to be versatile and resourceful. These included the provision of overseas exchange programmes and extra-curricular activities throughout their education journey.

Academic excellence and recognition

4.1.4 The Group aimed to perpetuate quality education for students to achieve outstanding academic performance. Because of students' unique curriculum, they could focus on the enhancement of their academic strength. Teachers could develop a close understanding of each student's developmental learning needs and could also tailor their teaching approach to enhance students' academic achievement.

4.1.5 During the Reporting Year, 92% of the Group's middle school graduates achieved first-tier high schools scores in national public examination. Some of the top graduates received early admission of first-tier high schools in Chengdu and international programmes of other high schools. In school year 2016/17, No.1 Experimental School attached to Sichuan Normal University received the "Outstanding Group Award" granted by Chengdu Education Bureau in recognition of the Group's effort on maintaining high quality of education.



The Group's Middle school was granted the "Outstanding Group Award" on education quality.

4.1.6 The education quality of the Group's kindergartens was also well recognised by the local education authorities. Chengdu Education Bureau approved the Group's four kindergartens as first-tier kindergartens which represents the highest ranking in school's curriculum and teaching quality. The remaining two kindergartens were approved as second-tier kindergartens according to Chengdu Kindergarten Rating Method. The academic excellency demonstrated a part of the Group's education quality success in the unique curriculum.

Overseas exchange programmes and study tours

4.1.7 In addition to academic quality, the Group also encouraged students to step out of the classroom. The Group provided exchange programmes and study tours to nurture students via cultural learning. Through the programmes and tours, students visited various overseas schools around the world. The Group believed that overseas exchange experiences and study tours could help to develop students' foreign language skills and increase their exposure to different cultures.

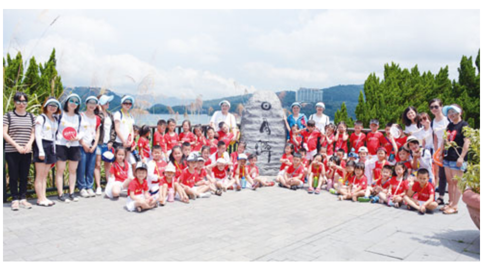
Case study: Europe study tour, 2017

4.1.8 The middle and high school students joined a study tour to Europe that enabled students to experience learning foreign language in an authentic context. During the visit, students had the opportunity to speak in English on a daily basis and improve their communication skills.

Students attended a fruitful English lesson in a local school during the study tour in Europe.

Case study: "Lion Cub World Exploring" Programme

4.1.9 The Group offered an exchange programme called the "Lion Cub World Exploring" for kindergarten students to explore other cities' culture. Students took their learning outside the classroom by visiting different places and participating in interesting workshops. During the programme, students learnt cross-cultural skills and improved their social adaptability.



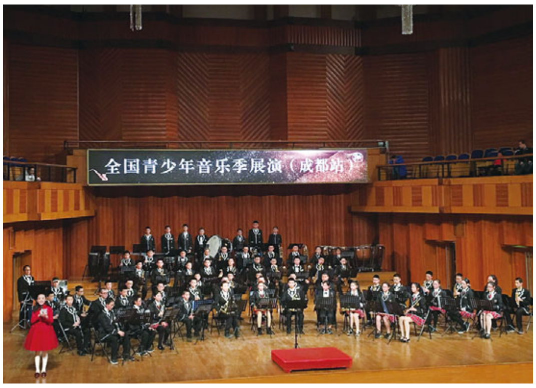
During the Reporting Year, kindergarten students visited Singapore, Shanghai, Taiwan and Hangzhou through the "Lion Cub World Exploring" programme.

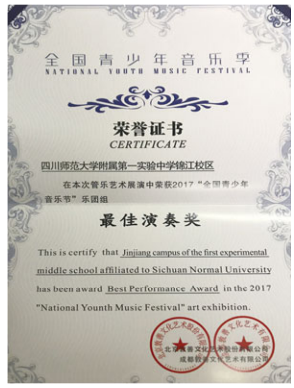
Extra-curricular activities

4.1.12 On top of education, curriculum and programmes, the Group also provided a wide variety of extra-curricular activities ranging from music, arts, foreign languages, sports to robotics design. These activities offered enabled students to discover their interests, while promoting interactive learning to enhance their communication skills, creativity and collaboration skills.

Case study: "Best Performance Award" in the National Youth Music Festival

4.1.13 In November 2017, one of the middle schools' wind orchestra won the "Best Performance Award" in the National Youth Music Festival among competitors from 19 different districts.




全国青少年音乐季
NATIONAL YOUTH MUSIC FESTIVAL

荣誉证书
CERTIFICATE

四川师范大学附属第一实验中学锦江校区

在本次管乐艺术展演中荣获2017"全国青少年音乐节"乐团组

最佳演奏奖

This is certify that Jinjiang campus of the first experimental middle school affiliated to Sichuan Normal University has been award Best Performance Award in the 2017 "National Younth Music Festival" art exhibition.

The Group's middle school wind orchestra received the certificate of "Best Performance Award".

Case study: Spring Equinox of 2018 – DIY Workshop

4.1.14 During the Spring Equinox of 2018, one of the Group's kindergartens launched a kite making and flying workshop for students. Students designed their own kite and learnt to make handicraft, which helped develop their creativity and coordination skills.

Students collaborated to design and flew kites joyfully.

4.1.15 The Group also organised various after-school programmes for students to showcase their talents and promote fun learning. The Group encouraged students to participate in inter-school competitions to enrich their school life and enhance their interpersonal skills.

Case study: "International Children's Day Gala"

4.1.16 In celebration of the International Children's Day, the Group's middle schools held an "International Children's Day Gala". Guests, students, parents and teachers enjoyed a series of incredible shows performed by the students. Throughout the process, students developed their communication, collaboration and interpersonal skills.

Middle school students of the Group performed on the stage confidently.

5 Teacher Quality

5.1.1 The perpetuation of the curriculum quality depended predominantly on the support and effort of the Group's outstanding team. Therefore, the Group considered every employee as a valuable asset in its business operations and aimed to develop a sustainable team for the Group's long-term development.

5.1.2 Nurturing a sustainable workforce requires attracting and retaining the right talents, with the skills and capabilities to fulfil the Group's requirements. The Group has made a commitment to abide by non-discriminatory, equal opportunity employment practices. The Group provided personal welfare and professional development opportunities for all employees.

5.1 Employment practices

5.1.3 The Group was proactive in advancing equal opportunities and operating a zero-tolerance policy with regard to employment discrimination. The Group made recruitment decisions without regard to gender, race, ethnicity, religion, marital status or any other aspect of diversity. Also, the Group adhered strictly to the Labour Law of the PRC and the Labour Contract Law of the PRC to firmly forbid the employment of child and forced labour during recruitment. The Group screened through all employees to ensure employment contracts were signed in compliance with the local labour laws.

5.1.4 The Group adopted the principle of fairness, impartiality, and merit-based recruitment during talents selection. The Group formulated a human resource and salary management system for selecting ideal candidates who fulfilled the selection principle. Teacher recruitment processes included both written examinations and in-person interviews. The Group required candidates to demonstrate their teaching techniques and ability during a live teaching interview. After a comprehensive examination comprising of written tests and interviews, the Group selected suitable candidates based on their abilities, personality and integrity.

5.1.5 Integrity is crucial as the Group believed that teachers were role models for our students. To regulate an honest and clean operation, the Group has formulated internal anti-corruption guidelines. The guidelines introduced a whistle-blowing policy to provide a channel for employees to report on any misconduct. The guidelines also described the objectives of the Group in prevention and elimination of corruption or dishonest behaviour, as well as ensuring integrity operation. Employees found to be in violation of the policies will be held responsible for all consequences of the violation and will be subject to disciplinary action.

5.1.6 In accordance with the teacher and employee manual and other national regulations, the Group implements a system for work and vacation. Teachers and employees are legally entitled to statutory holiday, winter and summer vacations (or annual leaves), casual leaves, sick leaves, marriage leaves, compassionate leaves, maternity leaves (and paternity leaves) and other paid leaves. The Group's standard working hours are 8 hours per day, 5 days per week, with at least 1 day-off per week. The Group do not advocate overtime work except under exceptional circumstances. When employees have to work overtime as approved owing to business needs, the school shall pay the overtime fees according to applicable regulations.

5.2 Employment profile

5.2.3 During the Reporting Year, the Group has a total number of 1,391 employees with good ethics, strong professional dedication and high professional proficiency selected through our strict recruitment procedures. The detailed employment profile was listed as follows.

2017/18 Employment Profile		Number of people
Total Number of Employees		1,391
By Employment Type	Senior management	5
	Administrative and supporting staff	307
	Teacher	841
	General staff	238
By Age Group	< 35	817
	35–50	460
	> 51	114
By Geographical region	The PRC	1,391
Turnover Rate		11.41%

5.2.4 The Group believed that teachers were the key to sustaining high-quality education, as well as maintaining the reputation of our schools. The Group is committed to establishing a solid faculty with the help of an experienced and highly educated team to facilitate students' academic growth and talent development. Teachers were assessed regularly in terms of their years of teaching experience, education level, and qualification. The Group promoted teachers based on the regular assessment on work quality and performance. Teachers with the best work quality and ability would be promoted to senior or management positions.

5.2.5 During the Reporting Year, the Group had employed an aggregate of 841 teachers for the 12 schools. Teacher quality profile was summarised as the table below.

Teacher Quality Profile	Kindergarten	Primary, Middle and High Schools
Total Number of Teachers	118	723
Average Teaching Experience	5 years	8 years
Education Background	100% education diploma or above	98.6% bachelor's degree or above

5.2.6 In addition, many of the teachers achieved outstanding performance in teaching and received recognition from the relevant PRC authorities throughout the Reporting Year. These include Model Principal of Private Kindergarten, Exceptional Teacher Qualification, Advanced Teaching Qualification, Municipal Excellent Teacher, Municipal Excellent Class Teacher and Municipal Excellent Moral Educator, that awarded teachers in terms of their efforts put in delivering high quality education.

5.3 Employee welfares

5.3.1 In order to attract potential talents and retain employees of high-calibre, the Group offered competitive remuneration packages with a variety of benefits. The remuneration packages included "five social insurance and one housing fund", special leaves and birthday presents for all employees. The Group provided bonus to teachers based on their performance.

5.3.2 Moreover, the Group organised a wide variety of recreational and sports activities, such as yoga class, sports day and art workshop, for employees in order to promote a relaxed and enjoyable working environment. By encouraging them to actively participate in leisure activities and strike a proper balance between work and leisure, the Group improved employees' work efficiency.


Employees participated in yoga class and sports day for stress-relieving.

5.4 Training and development

5.4.1 In addition to remuneration and leisure activities, the Group also provided employees with an education subsidy to encourage and support those wishing to improve their professional knowledge and skills by enrolling in external courses. The Group established the teaching practice and quality management system as a guideline to ensure the effectiveness of teacher trainings. The Group encouraged employees to participate in external or internal seminars and to share such learning with colleagues to develop their capability.

5.4.2 Developing employees' working ability could lead to continuous improvement that would drive the Group's business development. The Group offered a wide range of professional trainings for employees' career growth. During the Reporting Year, the Group held over 60 training courses with approximately 1,000 training hours for different employees in all schools. A few noteworthy trainings and activities were highlighted below.

Mentorship Programme

5.4.3 The Group carried out a one-on-one mentorship programme for every newly hired teacher to facilitate adaptation and to provide guidance. Experienced and senior teachers served as mentors for new teachers to walk them through proven efficient strategies for managing disciplinary problems, time management, parent interaction, and more. New teachers built up technical experience and grew their career through constant observation, internal sharing and regular evaluations on their performance.

Experienced teachers guided new teachers during the mentorship programme.

Professional training

5.4.4 In March 2017, the Group organised a seminar and invited an education expert from Chengdu Education Bureau to one of the Group's middle schools to share the latest industry insights and developments on English teaching. All English teachers of the school participated in the seminar and were inspired by the education ideas.

Middle school English teachers exchanged insights on the English teaching seminar.

6 Facility Quality

6.1.1 The Group believed that supplying premium facilities with an optimal learning environment was inevitably important in the course of cultivating excellent talents. As a result, the Group was dedicated to providing integrated facilities to support the creation of an optimal learning and teaching environment for students and teachers. The Group established a comprehensive management system to operate beyond compliance and closely monitor areas listed as follows:

- Managing supply chain rigorously;
- Collaborating safety features and provide safety measures; and
- Promoting an environmentally friendly school culture.

6.1 Managing supply chain

6.1.2 The Group recognised the importance of suppliers' quality in provision of quality equipment and services. Thus, the Group has strategically established ways to engage the suppliers and to monitor their performances. The supply chain management policy required all potential suppliers to comply with relevant laws and regulations. For instance, they must prove themselves as having a good track record on product responsibility to guarantee the quality of its service or products delivered. For certain items such as beddings and uniforms, the suppliers are required to provide chemical content analysis reports as supporting documents showing that they are environmentally compliant and safe for students to use. If the suppliers were found in any case to have engaged in misconduct, they would be removed from the tender list. The policy also enhanced fund allocation efficiency and allowed as to source high-quality goods in a fair manner that promoted business ethics.

6.1.3 The supply chain management team was composed of various departments including finance, administration, engineering and more that are involved in the Group's suppliers sourcing procedures. To ensure the fairness and justices throughout the selection process, the team supervised relevant practices and handled any grievances in a transparent manner. As long as the supplier has its background information verified, the Group must accept its tender without exclusion.

6.1.4 Once the tenders were accepted, the suppliers would be assessed and compared in terms of its integrity, reputation, quality and price. The Group would provide the suppliers with feedback reports afterwards to explain the reasons of acceptance or rejection. The team would also recommend suppliers to an evaluation committee to make the final decision. All selected suppliers must strictly follow and fulfil the terms and conditions agreed, otherwise necessary actions will be taken to safeguard the Group's interests. In addition, previously selected suppliers would be re-assessed in upcoming projects based on quality of completed projects and performance throughout the term. Through this practise, the Group ensured the suppliers' capability to fulfil its expectation in terms of quality and efficiency.

6.2 Building safe schools and promoting safety awareness

6.2.1 The Group recognised its schools as the shelters for students and teachers to interact and learn safely throughout the education journey. Therefore, the Group has integrated safety measures from the construction and design, to the operation and upgrade of all schools, to ensure the safety of all constructed properties to be compliant with relevant laws and regulations. The Group complied with School Health Work Regulations, Law on Prevention and Control of Occupational Diseases and Fire Prevention Law of the PRC in order to establish measures to prevent accidents in schools. Besides, the Group has continuously raised safety awareness to lower potential risks and hazards.

Safe facilities

6.2.2 In order to safeguard the students and teachers physically, the Group has emphasised on the provision of safe facilities. With a high possibility of earthquakes in Sichuan province, the Group has incorporated anti-seismic designs into school construction. Upon project completion, the Group shall perform a quake-test in each school to ensure the school was built in compliance with relevant laws and regulations and ready to be used safely.

6.2.3 All schools contain medical rooms with certified medical staff on site to standby and look after physical health of teachers and students whenever needed. In addition, the Group provided medical services including annual check-up and vaccination to ensure medical support provided is sufficient to safeguard their health and meet relevant laws and regulations requirements.

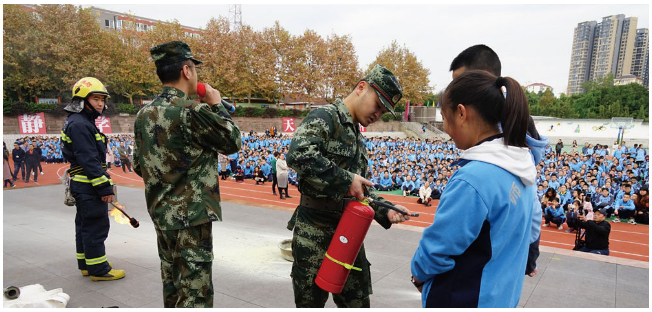
Safety awareness

6.2.4 Whilst strictly complying with the Infections Diseases Prevention Law, School Health Work Regulations, Fire Protection Law and other relevant laws and regulations in formulating safety management systems, the Group acknowledged that it would be better if students and teachers could develop awareness on preventing hazards. This was attained by enhancing their safety awareness as preparation to respond to associated risks. On one hand, the Group has developed a safety emergency manual to provide comprehensive guides and policies regarding the necessary actions in case of safety hazards. Under such guidance, teachers could better direct students and respond to different emergency scenarios, such as medical incidents, natural disasters and terrorism. The Group also provided employees with relevant accident protection as required by national regulations such as Labour Law of the PRC and Regulations on Work Injury Insurance. On the other hand, the Group has provided them with trainings and workshops on different topics, for example, fire drills, first-aid trainings and safety education week, to enhance their knowledge and responsiveness on specific topics and conditions.

Case study: 2018 Fire Drill at No.1 Experimental School attached to Sichuan Normal University in Jinjiang district

6.2.5 The school invited firemen from a local fire station to conduct a fire drill. Over 3,000 students had participated in the fire drill, which they managed to evacuate and gather orderly at the designated assembly point within four minutes after the announcement. The fire drill has proven the high awareness and responsiveness of all units.

Students and employees gathered at assembly point.



Firemen demonstrated the use of fire protection equipment.

6.3 Creating an environmentally-friendly culture

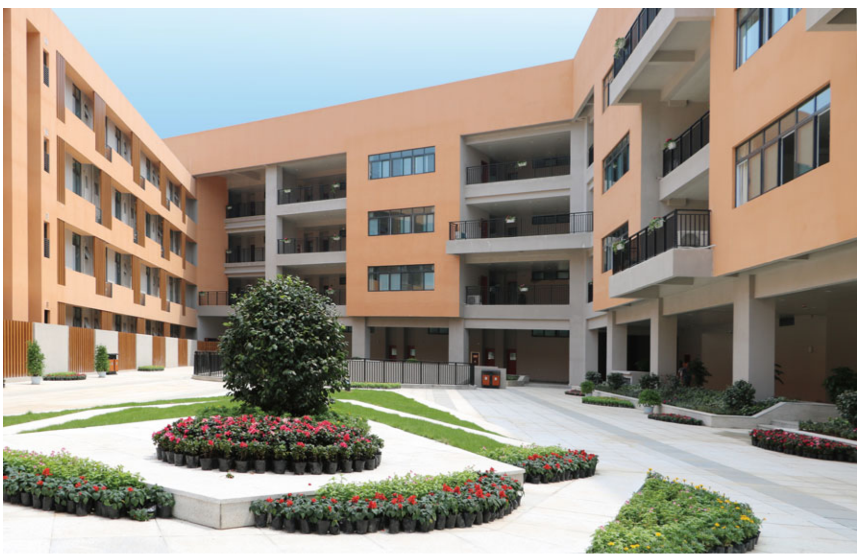
6.3.1 A harm-free learning environment can be created via the promotion of environmentally-friendly culture. The Group was aware of the importance of conserving the environment and the natural resources in the present and for the next generations. Hence, the Group had implemented an environmental policy that provides guidance in compliance assurance, resources conservation and waste reduction. The environmental policy was established in accordance with relevant local laws and regulations such as the Environmental Protection Law and the Energy Conservation Law of the PRC. The environmental policy within the schools is summarised as follows:

- Complying with all local relevant environmental laws and regulations;
- Reducing the use of electricity and water;
- Cultivating a habit of switching off the lights and closing the taps when not in use;
- Controlling indoor temperature at 25 degrees Celsius;

- Switching off all electronic devices and equipment after school time to avoid power wastage and fire hazard;
- Notifying associated departments when equipment malfunction is discovered;
- Forbidding the use of high-power electrical appliances or the addition of electronic equipment without permission;
- Dividing and recycling general waste whenever possible;
- Treating hazardous chemicals prior to discharge to minimise environmental pollution; and
- Collecting any untreated hazardous chemicals and special waste and sending them to third party waste collection company for handling.

Case study: constructing eco-friendly school

6.3.2 To cultivate an environmentally-friendly culture, the Group has incorporated eco-friendly designs into newly constructed schools. When building new campus, the Group strictly selected construction materials which were pollution-free and environmentally-friendly. The Group proudly announced its newly built eco-friendly school that has commenced in service in August 2018. Prior to the commencement, the Group has appointed a third-party environmental consultation company to conduct tests on various aspects including indoor air quality to ensure the environmental friendliness and the safety of the school. In addition, 20% of the gross floor area is covered by vegetation as to promote green landscaping.



The newly-built eco-friendly school, No.1 Experimental School attached to Sichuan Normal University in Tianfu District.

Energy consumption and Greenhouse gases emissions

6.3.3 The Group used natural gas for hot water supply within the dormitories and electricity in its daily operations. All schools have strictly complied with the Notice on Further Promoting the Energy Conservation of Public Buildings of the Ministry of Finance and the Ministry of Housing and Urban – Rural Department, the Energy Conservation Law of the PRC, and other relevant laws and regulations relating to exhaust gas and greenhouse gases emissions. All hot water generation systems were designed to use natural gas as a cleaner fuel source to reduce direct greenhouse gases ("GHG") emissions. In addition to the selection of clean fuel, all schools were installed with LED lightings to lower electricity consumption. The Group encouraged all users to follow the guidance of the Group's environmental policy to reduce the use of electricity where possible.

Water consumption

6.3.4 Water was used for toiletry needs and irrigation. As water came solely from municipal utility providers, there were no particular issues with regards to sourcing water. In order to reduce the amount of fresh water usage, the Group required all users to lower consumption whenever possible as instructed in our environmental policy. In addition, the Group proactively educated students on water saving to raise their awareness on water conservation.

Waste management

6.3.5 The Group was committed to developing waste management and procedures to minimise environmental impact caused by waste generation and disposal. The Group's operations generated both hazardous and non-hazardous wastes. The generated hazardous waste mainly came from the laboratory as chemical waste and non-hazardous waste referred to daily general waste and food waste.

6.3.6 The Group was aware of the consequences of discharging and disposing chemical waste prior to proper treatment, such as land contamination and water pollution. Therefore, the Group has established a hazardous waste handling manual which indicated procedures to handle and monitor the disposal of respective chemical wastes. The sorted and collected wastes would be sent to qualified third-party hazardous waste collection company. This helped to eliminate the risk of environmental pollution brought by hazardous waste.

6.3.7 In terms of non-hazardous waste, the Group has set up waste sorting and recycling facilities for paper, can, plastic and food to encourage waste recycling practise within schools. The sorted waste would be sent to third-party waste collection and recycling company. Other non-recyclable waste was collected and sent to local government designated waste disposal sites. The Group has endeavoured to enhance its waste management system and incorporate records for all general refuse disposed. The Group ensured all wastes were disposed of in accordance with local laws and regulations.

Environmental Performance Table

Indicator	Performance	Unit
GHG Emissions		
Scope 1: Direct emission[1]	593	Tonnes of carbon dioxide equivalent (tCO_2-e)
Scope 2: Indirect emission[2]	1,511	tCO_2-e
Total emission	2,104	tCO_2-e
GHG intensity in gross floor area (GFA)[3]	0.021	tCO_2-e/m^2
Energy Usage		
Total electricity consumption	2,457	'000 kWh
Energy intensity in GFA	0.025	'000 kWh/m^2
Water Consumption		
Total water consumption	248,076	m^3
Water consumption intensity in GFA	2.53	m^3/m^2

Remark: The table above excludes the performance data of three middle schools that have just commenced operation of the beginning of September 2018.

[1] Scope 1 refers to direct emissions from operations that are owned or controlled by the Group.

[2] Scope 2 refers to "energy indirect" emissions resulting from the generation of purchased electricity within the Group.

[3] The total GFA of the Group's reporting scope was 97,883 m^2.

7 Student Quality

7.1.1 The Group felt honoured to cultivate excellent talents as representatives of its schools and the society through its dedication on investing most resources and contributing most efforts. Furthermore, the Group understood parents' concerns on the quality of fellow students around their children. In this regard, the Group focused on acquiring high quality students for the creation of a favourable learning atmosphere.

7.1.2 For kindergartens, the school conducted interviews with prospective students, as well as their parents to assess the bond of the family. In any level above, the Group required students to undertake entrance examinations that reflected their academic capability. However, the Group prioritised to recruit students with high enthusiasm of learning and eagerness to widen their academic horizons continuously. The Group was dedicated to fostering talents with willingness to learn with heart. As a result, the Group enjoyed high student retention rates with the education approach adopted and learning culture created.

7.1.3 The Group considered students as next generations who would contribute to the betterment of the society. The Group believed their contributions should not be limited to applying their knowledge of what they had learnt from books and schools, but also by delivering their care through taking actions. For this instance, the Group provided a range of educational community service programmes for students to understand the importance of contributing to the society and experience self-satisfaction of helping the vulnerable groups.

Case study: Deliver care to people in need

7.1.4 The No.1 Experimental School attached to Sichuan Normal University in Tianfu District organised an activity that aimed to encourage students to donate their clothes and stationeries to children in villages that were in shortage of necessities. Throughout this activity, students had enthusiastically and voluntarily donated a large amount of goods and daily products. The activity indicated their care towards the vulnerable groups in the community.

The recipients appreciated students care and love.

7.1.5 Through the participation in the proposed activities, students had raised their care for those in need. With a steered mindset, the Group is dedicated to nurture talents in the aspects of academic achievement, talent excellence and with heart of compassion. In the future, the Group will continue to organise similar activities and incorporate community investment as part of its perpetuation in education.

8 ESG Content Index

Aspect	KPI	Description	Section/ Statement
SUBJECT AREA (A) ENVIRONMENT			
A1: EMISSIONS			
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	6.3
	A1.1	The types of emissions and respective emissions data.	6.3
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group currently did not report on the total hazardous waste produced due to lack of data. The Group plan to disclose the information in the future.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group currently did not report on the total non-hazardous waste produced due to lack of data. The Group plan to disclose the information in the future.
	A1.5	Description of measures to mitigate emissions and results achieved.	6.3
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.3
A2: USE OF RESOURCES			
A2	*General disclosure*	Policies	6.3
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6.3
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.3
	A2.3	Description of energy use efficiency initiatives and results achieved.	6.3
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.3
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of packaging material is not significant to the Group's operation.

Aspect	KPI	Description	Section/ Statement
A3: THE ENVIRONMENT AND NATURAL RESOURCES			
A3	*General disclosure*	Policies	6.3
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.3
SUBJECT AREA (B) SOCIAL			
B1: EMPLOYMENT			
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.1 & 5.3
	B1.1	Total workforce by gender, employment type, age group and geographical region.	5.2
	B1.2	Employee turnover rate by gender, age group and geographical region.	5.2
B2: HEALTH AND SAFETY			
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	6.2
	B2.1	Number and rate of work-related fatalities.	The Group has zero case of work-related fatality.
	B2.2	Lost days due to work injury.	The Group has zero lost day due to work injury.
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2
B3: DEVELOPMENT AND TRAINING			
B3	*General disclosure*	Policies	5.4
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Not disclosed
	B3.2	The average training hours completed per employee by gender and employee category.	5.4
B4: LABOUR STANDARDS			
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.1
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1

Aspect	**KPI**	**Description**	**Section/ Statement**
B5: SUPPLY CHAIN MANAGEMENT			
B5	*General disclosure*	Policies	6.1
	B5.1	Number of suppliers by geographical region.	Not disclosed
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1
B6: PRODUCT RESPONSIBILITY			
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	4
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's business operation.
	B6.2	Number of products and service related complaints received and how they are dealt with.	The Group received no case of complaint during the Reporting Year.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	The Group complied with intellectual property laws and related registration procedures to protect the intellectual property rights.
	B6.4	Description of quality assurance process and recall procedures.	4
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	The Group strictly protected all private information of students to prevent unauthorised disclosure and misuse of the information.
B7: ANTI-CORRUPTION			
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.1
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There was no non-compliance with anti-corruption practice in the Reporting Year.
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.1
B8: COMMUNITY INVESTMENT			
B8	*General disclosure*	Policies	7
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7
	B8.2	Resources contributed (e.g. money or time) to the focus area.	7

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of Bojun Education Company Limited
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Bojun Education Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 154, which comprise the consolidated statement of financial position as at 31 August 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with a significant increase in amount recognised in the year. Revenue represents service income from tuition fees, and boarding fees less returns and discounts. For the year ended 31 August 2018, revenue amounted to RMB231,259,000, the details of which are included in Note 6 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: – Understanding of controls of the Group over the admission of students, collection of tuition fees and boarding fees; – Checking, on a sample basis, whether the revenue of tuition fees and boarding fees are recognised in accordance with HKFRSs with reference to evidence to determine whether the services have been provided; – On a sample basis, observing the attendance and checking the identity of students for their existence; – Performing trend analysis on tuition fees and boarding fees; and – Performing substantive analytical procedures to test the accuracy and reasonableness of the amount of revenue recognised for tuition fees and boarding fees.
Preferential tax treatment	
We identified preferential tax treatment of tuition related income (i.e. tuition and boarding fees) from degree education as a key audit matter due to the significant judgment involved in applying the preferential tax treatment applicable to the schools which provide degree education services as disclosed in Notes 5 and 9 to the consolidated financial statements.	Our procedures in relation to preferential tax treatment of tuition related income from degree education included: – Discussing with the Group's PRC legal advisor regarding the schools' eligibility for preferential tax treatment under the relevant tax rules and regulations; – Obtaining an understanding from the local tax bureau in respect of their application of the relevant tax rules and regulations; – Obtaining an understanding from the local department of civil affairs of the registration requirements applicable to not-for-profit private schools and the requirements to qualify for not-for-profit status in respect of the schools providing degree education services; and – Involving our internal tax specialists to assess the appropriateness of the application of the preferential tax treatment enjoyed by the schools and applied in determining the Group's tax liability.

Other Information

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Zhu Chen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 November 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2018

		Year ended 31 August	
	NOTES	**2018** **RMB'000**	2017 RMB'000
Revenue	6	**231,259**	181,240
Costs of services		**(169,445)**	(122,106)
Gross profit		**61,814**	59,134
Other income and (expenses)	7a	**3,701**	8,712
Other gains and (losses)	7b	**105**	(328)
Listing expenses		**(17,620)**	(7,650)
Administrative expenses		**(29,879)**	(21,649)
Finance costs	8	**(997)**	(1,363)
Profit before taxation		**17,124**	36,856
Income tax expenses	9	**(1,816)**	(1,806)
Profit for the year		**15,308**	35,050
Other comprehensive income that will not be reclassified subsequently to profit or loss			
– Remeasurement of defined benefit obligation	25	**455**	327
Total comprehensive income for the year		**15,763**	35,377
Profit for the year attributable to			
– owners of the Company		**16,678**	35,050
– non-controlling interests		**(1,370)**	–
		15,308	35,050
Profit and total comprehensive income for the year attributable to			
– owners of the Company		**17,133**	35,377
– non-controlling interests		**(1,370)**	–
		15,763	35,377
EARNINGS PER SHARE			
– Basic (RMB)	13	**0.03**	0.06
– Diluted (RMB)	13	**0.03**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2018

	NOTES	As at 31 August 2018 RMB'000	As at 31 August 2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**671,226**	224,341
Prepaid lease payments	15	**106,400**	27,718
Deferred tax assets	16	**10,538**	–
Deposits	17	**24,958**	18,277
Prepayments for purchase of property, plant and equipment		**35,536**	3,705
		848,658	274,041
Current assets			
Prepaid lease payments	15	**2,638**	940
Other receivables, deposits and prepayments	17	**21,056**	16,492
Amounts due from directors	18a	**–**	36,452
Amounts due from related companies	18b	**371**	40,912
Bank balances and cash	19	**607,062**	332,531
Total current assets		**631,127**	427,327
Total assets		**1,479,785**	701,368
Current liabilities			
Other payables and accruals	20	**267,716**	91,087
Deferred revenue	21	**280,481**	201,325
Amounts due to related companies	18c	**–**	32,656
Amount due to a director	18d	**–**	1
Amount due to a shareholder	18e	**–**	1,300
Obligations under finance leases due within one year	22	**–**	3,599
Borrowings	23	**60,000**	–
Income tax payable		**13,581**	3,327
Total current liabilities		**621,778**	333,295
Net current assets		**9,349**	94,032
Total assets less current liabilities		**858,007**	368,073

As at 31 August

	NOTES	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Defined benefit obligations	25	**3,482**	2,946
Deferred income	24	**42,152**	–
		45,634	2,946
Net assets		**812,373**	365,127
Capital and reserves			
Share capital	26	**7,152**	1
Reserves		**805,991**	365,126
Equity attributable to owners of the Company		**813,143**	365,127
Non-controlling interests		**(770)**	–
		812,373	365,127

The consolidated financial statements on pages 96 to 154 were approved and authorised for issue by the Board of Directors on 27 November 2018 and are signed on its behalf by:

Xiong Tao
DIRECTOR

Ran Tao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2018

	Attributable to Owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Statutory Surplus reserve RMB'000 (Note ii)	Defined benefit obligation remeasurement reserves RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000 (Note iii)	Total RMB'000
At 1 September 2016	1	250,000	28,805	23,903	(968)	28,009	329,750	–	329,750
Profit for the year	–	–	–	–	–	35,050	35,050	–	35,050
Other comprehensive income for the year	–	–	–	–	327	–	327	–	327
Total comprehensive income for the year	–	–	–	–	327	35,050	35,377	–	35,377
Transfer	–	–	–	11,820	–	(11,820)	–	–	–
At 31 August 2017	1	250,000	28,805	35,723	(641)	51,239	365,127	–	365,127
Profit for the year	–	–	–	–	–	16,678	16,678	(1,370)	15,308
Other comprehensive income for the year	–	–	–	–	455	–	455	–	455
Total comprehensive income for the year	–	–	–	–	455	16,678	17,133	(1,370)	15,763
Capitalised issue (Note 26)	5,210	(5,210)	–	–	–	–	–	–	–
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	600	600
Issue of new ordinary shares (Note 26)	1,941	456,100	–	–	–	–	458,041	–	458,041
Listing expenses related to the issue of ordinary shares (Note 26)	–	(27,158)	–	–	–	–	(27,158)	–	(27,158)
Transfer	–	–	–	12,413	–	(12,413)	–	–	–
At 31 August 2018	7,152	673,732	28,805	48,136	(186)	55,504	813,143	(770)	812,373

Notes:

(i) The amount comprises of those arising from group restructuring prior to the completion of the listing of the Company's shares and deemed contribution from shareholders resulting from disposal of non-schooling business in prior years.

(ii) According to the relevant People's Republic of China ("PRC") laws and regulations, for private school that require for reasonable return, it is required to appropriate to development fund of not less than 25% of the annual net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

(iii) No subsidiaries have material non-controlling interests during the year ended 31 August 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Operating activities		
Profit before tax	**17,124**	36,856
Adjustments for:		
Depreciation of property, plant and equipment	**20,530**	17,662
Release of prepaid lease payments	**2,206**	940
Amortization of government grants	**(548)**	–
Finance costs	**997**	1,363
Loss on disposal of property, plant and equipment, net	**213**	15
Imputed interest income from amounts due from directors	**(3,311)**	(2,416)
Imputed interest income from amounts due from related companies	**(3,323)**	(2,426)
Interest income from banks	**(1,020)**	(2,998)
Interests waived by a third party	**–**	(713)
Defined benefit plan expenses	**991**	221
Unrealized exchange gain	**(589)**	–
Operating cash flows before movements in working capital	**33,270**	48,504
Movements in working capital:		
Increase in other receivables, deposits and prepayments	**(3,243)**	(6,187)
Increase in amounts due from (to) related companies	**(490)**	196
Increase in deferred revenue	**79,156**	56,936
Increase in other payables and accruals	**19,318**	27,795
Cash generated from operations	**128,011**	127,244
Interest received from banks	**1,020**	2,998
Income taxes paid	**(2,100)**	(2,430)
Net cash from operating activities	**126,931**	127,812
Investing activities		
Payment for property, plant and equipment	**(327,855)**	(64,107)
Payment for leasehold land	**(82,586)**	–
Prepayment made for property, plant and equipment	**(35,536)**	–
Loan to a non-controlling shareholder of a subsidiary	**(8,000)**	–
Proceeds from disposal of property, plant and equipment	**213**	212
Advance to related companies	**(77)**	(6,240)
Repayment from related companies	**1,328**	700
Advances to directors	**–**	(203)
Repayment from a director	**50,000**	1
Receipt of government grants of assets related	**42,700**	–
Net cash used in investing activities	**(359,813)**	(69,637)

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Financing activities		
Interests paid	**(944)**	–
Advance from a director	**–**	1
Loan from a third party	**20,000**	–
Repayment of advance from a director	**–**	(7,200)
Repayment of advance from a third party	**–**	(85,000)
Proceeds from new borrowings raised	**60,000**	–
Repayment of finance leases	**(3,652)**	(4,400)
Repayment of advance from related companies	**(63)**	(2,624)
Capital contribution by a non-controlling shareholder	**600**	–
Proceeds from issue of new shares	**458,041**	–
Payment of listing expenses	**(27,158)**	–
Net cash from (used in) financing activities	**506,824**	(99,223)
Net increase (decrease) in cash and cash equivalents	**273,942**	(41,048)
Cash and cash equivalents at beginning of the year	**332,531**	373,579
Effect on exchange rate changes	**589**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**607,062**	332,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2016. On 31 July 2018, the Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The subsidiaries of the Group, as set out in Note 32, are mainly engaged in the provision of full spectrum private fundamental education, including preschool, primary, middle and high schools in the PRC.

Prior to the incorporation of the Company and the completion of the group restructuring in 2016, 冉濤 ("Mr. Ran Tao"), 熊濤 ("Mr. Xiong Tao") and Mr. Xiong Tao's spouse, 廖蓉 ("Mdm. Liao Rong") have been managing and controlling Chengdu Mingxian Education Investment Company Limited ("Chengdu Mingxian"), Sichuan Boai Preschool Education Development Company Limited ("Sichuan Boai"), Chengdu Youshi Preschool Education Investment Management Company Limited ("Chengdu Youshi Preschool Investment"), Renshou Bojun Education Investment Management Company Limited ("Renshou Bojun"), Chengdu Jinbojun Education Consultancy Company Limited ("Chengdu Jinbojun"), Nanjiang Bojun Education Management Company Limited ("Nanjiang Bojun"), Wangcang Bojun Education Management Company Limited ("Wangcang Bojun") and Lezhi Bojun Education Management Company Limited ("Lezhi Bojun") (collectively known as the "School Sponsors"), Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University ("Jinjiang School"), Chengdu Longquanyi District No. 1 Experimental Middle School Attached to Sichuan Normal University ("Longquan School"), Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University ("Tianfu School"), Nanjiang Bojun School ("Nanjiang School"), Wangcang Bojun School ("Wangcang School"), Pengzhou City Bojun School ("Chengdu School"), Chengdu Youshi Experimental Kindergarten ("Youshi Kindergarten"), Chengdu Youshi Lidu Experimental Kindergarten ("Lidu Kindergarten"), Chengdu Youshi Riverside Impression Experimental Kindergarten ("Riverside Kindergarten"), Chengdu Youshi Longquan Dongshan Experimental Kindergarten ("Longquan Kindergarten"), Chengdu Qingyang Youshi Jingjie Experimental Kindergarten ("Qingyang Kindergarten") and Chengdu High and New District Youshi Peninsula City Center Kindergarten ("Peninsula Kindergarten") (collectively known as the "PRC Operating Entities") on a collective basis. Mr. Ran Tao, Mr. Xiong Tao and Mdm. Liao Rong have reiterated their agreement in writing that, in respect of the arrival and/or execution of all decision, including but not limited to financial management and operational matters of the School Sponsors and the PRC Operating Entities, they have always been acting in concert. Accordingly, Mr. Xiong Tao, Mr. Ran Tao and Mdm. Liao Rong have been acting in concert of each other and are regarded as "Controlling Equity Holders" of the School Sponsors and the PRC Operating Entities.

Pursuant to the reorganisation ("Reorganisation") as more fully explained in the paragraph heading under the section heading "History and Development-Corporate Reorganisation" in the prospectus of the Company dated 19 July 2018 ("Prospectus"), the Company became the holding company of the entities now comprising the Group on 30 August 2017. The Reorganisation involved combination of the Company, its direct wholly-owned companies, the School Sponsors and PRC Operating Entities with execution of Structured Contracts (as defined in Note 2), the consolidated financial statements for the year ended 31 August 2017 had been presented as a continuation of the existing entities under the principles of common control combination in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA.

1. General (Continued)

The functional currency of the Company is RMB, which is also the presentation currency of the consolidated financial statements.

2. Structured Contracts

The provision of private education services of the Group was carried out by PRC Operating Entities. Due to regulatory restrictions on foreign ownership in the private-owned schools in the PRC, Chengdu Tianfu Bojun Education Management Company Limited ("Chengdu Bojun"), the wholly-owned subsidiary of the Company, has entered into the structured contracts ("Structured Contracts") with, among others, the PRC Operating Entities, the School Sponsors and their respective legal equity holders. The arrangements of the Structured Contracts, effective from 29 August 2016 and further amended to 30 August 2017, enable Chengdu Bojun to:

- exercise effective financial and operational control over the School Sponsors and the PRC Operating Entities;

- exercise equity holders' voting rights of the School Sponsors and the PRC Operating Entities;

- receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the exclusive technical and management consultancy services including, among others, (a) design, development, update and maintenance of educational software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Operating Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of the PRC Operating Entities; (d) provision of other technical support necessary for the education consultation and teaching activities of the PRC Operating Entities; (e) provision of technical consulting services; (f) provision of assistance for the PRC Operating Entities to develop employee training and development programs; (g) engaging technical staff to provide on-site technical support (if necessary); (h) design of curriculum; (i) preparation, selection and/or recommendation of course materials; (j) provision of teacher and staff recruitment and training support and services; (k) provision of student recruitment support and services; (l) provision of public relation services; (m) formulation of long term strategic development plans and annual working plans; (n) formulation of management and business planning and market development plans; (o) development of financial management systems and recommendation and optimization on annual budget; (p) advising on design of internal structures and internal management of the PRC Operating Entities; (q) provision of management and consultancy training; (r) provision of market survey and research; (s) formulation of market development plan; (t) building of education management network; and (u) provision of other technical services reasonably requested by the PRC Operating Entities; and

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

2. Structured Contracts (Continued)

The Company does not have any equity interest in the School Sponsors or the PRC Operating Entities. However, as a result of the Structured Contracts, the Company has power over the School Sponsors and the PRC Operating Entities, has rights to variable returns from its involvement with the School Sponsors and the PRC Operating Entities and has the ability to affect those returns through its power over the School Sponsors and the PRC Operating Entities and therefore is considered to have control over the School Sponsors and the PRC Operating Entities. Consequently, the Company regards the School Sponsors and the PRC Operating Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities, income and expenses of the School Sponsors and the PRC Operating Entities in the consolidated financial statements during the both years.

The following sets out the financial information of the School Sponsors and the PRC Operating Entities shown in their financial statements before elimination of the inter-company balances:

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
Revenue	**231,259**	181,240
Profit before taxation	**44,067**	49,298

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
Non-current assets	**845,442**	273,767
Current assets	**207,841**	321,258
Current liabilities	**841,122**	465,283
Non-current liabilities	**45,634**	2,946

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 August 2018, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 September 2017.

At the date of issuance of these consolidated financial statements, the Group has not early applied the following new and amendments to HKFRSs, Hong Kong Accounting Standards ("HKASs") and the new interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

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 a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the management of the Group considers that the application of the other new and amendments to HKFRSs, HKASs and the new interpretations is unlikely to have the material impact on the Group's financial position and performance as well as disclosure in the future.

HKFRS 9 *Financial Instruments*

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

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, is measured at 'fair value through other comprehensive income' (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

In the opinion of the directors of the Company, based on the historical experience of the Group, there was no default in outstanding balances from debtors in the past. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The Group intends to apply practical expedients prescribed in the standard upon the first adoption.

HKFRS 15 *Revenue from Contracts with Customers*

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

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The core principle of HKFRS 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 HKFRS 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 HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Further amendments to HKFRS 15 were issued to add clarifications to (i) identifying performance obligations, (ii) principal versus agent considerations, and (iii) licensing application guidance as well. The Group intends to adopt the standard using the modified retrospective approach. Based on preliminary analysis, the management of the Group anticipates that the adoption of HKFRS 15 is unlikely to have significant impact on recognition of service income from provision of tuition and boarding services which is recognised proportionately over the relevant period of the applicable program and the length of time between when the student pays for the program and the Group transfers services to the student is relatively short, but will result in more disclosures.

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under HKFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 August 2018, the Group has non-cancellable operating lease commitments of RMB186,516,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of profit or loss and other comprehensive income in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. In addition, the Group currently considers refundable rental deposits paid of RMB1,550,000 as at 31 August 2018 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with HKAS 17 currently adopted by the Group. Nevertheless, the application of new requirements may result changes in presentation and disclosure as indicated above.

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for defined benefits obligations that are measured using "projected unit credit method", and in accordance with the following accounting policies which conform with HKFRSs. In addition, the consolidated financial statements include 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.

4. Significant Accounting Policies (Continued)

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

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the School Sponsors and PRC Operating Entities) controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate 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 control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's prospective. 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.

4. Significant Accounting Policies (Continued)

Merger accounting for business combination involving entities under common control (Continued)

The consolidated statement of profit or loss and other comprehensive income include 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 is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and provided it is probable that the future economic benefits will flow to the Group and the revenue and costs incurred or to be incurred, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Service income includes tuition fees and boarding fees from middle schools and high school of the Group and tuition fees from kindergarten education services.

Tuition and boarding fees received from kindergartens, middle schools and high schools are generally paid in advance prior to the beginning of each 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. The school year of the Group's school is generally from September to June of the following year.

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.

Income from provision of services at the on-campus canteens is recognised upon rendering of such services.

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 lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. Significant Accounting Policies (Continued)

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements, if any);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of costs of services/administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

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

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

4. Significant Accounting Policies (Continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

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

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

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

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

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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated 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 is progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. 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 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.

Leasehold land for own use

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment. Prepaid lease payments are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the shorter of the relevant lease/land use right or the operation period of the relevant entity.

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.

4. Significant Accounting Policies (Continued)

Impairment of tangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Government grants

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

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

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

4. Significant Accounting Policies (Continued)

Financial instruments

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

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

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

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 and deposits, bank balances and cash and amounts due from related parties) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, 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.

4. Significant Accounting Policies (Continued)

Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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

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

Financial liabilities

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

Equity instruments

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

4. Significant Accounting Policies (Continued)

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 payment (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.

De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Group continues to recognise to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, 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 liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount is presented the consolidated financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available currently rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

The estimates and underlying assumptions are reviewed on an 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 judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Contractual arrangements

The Group conducts a substantial portion of the business through the PRC Operating 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 School Sponsors and the PRC Operating Entities. The directors of the Company assessed whether or not the Group has control over the School Sponsors and the PRC Operating Entities based on whether the Group has the power over the School Sponsors and the PRC Operating Entities, has rights to variable returns from its involvement with the School Sponsors and the PRC Operating Entities and has the ability to affect those returns through its power over the School Sponsors and the PRC Operating Entities. After assessment, the directors of the Company concluded that the Group has control over the School Sponsors and the PRC Operating Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the School Sponsors and the PRC Operating Entities in the consolidated financial statements during the both years.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the School Sponsors and the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the School Sponsors and the PRC Operating Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Chengdu Bojun, the School Sponsors and the PRC Operating Entities and their respective legal 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 financial year from the end of each reporting period.

(a) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. As at 31 August 2018, the carrying amount of property, plant and equipment are RMB671,226,000 (2017: RMB224,341,000).

(b) Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether those schools providing degree education services within the Group is subject to the PRC enterprises income tax ("EIT") as disclosed in Note 9. New information may become available that causes the Group to change its estimate regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period when such determination is made.

6. Revenue and Segment Information

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

Revenue represents service income comprising tuition fees and boarding fees.

Segment information

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

Information reported to the CODM, for the purposes of resources allocation and assessment of segment performance focuses on types of services provided. CODM considers the business from service perspectives whereby assesses the performance of preschool education provided by Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten (collectively referred to as "Preschool Education"), and degree education provided by Jinjiang School, Longquan School, Tianfu School, Nanjiang School, Wangcang School and Chengdu School (collectively referred to as "Degree Education"), based on revenue generated in the course of the ordinary activities of a recurring nature. The services provided and type of customers are similar to those schools providing Preschool Education and Degree Education respectively and they are subject to similar regulatory environment. Accordingly, their segment information is aggregated as two reportable segments, i.e. Preschool Education and Degree Education. The accounting policies of the reportable segment are the same as the Group's accounting policies described in Note 4. No analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review.

The segment information provided to the CODM in respect of revenue from respective segment is as follows:

	Preschool Education RMB'000	Degree Education RMB'000	Total RMB'000
Year ended 31 August 2018			
Tuition fees	**56,781**	**169,151**	**225,932**
Boarding fees	**–**	**5,327**	**5,327**
Total	**56,781**	**174,478**	**231,259**
Year ended 31 August 2017			
Tuition fees	**56,233**	121,370	177,603
Boarding fees	**–**	3,637	3,637
Total	**56,233**	125,007	181,240

Geographical information

During the year, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

Major customers

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

7a. Other Income and (Expenses)

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Amounts received for ancillary services income (Note i)	**35,806**	25,189
Less: relevant expenses	**(35,806)**	(25,189)
Start-up expenses relating to new schools (Note ii)	**(6,835)**	–
Imputed interest income from advances to related companies	**3,323**	2,426
Imputed interest income from advances to directors	**3,311**	2,416
Long-aged creditors waived	**2,511**	–
Interest income from banks	**1,020**	2,998
Interest waived by a third party (Note 8)	**–**	713
Others, net	**371**	159
	3,701	8,712

Notes:

i. The amount represents expenses incurred for ancillary services provided to the students at the on-campus canteens.

ii. The amount represents start-up expenses for three newly established schools which schooling services have not been commenced at 31 August 2018.

7b. Other Gains and (Losses)

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Net exchange gain	**589**	–
Loss arising on disposal of property, plant and equipment, net	**(213)**	(15)
Others	**(271)**	(313)
	105	(328)

8. Finance Costs

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**944**	–
Obligation under finance leases	**53**	650
Advances from a third party (Note)	**–**	713
	997	1,363

Note: During the year ended 31 August 2017, the Group recognised interest on the fund advanced from a third party which the principal amount was fully repaid during the year. The interest of RMB713,000 was waived by the third party and the amounts were recognised as "other income and (expenses)" (Note 7a) in the respective year.

9. Income Tax Expenses

The Company and Bojun Investment (as defined in Note 32) are incorporated in the Cayman Islands and BVI respectively, both jurisdictions are tax exempted.

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit during the reporting period. Chengdu Bojun and USA Bojun Education, Inc. had no assessable profit subject to the PRC EIT of 25% and corporate tax in the United States ("USA"), respectively, since their establishment.

According to the relevant provision of Old Implementation Rules for the Law for Promoting Private Education (abolished on 31 August 2017), private schools for which the school sponsors do not pursue for reasonable returns were eligible to enjoy the same preferential tax treatment as public schools. Preferential tax treatment policies applicable to private schools for which the school sponsors pursuing for reasonable returns were to be separately formulated by the relevant authorities ("Rules on Private Schools"). The school sponsors of all the schools conducting Degree Education within the Group had elected to pursue for reasonable returns.

The Rules on Private Schools were further amended and became effective from 1 September 2017 ("Amendment to Rules on Private Schools"), under which school sponsors of private schools may choose to establish for-profit or not-for-profit private schools (with the exception that schools providing compulsory education can only be established as not-for-profit entities) and will no longer be required to indicate whether they pursue for reasonable returns or not. Up to 31 August 2018, as advised by the Group's PRC legal advisor, specific rules for the registration of existing private schools as for-profit or not-for-profit schools have not been set out nor has any detailed guideline been further promulgated by local governmental authorities. In addition to the aforesaid matter, there are still uncertainties involved in interpreting and implementing the Amendment to Rules on Private Schools, such as (i) when should the Group notify the relevant authorities regarding the decision for private schools to be for-profit or not-for-profit school; (ii) specific procedures to be completed for an existing private school to be registered as for-profit school or not-for-profit school; (iii) the respective preferential tax treatments that may be enjoyed by a for-profit school and a not-for-profit school, etc.

9. Income Tax Expenses (Continued)

Further implementation of the Amendment to Rules on Private Schools in Sichuan Province, 四川省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見 ("2018 September Sichuan Implementing Guidance") was promulgated in September 2018. Pursuant to the 2018 September Sichuan Implementing Guidance, among others, the not-for-profit private schools are eligible to exempt from income tax on the qualified income upon completion of registration as not-for-profit organization. Up to the date of approval of the consolidated financial statements, specific rules for the registration of existing schools providing degree education services as not-for-profit schools have not been set out under the 2018 September Sichuan Implementing Guidance nor any detailed guideline has been further promulgated by local governmental authorities according to the interview with the local tax bureau. Despite the foregoing, the schools operated by the Group have been registered as non-enterprise institution (民辦非企業單位) and are regarded as not-for-profit organizations according to the local department of civil affairs during the course of the interview for the requirements for qualification for and the registration of the schools as not-for-profit private schools.

No PRC EIT has been recognised for the tuition and boarding fees income from the Degree Education in the reporting period. During the year ended 31 August 2018, the non-taxable tuition related income, including tuition and boarding fees, amounted to approximately RMB174,478,000 (2017: RMB125,007,000).

The Preschool Education is subject to the PRC EIT of 25%. According to announcement of the State Administration of Taxation on issues concerning Enterprise Income Tax about enhancing the Western Region Development Strategy, all preschools registered with the local tax authority are eligible to the reduced 15% PRC EIT rate.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to PRC EIT at a rate of 25% on its taxable income.

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Tax expense comprises:		
Current tax – PRC EIT	**12,354**	1,806
Deferred tax (Note 16)	**(10,538)**	–
	1,816	1,806

The taxation for the reporting period can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Profit before taxation	**17,124**	36,856
Tax at applicable tax rate of 25%	**4,281**	9,214
Effect of tax losses not recognised	**5,563**	2,597
Tax effect of expenses not deductible for tax purpose	**825**	2,167
Utilisation of tax losses previously not recognised	**(2,687)**	(864)
Effect of tax concessions and partial tax exemption	**(6,166)**	(11,308)
Taxation for the year	**1,816**	1,806

10. Profit for the Year

Profit for the year has been arrived at after charging:

	Year ended 31 August	
	2018 RMB'000	2017 RMB'000
Directors' and chief executive's remuneration (Note 11)	**980**	894
Other staff costs		
– Salaries and other benefits	**96,745**	69,465
– Staff welfare	**13,598**	9,011
– Retirement benefit schemes		
– defined contributions benefits	**8,724**	6,872
– defined benefits (Note 25)	**991**	221
Total staff costs	**121,038**	86,463
Royalty fee (included in "costs of services")	**11,727**	9,554
Depreciation of property, plant and equipment	**20,530**	17,662
Release of prepaid lease payments	**2,206**	940
Auditor's remuneration	**1,388**	3,225

11. Directors' and Chief Executive's Emoluments and Employees' Remuneration

Directors' and chief executive's emoluments

Mr. Ran Tao is the chief executive officer of the Company and his emolument disclosed below included those for services rendered by him as the chief executive and management of the affairs of the group entities.

The executive directors, non-executive directors and independent non-executive directors' emoluments shown below were for their services as directors of the Company

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 prior to becoming the directors of the Company) by entities comprising the Group during the reporting period are disclosed below:

11. Directors' and Chief Executive's Emoluments and Employees' Remuneration (Continued)

Year ended 31 August 2018

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors				
Mr. Xiong Tao	–	275	58	333
Mr. Ran Tao	–	251	52	303
Mdm. Liao Rong	–	251	52	303
	–	777	162	939
Non-Executive Directors				
Mr. Bai Zimin (Note i)	–	5	–	5
Mr. Wang Ping (Note i)	–	13	–	13
	–	18	–	18
Independent Non-executive Directors				
Mr. Cheng Tai Kwan Sunny (Note ii)	13	–	–	13
Mr. Mao Daowei (Note ii)	5	–	–	5
Ms. Luo Yunping (Note ii)	5	–	–	5
	23	–	–	23
	23	795	162	980

Year ended 31 August 2017

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive Directors				
Mr. Xiong Tao	–	260	58	318
Mr. Ran Tao	–	236	52	288
Mdm. Liao Rong	–	236	52	288
	–	732	162	894
Non-Executive Directors				
Mr. Bai Zimin (Note i)	–	–	–	–
Mr. Wang Ping (Note i)	–	–	–	–
	–	–	–	–

Notes:

i. They were appointed on 30 September 2016 and redesignated on 13 October 2016, were paid since 1 August 2018.

ii. They were appointed on 11 July 2018, were paid since 1 August 2018.

11. Directors' and Chief Executive's Emoluments and Employees' Remuneration (Continued)

No other retirement benefits were paid to directors of the Company in respect of their services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emolument during the reporting period.

Employees' remuneration

The remunerations of the five highest paid individuals, excluded one (2017: one) executive director, during the year ended 31 August 2018 are as follows:

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Salaries and allowances	**1,750**	1,547
Contributions to retirement benefits scheme	**133**	159
	1,883	1,706

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

The five highest paid individuals were within the following bands:

	Number of employee Year ended 31 August	
	2018	2017
Emolument bands		
Nil to Hong Kong dollar ("HK$") 1,000,000	**5**	5

12. Dividend

No dividend has paid or declared by the Company for the year ended 31 August 2017 and 2018, nor has any dividend been proposed subsequent to 31 August 2018.

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 August	
	2018	2017
Profit for the year attributable to the owners of the Company (RMB'000)	**16,678**	35,050
Weighted average number of ordinary shares issued ('000)	**617,792**	600,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in Note 26) had been effective on 1 September 2016.

During the year ended 31 August 2018, the computation of diluted earnings per share does not assume the exercise of the over-allotment option granted by the Company in relation to the Global Offering (as defined in the Prospectus) because the exercise price of the over-allotment option was higher than the average market price for the Company's shares during the exercisable period of the over-allotment option.

During the year ended 31 August 2017, no diluted earnings per share was presented as there were no potential dilutive shares during the reporting period.

14. Property, Plant and Equipment

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 31 August 2016	145,421	39,198	5,134	4,635	72,499	3,050	269,937
Additions	1,921	7,696	182	182	13,753	5,407	29,141
Transfer	–	767	–	–	–	(767)	–
Disposals	–	(70)	(270)	(245)	–	–	(585)
At 31 August 2017	147,342	47,591	5,046	4,572	86,252	7,690	298,493
Additions	632	13,057	2,390	1,756	7,537	442,469	467,841
Transfer	115,893	6,771	–	–	–	(122,664)	–
Disposals	–	(46)	(1,258)	(74)	–	–	(1,378)
At 31 August 2018	263,867	67,373	6,178	6,254	93,789	327,495	764,956
Accumulated depreciation							
At 31 August 2016	15,792	19,834	1,247	3,905	16,070	–	56,848
Charge for the year	2,455	5,437	819	361	8,590	–	17,662
Elimination on disposals	–	(24)	(211)	(123)	–	–	(358)
At 31 August 2017	18,247	25,247	1,855	4,143	24,660	–	74,152
Charge for the year	4,677	6,177	880	487	8,309	–	20,530
Elimination on disposals	–	(28)	(850)	(74)	–	–	(952)
At 31 August 2018	22,924	31,396	1,885	4,556	32,969	–	93,730
Carrying values							
At 31 August 2018	240,943	35,977	4,293	1,698	60,820	327,495	671,226
At 31 August 2017	129,095	22,344	3,191	429	61,592	7,690	224,341

Note: At 31 August 2018 and 2017, no building ownership certificates have been obtained by the Group.

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

Buildings	30 to 50 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	5 to 10 years
Electronic equipment	3 to 6 years
Leasehold improvements	Shorter of 10 years or over the lease terms

14. Property, Plant and Equipment (Continued)

The carrying values of below items are held under finance leases:

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Furniture, fixtures and equipment	**–**	1,129
Electronic equipment	**–**	1,662
Total	**–**	2,791

15. Prepaid Lease Payments

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Current assets	**2,638**	940
Non-current assets	**106,400**	27,718
	109,038	28,658

At 31 August 2018 and 2017, the Group is in the process of obtaining the land use right certificate with carrying amounts of RMB28,658,000, and RMB27,672,000 respectively.

The prepaid lease payments are amortised on a straight-line basis over 30 years for land use right of Tianfu School, 50 years for Wangcang Bojun,and 50 years for Nanjiang Bojun, as stated in the relevant land use right certificates entitled for usage by the Group in the PRC.

16. Deferred Tax Assets

The following are the major deferred taxation recognised and movement thereon during the reporting period:

	Temporary difference on		
	Tax losses RMB'000	**Deferred income** RMB'000	**Total** RMB'000
At 1 September 2016 and 31 August 2017	–	–	–
Credit to profit or loss (Note 9)	–	10,538	10,538
At 31 August 2018	–	10,538	10,538

As at 31 August 2018, the Group has unused tax losses of RMB49,453,000 (2017: RMB37,950,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. At 31 August 2018, all the unrecognised tax losses will expire by end of 2023 except for RMB27,202,000 which will be expired by end of 2022 (2017: all to be expired by end of 2022).

The Group has no other significant unrecognised deferred tax assets for deductible temporary differences at 31 August 2018 and 2017.

17. Other Receivables, Deposits and Prepayments

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Deposits (Note i)	**25,321**	18,986
Prepayments	**10,195**	7,276
Loan to a non-controlling shareholder of a subsidiary (Note ii)	**8,000**	–
Advances to staff	**2,439**	1,230
Other receivables	**12**	3,711
Deferred issue costs	**–**	3,386
Others	**47**	180
Total	**46,014**	34,769
Less: Deposits presented under non-current assets	**(24,958)**	(18,277)
Presented under current assets	**21,056**	16,492

Notes:

i. At 31 August 2018, the balance mainly represents the non-interesting bearing deposits placed to local government authorities for the purpose of establishment of new school campus amounting to RMB6,761,000 (2017: nil) and refundable deposits placed to a local government authority for acquisition of a parcel of land for the purposes of establishment and development of new school campus amounting to RMB12,500,000 (2017: RMB12,500,000).

ii. The balance is non-interesting bearing, unsecured and without a fixed repayment term.

18. Amounts Due from (to) Related Parties

a. Amounts due from directors

	As at 31 August		Maximum amounts outstanding during the year ended 31 August	
Name	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Controlling Equity Holders and directors				
– Mr. Xiong Tao (Note)	**–**	31,458	**34,769**	31,458
– Mr. Ran Tao	**–**	4,194	**4,194**	4,194
– Mdm. Liao Rong	**–**	800	**800**	800
Total, presented under current assets	**–**	36,452		

Note: The carrying amounts represented advance to Mr. Xiong Tao with nominal value of approximately RMB34,169,000 with effective interest rate of 8.5% per annum, is fully settled during the year under offsetting arrangement more detailed in Note 33. The imputed interest income recognised in profit or loss for the year ended 31 August 2018 was RMB3,311,000 (For the year ended 31 August 2017: RMB2,416,000).

During the year ended 31 August 2018, a receivable of RMB2,500,000 from a company controlled by Mr. Xiong Tao was re-designated to Mr. Xiong and was subsequently settled by a multi-parties net settlement agreement as detailed in Note 33.

The amounts due from directors are non-trade in nature, unsecured, non-interest bearing and without a fixed repayment term.

18. Amounts Due from (to) Related Parties (Continued)

b. Amounts due from related companies

Name	Relationship	As at 31 August 2018 RMB'000	As at 31 August 2017 RMB'000	Maximum amounts outstanding during the year ended 31 August 2018 RMB'000	Maximum amounts outstanding during the year ended 31 August 2017 RMB'000
Non-trade related					
四川博駿教育投資管理有限公司Sichuan Bojun Education Investment Management Company Limited* ("Sichuan Bojun")	56% and 44% interest held by Mr. Xiong Tao and Mr. Ran Tao respectively	**77**	5,275	**5,275**	5,275
四川文軒教育投資有限公司 Sichuan Wenxuan Education Investment Company Limited ("Sichuan Wenxuan") (Note i)	Joint-controlled by Mr. Xiong Tao and Chengdu Bozhong	**–**	9,572	**10,600**	9,572
成都恒宇實業有限公司 Chengdu Hengyu Industrial Company Limited ("Chengdu Hengyu") (Note ii)	Controlled by Mr. Xiong Tao	**–**	10,899	**11,620**	10,899
成都博眾教育投資管理有限公司 Chengdu Bozhong Education Investment Management Company* Limited ("Chengdu Bozhong") (Note iii)	60% and 40% interest held by Mr. Ran Tao and his spouse respectively	**–**	15,166	**16,740**	16,240
Trade related					
Chengdu Hengyu	Controlled by Mr. Xiong Tao	**294**			
Total, presented under current assets		**371**	40,912		

* The English names are for identification purpose only.

Notes:

i The carrying amount represented advance to the related company with nominal value of RMB10,600,000. The advance is measured with effective interest of 8.5% per annum and the imputed interest income recognised in profit or loss for the years ended 31 August 2018 was RMB1,028,000 (2017: RMB750,000).

18. Amounts Due from (to) Related Parties (Continued)

b. Amounts due from related companies (Continued)

Notes: (Continued)

ii As at 31 August 2017, included in the balance was the nominal value of the advances of RMB7,450,000 with effective interest rate of 8.5% per annum. The imputed interest income recognised in profit or loss for the year ended 31 August 2018 was RMB721,000 (2017: RMB527,000). The remaining balance consist of short-term advances which was non-interest bearing.

iii The imputed interest income recognised in profit or loss for the year ended 31 August 2018 was RMB1,574,000 (2017: RMB1,139,000). The nominal value of the advances as at 31 August 2018 were RMB16,240,000 with effective interest rate of 8.5% per annum.

The non-trade nature amounts due from related companies are unsecured, non-interest bearing and without a fixed repayment term.

c. Amounts due to related companies

	Relationship	As at 31 August 2018 RMB'000	 2017 RMB'000
Non-trade related			
Sichuan Bojun	Controlled by Mr. Xiong Tao	–	18,820
Sichuan Shuangfeng*	Controlled by Mr. Xiong Tao	–	3,310
Chengdu Bozhong	Controlled by Mr. Ran Tao	–	10
Chengdu Hengyu	Controlled by Mr. Xiong Tao	–	10,320
Trade related			
Chengdu Hengyu	Controlled by Mr. Xiong Tao	–	196
		–	32,656

* 四川雙豐教育投資管理有限公司 Sichuan Shuangfeng Education Investment Management Company Limited ("Sichuan Shuangfeng")

As at 31 August 2017, the balances were non-trade in nature, unsecured, non-interest bearing and repayable on demand.

18. Amounts Due from (to) Related Parties (Continued)

d. Amount due to a director

	Relationship	As at 31 August 2018 RMB'000	 2017 RMB'000
Mr. Xiong Tao	Controlling Equity Holder and director	–	1
		–	1

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

e. Amount due to a shareholder

	Relationship	As at 31 August 2018 RMB'000	 2017 RMB'000
謝綱 ("Mr. Xie Gang")	Shareholder	–	1,300
		–	1,300

During the year ended 31 August 2017, pursuant to an agreement entered by Chengdu Jinbojun, Mr. Xie Gang and a debtor to Chengdu Jinbojun ("Party A"), the three parties unanimously agreed that the right for demanding Chengdu Jinbojun to repay the advance of RMB1,300,000 was transferred to Mr. Xie Gang as to set off a corresponding amount of payable due by Party A to Mr. Xie Gang.

The balance in non-trade in nature, unsecured, non-interest bearing and repayable on demand.

19. Bank Balances and Cash

As at 31 August 2018, included in bank balances and cash are bank deposits of RMB307,397,000 (2017: nil) carrying fixed interest rates of 1.40% to 1.90% per annum with original maturity of less than three months.

Other bank balances carry interest at prevailing market rate of 0.01% to 0.385% (2017: 0.001% to 0.35%) per annum at 31 August 2018.

20. Other Payables and Accruals

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Payables for property, plant and equipment	**138,306**	2,025
Miscellaneous expenses received from students (Note i)	**45,734**	38,361
Royalty fees payable	**37,364**	25,637
Advance from a third party (Note ii)	**20,000**	–
Payroll payable	**12,209**	8,901
Accrued expenses	**6,184**	7,845
Other tax payable	**990**	833
Accrued listing expenses	**–**	1,036
Others	**6,929**	6,449
	267,716	91,087

Notes:

i. The amount represents miscellaneous expenses received from students which will be paid out on behalf of students or refund for any excess.

ii. The balance is non-trade in nature, unsecured, non-interest bearing and has been fully settled prior to the issuance of these consolidated financial statements.

21. Deferred Revenue

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Tuition fees	**273,358**	195,419
Boarding fees	**7,123**	5,906
	280,481	201,325

22. Obligations Under Finance Leases

	Minimum lease payments As at 31 August		Present value of minimum leases payments As at 31 August	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Amounts payable under finance lease – Within one year	–	3,605	–	3,599
Less: future finance charges	–	(6)	–	N/A
Present value of lease obligations	–	3,599		3,599
Less: Amounts due for settlement within one year (shown under current liabilities)			–	(3,599)
Amounts due for settlement after one year			–	–

Interest rates underlying all obligations under finance leases fixed at respective contract dates during the year ended 31 August 2018 was 12.96% (2017: 12.96%) per annum.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets as disclosed in Note 14 and were guaranteed by Sichuan Bojun and personal guarantees provided by Mr. Xiong Tao and Mdm. Liao Rong.

During the year ended 31 August 2018, the Group settled the entire outstanding finance leases and the guarantees have been released accordingly.

23. Borrowings

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Unsecured bank borrowings with corporate guarantee (Note)	**60,000**	–
Analyzed as:		
Carrying amount repayable within one year	**60,000**	–

Note: As at 31 August 2018, the unsecured bank borrowings bear variable interest at 140% of the benchmark interest rate of the People's Bank of China and are all repayable in May 2019.

24. Deferred Income

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
Amounts recognised in profit or loss during the year:		
Subsidies related to assets (Note)	**(548)**	–

The movement of deferred income is as follows:

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**–**	–
Receipt of subsidies related to assets (Note)	**42,700**	–
Amount credited to profit or loss during the year	**(548)**	–
At end of the year	**42,152**	–

Note: The Group received a government subsidy for the compensation of capital expenditures incurred for the prepaid lease payment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

25. Defined Benefit Obligation

The Group is committed to provide supplementary post-employment benefits to certain qualifying employees in the PRC if the employees satisfy certain criterion at their respective retirement age as stipulated in the employment contract. No designated assets was set aside for settlement of the obligations.

The plan exposes the Group to actuarial risks such as interest rate risk and benefit risk.

Interest rate risk

The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.

Benefit risk

The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.

The actuarial valuations of the present value of the defined benefit obligations as at 31 August 2018 was carried out by an independent actuary, 陳靜瑤 Chen Jingyao, who is a member of China Association of Actuaries. The address of the actuary is at Floor 32, No. 501, Middle Yincheng road, Shanghai, China. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 August	
	2018	2017
	RMB'000	RMB'000
Civil retirement age	**60-65**	60-65
Qualifying employee rate	**80%-100%**	80%-100%
Employee departure rate	**0%-5%**	0%-5%
Mortality rate	**100%**	100%
Discount rate	**4.45%**	4.4%

25. Defined Benefit Obligation (Continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
Service costs:		
Current service costs	**856**	112
Past service costs	**5**	2
Interest expenses	**130**	107
Components of defined benefit costs recognised in profit or loss	**991**	221
Components of defined benefit costs recognised in other comprehensive income	**(455)**	(327)
Total	**536**	(106)

The remeasurement of the defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement defined benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Liability arising from defined benefit obligations	**3,482**	2,946

Movements in the present value of the retirement defined benefit obligations during the reporting period were as follows:

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**2,946**	3,052
Service costs and interest expense	**991**	221
Actuarial gains arising from changes in financial assumptions	**(455)**	(327)
At end of the year	**3,482**	2,946

25. Defined Benefit Obligation (Continued)

Mortality is assumed to be the average life of expectancy of residents in Mainland China.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate and mortality rate. The sensitivity analyzes below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of each of the reporting period, while holding all other factors constant.

- If the mortality rate on benefit obligations increases by 10%, the defined benefit obligations would decrease RMB64,000 as at 31 August 2018 (2017: RMB52,000);

- If the mortality rate on benefit obligations decreases by 10%, the defined benefit obligations would increase by RMB69,000 as at 31 August 2018 (2017: RMB61,000);

- If the discount rate on benefit obligations increases by 0.1%, the defined benefit obligations would decrease by RMB103,000 as at 31 August 2018 (2017: RMB87,000);

- If the discount rate on benefit obligations decreases by 0.1%, the defined benefit obligations would increase by RMB107,000 as at 31 August 2018 (2017: RMB90,000);

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of each of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

26. Share Capital

	Number of shares	Amount HK$	Amount RMB	Shown in the consolidated statement of financial position as RMB'000
Ordinary shares of HK$0.01 each				
Authorized:				
– At date of incorporation, 31 August 2017	38,000,000	380,000	327,750	
Share creation (Note i)	4,962,000,000	49,620,000	43,098,250	
– At 31 August 2018	5,000,000,000	50,000,000	43,426,000	
Issued and fully paid:				
At 1 September 2016 and 31 August 2017	100,000	1,000	863	1
Capitalised issue (Note ii)	599,900,000	5,999,000	5,210,251	5,210
Issue of new ordinary shares (Note iii)	200,000,000	2,000,000	1,737,040	1,737
Exercise of over-allotment option (Note iii)	23,510,000	235,100	203,813	204
At 31 August 2018	823,510,000	8,235,100	7,151,967	7,152

Notes:

i. On 12 July 2018, the share capital of the Company was increased from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 shares of HK$0.01 each.

ii. On 12 July 2018, the Company capitalised HK$5,999,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,900,000 shares for allotment and issue to shareholders.

iii. On 31 July 2018, 200,000,000 new shares of HK$0.01 each of the Company were issued at a price of HK$2.36 (equivalent to RMB2.05) each, upon the Global Offering and listing of the shares of the Company on the Stock Exchange. On 28 August 2018, 23,510,000 new shares of HK$0.01 each of the Company were issued at a price of HK$2.36 (equivalent to RMB2.06) each upon exercise of over-allotment option. The proceeds of HK$2,235,000 (equivalent to RMB1,941,000) representing the par value of the new shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK$525,249,000 (equivalent to approximately RMB456,100,000), before issue expenses of RMB27,158,000, were credited to the Company's share premium. The new shares rank *pari passu* with the existing shares in all respects.

27. Commitments

a. Operating lease commitments

The Group as lessee

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Lease payments paid during the reporting period in respect of school/office premises, land and staff dormitories	**24,936**	8,456

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	As at 31 August	
	2018	2017
	RMB'000	RMB'000
Within one year	**12,721**	6,828
In the second to fifth year inclusive	**47,662**	24,499
Over five years	**126,133**	60,841
	186,516	92,168

The leases have tenures ranging from one to twenty years and no contingent rent provision included in the contracts. Rentals are fixed over the lease terms.

b. Capital commitments

	As at 31 August	
	2018	2017
	RMB'000	RMB'000
Capital expenditure in respect of:		
– the acquisition of property, plant and equipment and land use rights contracted for but not provided in the reporting period	**53,506**	46

28. Retirement Benefit Plan

Other than those disclosed in Note 25, 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 employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The contributions made by the Group in respect of the retirement benefit scheme amounting to approximately RMB9,877,000 for the year ended 31 August 2018 (2017: RMB7,255,000) are included in cost of services and administrative expenses.

29. Related Party Transactions

Other than those disclosed elsewhere in the consolidated financial statements, below are the major transactions entered into by the Group with related parties:

Rental expenses incurred

	Year ended 31 August	
	2018 RMB'000	2017 RMB'000
Chengdu Hengyu	**196**	196

Compensation of key management personnel

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

	Year ended 31 August	
	2018 RMB'000	2017 RMB'000
Short-term benefits	**1,983**	1,902
Post-employment benefits	**283**	283
	2,266	2,185

30. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes amounts due to directors/related companies/a shareholder, obligations under finance leases and borrowings, as disclosed in Notes 18, 22 and 23, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital/paid-in capital and accumulated profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and raise new debts.

31. Financial Instruments

Categories of financial instruments

	As at 31 August	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
Bank balances and cash	**607,062**	332,531
Other receivables and deposits*	**35,819**	24,107
Amounts due from directors	**–**	36,452
Amounts due from related companies	**371**	40,912
	643,252	434,002
Financial liabilities		
Amortised cost		
Other payables and accruals#	**260,542**	81,373
Amounts due to related companies	**–**	32,656
Amounts due to directors	**–**	1
Amount due to a shareholder	**–**	1,300
Borrowings	**60,000**	–
	320,542	115,330

* Prepayments and deferred issue costs are excluded.

\# Accrued expenses, accrued listing expenses and other tax payable are excluded.

31. Financial Instruments (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include other receivables and deposits, amounts due from/to related parties, bank balances and cash, other payables and accruals and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and bank borrowings.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Sensitivity analysis

If interest rate of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2018 would have increased/decreased by approximately RMB607,000 (2017: RMB333,000). The analysis is prepared assuming the financial instruments outstanding, at the end of the reporting period were outstanding for the whole year.

If interest rate of variable-rate bank borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2018 would have decreased/increased by approximately RMB60,000 (2017: nil).

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

Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	As at 31 August	
	2018 RMB'000	2017 RMB'000
Bank balances – US$	**56**	61
Bank balances – HK$	**436,370**	69,055
	436,426	69,116

31. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The following shows the Group's sensitivity to 5% appreciation of US$ and HK$ against RMB which represents the management's assessment of the reasonable possible change in US$– RMB and HK$–RMB exchange rate. The sensitivity analysis of the Group includes the outstanding US$ and HK$ denominated balances as adjusted for 5% appreciation of US$ and HK$ at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

	Year ended 31 August	
	2018 **RMB'000**	2017 RMB'000
Increase in post-tax profit	**21,778**	3,456

There would be an equal and opposite impact on the above post-tax results, should the US$ and HK$ be weakened against RMB in the above sensitivity analysis.

In the directors opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

(b) Credit risk

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

In order to minimise the credit risk on other receivables and amounts due from related companies, 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 companies are reduced as the Group can closely monitor the repayment of the related companies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

31. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

(c) Liquidity risk

In the management of the liquidity risk, the Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management monitors the utilisation of bank and other borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and obligations under finance leases. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates of financial liabilities based on the earliest date on which the Group can be required to pay). The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate	On demand or within 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2018						
Non-interest bearing						
Other payables and accruals	**N/A**	**260,542**	**–**	**–**	**260,542**	**260,542**
Interest bearing						
Borrowings	**6.09%**	**910**	**900**	**60,853**	**62,663**	**60,000**
		261,452	**900**	**60,853**	**323,205**	**320,542**
As at 31 August 2017						
Non-interest bearing						
Other payables and accruals	N/A	81,373	–	–	81,373	81,373
Amounts due to related companies	N/A	32,656	–	–	32,656	32,656
Amount due to a director	N/A	1	–	–	1	1
Amount due to a shareholder	N/A	1,300	–	–	1,300	1,300
Interest bearing						
Obligations under finance leases	12.96%	3,063	521	21	3,605	3,599
		118,393	521	21	118,935	118,929

(d) Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

32. Particulars of Subsidiaries

As at 31 August 2018, the Company has following subsidiaries either control through direct and indirect equity interests or via contractual arrangements:

Name of subsidiary	Place of incorporation/ establishment	Share capital/ registered capital	Equity interest attributable to the Group At 31 August 2018	At 31 August 2017	Principal activities
Bojun Education Investment Holdings Company Limited	British Virgin Islands ("BVI")	USD50,000	**100%**	100%	Investment holding
Hong Kong Bojun Education Investment Co., Limited 香港博駿教育投資有限公司	Hong Kong	HK$10,000	**100%**	100%	Investment holding
USA Bojun Education, Inc.	USA	USD80,000	**100%**	100%	Education consultancy and management services
Chengdu Tianfu Bojun Education Management Company Limited* 成都天府博駿教育管理有限公司 (Note ii)	PRC	HKD120,000,000	**100%**	100%	Education consultancy services
Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University* 成都市錦江區四川師大附屬第一實驗中學 (Note i)	PRC	RMB12,000,000	**100%**	100%	Provision of middle school education services
Chengdu Longquanyi District No. 1 Experimental Middle School Attached to Sichuan Normal University* 成都市龍泉驛區四川師大附屬第一實驗中學 (Note i)	PRC	RMB10,000,000	**100%**	100%	Provision of middle school and high school education services
Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University* 成都市天府新區四川師大附屬第一實驗中學 (Note i)	PRC	RMB1,000,000	**100%**	100%	Provision of middle school education services

32. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Share capital/ registered capital	Equity interest attributable to the Group At 31 August 2018	Equity interest attributable to the Group At 31 August 2017	Principal activities
Chengdu Youshi Experimental Kindergarten* 成都幼師實驗幼兒園 (Note i)	PRC	RMB30,000	**100%**	100%	Provision of kindergarten education services
Chengdu Youshi Lidu Experimental Kindergarten* 成都幼師麗都實驗幼兒園 (Note i)	PRC	RMB60,000	**100%**	100%	Provision of kindergarten education services
Chengdu Youshi Riverside Impression Experimental Kindergarten* 成都幼師河濱印象實驗幼兒園 (Note i)	PRC	RMB50,000	**100%**	100%	Provision of kindergarten education services
Chengdu Youshi Longquan Dongshan Experimental Kindergarten* 成都幼師龍泉東山實驗幼兒園 (Note i)	PRC	RMB100,000	**100%**	100%	Provision of kindergarten education services
Chengdu Qingyang Youshi Jingjie Experimental Kindergarten* 成都青羊幼師境界實驗幼兒園 (Note i)	PRC	RMB100,000	**100%**	100%	Provision of kindergarten education services
Chengdu High and New District Youshi Peninsula City Center Kindergarten* 成都高新區幼獅半島城邦幼兒園 (Note i)	PRC	RMB600,000	**100%**	100%	Provision of kindergarten education services
Sichuan Boai Preschool Education Development Company Limited* 四川省博愛幼兒教育事業發展有限責任公司 (Note ii)	PRC	RMB4,000,000	**100%**	100%	Provision education investment and management

32. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Share capital/ registered capital	Equity interest attributable to the Group At 31 August 2018	At 31 August 2017	Principal activities
Chengdu Youshi Preschool Education Investment Management Company Limited* 成都幼獅幼兒教育投資管理有限公司 (Note ii)	PRC	RMB1,000,000	**100%**	100%	Provision education investment and management
Chengdu Jinbojun Education Consultancy Company Limited* 成都金博駿教育諮詢有限公司 (Note ii)	PRC	RMB5,000,000	**100%**	100%	Education investment and management
Renshou Bojun Education Investment Management Company Limited* 仁壽博駿教育投資管理有限公司 (Note ii)	PRC	RMB20,000,000	**100%**	100%	Education investment and management
Chengdu Mingxian Education Investment Company Limited* 成都銘賢教育投資有限公司 (Note ii)	PRC	RMB32,500,000	**100%**	100%	Education investment and management
Wangcang Bojun Education Management Company Limited* 旺蒼博駿教育管理有限公司 (Note ii)	PRC	RMB10,000,000	**100%**	100%	Education investment and management
Nanjiang Bojun Education Management Company Limited* 南江博駿教育管理有限公司 (Note ii)	PRC	RMB10,000,000	**100%**	100%	Education investment and management
Lezhi Bojun Education Management Company Limited* 樂至縣博駿教育管理有限公司 (Note ii)	PRC	RMB10,000,000	**100%**	N/A	Education investment and management

32. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Share capital/ registered capital	Equity interest attributable to the Group At 31 August 2018	Equity interest attributable to the Group At 31 August 2017	Principal activities
Wangcang Bojun School* 旺蒼博駿公學 (Note i)	PRC	RMB10,000,000	**100%**	N/A	Provision of primary and middle school education services
Nanjiang Bojun School* 南江博駿學校 (Note i)	PRC	RMB10,000,000	**100%**	N/A	Provision of primary and middle school education services
Pengzhou City Bojun School* 彭州市博駿學校 (Note i)	PRC	RMB1,200,000	**51%**	N/A	Provision of primary and middle school education services

* The English names are for identification purpose only.

\# Other than Bojun Investment, all subsidiaries are indirectly held by the Company.

Notes:

i. The legal form of these PRC subsidiaries is Private Non-Enterprise Organization (民營非企業組織).

ii. The legal form of these PRC subsidiaries is limited liability company.

iii. The legal form of these PRC subsidiaries is Wholly Foreign Owned Enterprise (外商獨資企業).

33. Reconciliation of Liabilities Arising from Financing Activities

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

	Obligations under finance leases RMB'000	Amounts due to directors RMB'000	Amounts due to related companies RMB'000	Borrowings RMB'000	Advance from a third party RMB'000	Total RMB'000
At 1 September 2016	7,349	7,200	35,084	–	85,000	134,633
Financing cash flows	(4,400)	(7,199)	(2,624)	–	(85,000)	(99,223)
Non-cash changes						
Finance costs recognised (Note 8)	650	–	–	–	713	1,363
Interest waived by a third party (Note 7a)	–	–	–	–	(713)	(713)
At 31 August 2017	3,599	1	32,460	–	–	36,060
Financing cash flows	(3,652)	–	(63)	59,056	20,000	75,341
Non-cash changes						
Settlement made by a related company*	–	(1)	(32,397)	–	–	(32,398)
Finance costs recognised (Note 8)	53	–	–	944	–	997
At 31 August 2018	–	–	–	60,000	20,000	80,000

* Under an arrangement entered into by the Company, Mr. Xiong Tao and respective related parties as set out in Note 18, the non-trade amounts due from related companies and directors with carrying amounts of RMB46,735,000 and RMB39,763,000, respectively, were initially offset by amounts due to related companies and a director with carrying amount of RMB32,397,000 and RMB1,000, respectively, the remaining balances have been fully settled by Mr. Xiong Tao and Chengdu Hengyu during the year ended 31 August 2018.

34. Financial Information of the Company

	As at 31 August	
	2018 **RMB'000**	2017 RMB'000
Non-current assets		
Investment in a subsidiary	**76,233**	76,233
Amount due from a subsidiary	**175,411**	166,736
	251,644	242,969
Current assets		
Deferred issue costs	**–**	3,386
Bank balances and cash	**435,417**	6,169
	435,417	9,555
Current liabilities		
Amounts due to subsidiaries	**10,333**	4,357
Accrued listing expenses	**–**	1,036
	10,333	5,393
Net current assets	**425,084**	4,162
Total assets less current liabilities	**676,728**	247,131
Capital and reserves		
Share capital	**7,152**	1
Reserves (Note)	**669,576**	247,130
	676,728	247,131

Note:

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 September 2016	250,000	(3,059)	246,941
Profit and total comprehensive income for the year	–	189	189
At 31 August 2017	250,000	(2,870)	247,130
Capitalised issue (Note 26)	(5,210)	–	(5,210)
Issue of new ordinary shares (Note 26)	456,100	–	456,100
Listing expenses related to the issue of ordinary shares (Note 26)	(27,158)	–	(27,158)
Loss and total comprehensive expense for the year	–	(1,286)	(1,286)
At 31 August 2018	673,732	(4,156)	669,576

35. Events After Reporting Period

On 15 November 2018, the Central Committee of the Communist Party of China and the State Council of the People's Republic of China jointly issued "Certain Opinions on Deepening the Reform and Regulating the Development of Pre-school Education" (關於學前教育深化改革規範發展的若干意見) (the "Opinions"). Pursuant to the Opinions, among other things, private companies should not control not-for-profit kindergartens through contractual arrangements. As at the issuance date of these consolidated financial statements, the Group operates six not-for-profit kindergartens through contractual arrangements, i.e. Preschools Education, the revenue generated by these kindergarten is set out in Note 6. The Company is seeking legal advice on the Opinions and will take all reasonable steps to comply with the Opinions as it may be advised. Based on the current conditions and preliminary assessment, the directors of the Company is of the view that the Opinions do not have an immediate material adverse financial impact at the date of authorisation of the consolidated financial statements.

DEFINITIONS

"Appointees"	Mr. Xiong Tao, Mr. Ran Tao, Ms. Liao Rong, Mr. Xie Gang, Gong Yahong (龔亞虹), Li Junfeng (李俊鋒), Liu Xiaoguang (劉曉光), Tian Xiaogang (田曉崗), Huang Xue (黃雪), Xiong Yueyao (熊月遙), Liao Hong (廖紅), Liu Jing (劉靜), Ai Bingyu (艾冰玉), Gao Wenju (高文菊), Jiang Hong (蔣紅), Fang Jia (方佳) and Huang Mingyong (黃明勇)
"Articles of Association" or "Articles"	the articles of association of the Company adopted on 12 July 2018 and effective from the Listing Date, which is uploaded onto the Company's website, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"Chengdu Bojun"	Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 26 July 2016 and a wholly-owned subsidiary of the Company
"Chengdu Jinbojun"	Chengdu Jinbojun Education Consultancy Company Limited (成都金博駿教育諮詢有限公司), a limited liability company established under the laws of the PRC on 13 March 2015 and a Consolidated Affiliated Entity of the Company
"Chengdu Mingxian"	Chengdu Mingxian Education Investment Company Limited* (成都銘賢教育投資有限公司), a limited liability company established under the laws of the PRC on 10 March 2004 and a Consolidated Affiliated Entity of the Company
"Chengdu Youshi Preschool Investment"	Chengdu Youshi Preschool Education Investment Management Company Limited* (成都幼獅幼兒教育投資管理有限公司), a limited liability company established under the laws of the PRC on 16 July 2010 and a Consolidated Affiliated Entity of the Company
"China" or "PRC"	the People's Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Bojun Education Company Limited (博駿教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2016
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consolidated Affiliated Entities" or "Consolidated Affiliated Entity"	the entities that the Group controls through the contractual arrangement contemplated under the Structured Contracts which comprised, as at the Latest Practicable Date, our School Sponsors and PRC Operating Schools
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Mr. Xiong Tao, Mr. Ran Tao, Ms. Liao Rong, Cosmic City, Zheng Yong and Surpass Luck
"Cosmic City"	Cosmic City Holdings Limited (宇都控股有限公司), a company incorporated in the BVI with limited liability on 6 April 2016 and is wholly-owned by Mr. Xiong Tao
"Director(s)"	the directors of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report dated 9 July 2018, commissioned by the Company on the PRC private education market and prepared by Frost & Sullivan
"GDP"	gross domestic product
"Group", "our Group", "we" or "us"	the Company, its subsidiaries, the Consolidated Affiliated Entities and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants
"Hong Kong Bojun"	Hong Kong Bojun Education Investment Co., Limited (香港博駿教育投資有限公司), a company incorporated in Hong Kong with limited liability on 14 June 2016 and a wholly-owned subsidiary of the Company
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
"IFRS"	the International Financial Reporting Standard(s)
"Implementation Rules for the Private Education Law"	the Implementation Rules for the Private Education Law (《中華人民共和國民辦教育促進法實施條例》), which was promulgated on 5 March 2004 and became effective on 1 April 2004
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates

"Jinjiang School"	Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市錦江區四川師大附屬第一實驗中學), a private middle school established under the laws of the PRC on 27 April 2012, where the school sponsor's interest is wholly-owned by Chengdu Mingxian, and a Consolidated Affiliated Entity of the Company
"Latest Practicable Date"	10 December 2018, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its publication
"Lezhi Bojun"	Lezhi Bojun Education Management Company Limited* (樂至博駿教育管理有限公司), a limited liability company established under the laws of the PRC on 10 January 2018 and a Consolidated Affiliated Entity of the Company
"Lezhi School"	Lezhi Bojun School* (樂至博駿公學), a private kindergarten, primary, middle and high school to be established by a subsidiary of Lezhi Bojun as the school sponsor and, upon its establishment, a Consolidated Affiliated Entity of the Company
"Lidu Kindergarten"	Chengdu Youshi Lidu Experimental Kindergarten* (成都幼師麗都實驗幼兒園), a private kindergarten established under the laws of the PRC on 12 May 2003, where the school sponsor's interest is wholly-owned by Sichuan Boai, and a Consolidated Affiliated Entity of the Company
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	31 July 2018, the date on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time
"Longquan Kindergarten"	Chengdu Youshi Longquan Dongshan Experimental Kindergarten* (成都幼師龍泉東山實驗幼兒園), a private kindergarten established under the laws of the PRC on 23 February 2009, where the school sponsor's interest is wholly-owned by Sichuan Boai, and a Consolidated Affiliated Entity of the Company
"Longquan School"	Chengdu Longquanyi District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市龍泉驛區四川師大附屬第一實驗中學), a private middle and high school established under the laws of the PRC on 29 September 2015, where the school sponsor's interest is wholly-owned by Chengdu Jinbojun, and a Consolidated Affiliated Entity of the Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company adopted on 12 July 2018 and as amended from time to time
"Nanjiang Bojun"	Nanjiang Bojun Education Management Company Limited* (南江博駿教育管理有限公司), a limited liability company established under the laws of the PRC on 24 August 2017 and a Consolidated Affiliated Entity of the Company

"Nanjiang Bojun School"	Nanjiang Bojun School* (南江博駿學校), a private primary, middle and high school established by Nanjiang Bojun as the school sponsor and a Consolidated Affiliated Entity of the Company
"Nomination Committee"	the nomination committee of the Board
"Pengzhou Bojun School"	Pengzhou Bojun School (彭州市博駿學校), a private, middle and high school established jointly by Chengdu Minxian and Sichuan Hongde Guanghua Advisory Limited (四川弘的教育諮詢有限公司) and a Consolidated Affiliated Entity
"Peninsula Kindergarten"	Chengdu High and New District Youshi Peninsula City Center Kindergarten* (成都高新區幼獅半島城邦幼兒園), a private kindergarten established under the laws of the PRC on 27 September 2013, where the school sponsor's interest is wholly-owned by Chengdu Youshi Preschool Investment, and a Consolidated Affiliated Entity of the Company
"PRC Operating Schools" or "PRC Operating School"	Jinjiang School, Longquan School, Tianfu School, Nanjiang Bojun School, Wangcang Bojun School and Pengzhou Bojun School, Peninsula Kindergarten, Youshi Kindergarten, Lidu Kindergarten, Longquan Kindergarten, Riverside Kindergarten and Qingyang Kindergarten as at the Latest Practicable Date
"Prospectus"	the prospectus dated 19 July 2018 issued by the Company in connection with the public offering
"Qingyang Kindergarten"	Chengdu Qingyang Youshi Jingjie Experimental Kindergarten* (成都青羊幼師境界實驗幼兒園), a private kindergarten established under the laws of the PRC on 15 March 2010, where the school sponsor's interest is wholly-owned by Sichuan Boai, and a Consolidated Affiliated Entity of the Company
"Registered Shareholders"	the shareholders of Chengdu Mingxian, namely Mr. Xiong Tao, Mr. Ran Tao, Ms. Liao Rong, Mr. Xie Gang, Li Jingmei (李京梅) and Zeng Guang (曾光)
"Remuneration Committee"	the remuneration committee of the Board
"Renshou Bojun"	Renshou Bojun Education Investment Management Company Limited* (仁壽博駿教育投資管理有限公司), a limited liability company established under the laws of the PRC on 15 October 2015 and a Consolidated Affiliated Entity of the Company
"Riverside Kindergarten"	Chengdu Youshi Riverside Impression Experimental Kindergarten* (成都幼師河濱印象實驗幼兒園), a private kindergarten established under the laws of the PRC on 18 June 2003, where the school sponsor's interest is wholly-owned by Sichuan Boai, and a Consolidated Affiliated Entity of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"School Sponsors"	(i) Chengdu Mingxian, Nanjiang Bojun, Wangcang Bojun, Chengdu Youshi Preschool Investment, Chengdu Jinbojun and Sichuan Boai, which were our school sponsors as at the Latest Practicable Date and (ii) Renshou Bojun and Lezhi Bojun, which will be our school sponsors of our new schools

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 12 July 2018
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Boai"	Sichuan Boai Preschool Education Development Company Limited (四川省博愛幼兒教育事業專業發展有限責任公司), a limited liability company established under the laws of the PRC on 26 July 2001 and a Consolidated Affiliated Entity of the Group
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the exclusive business cooperation agreement, the exclusive call option agreement, the equity pledge agreement, the school sponsors' and directors' (council members') rights entrustment agreement, the school sponsors' powers of attorney, the director's (council members') powers of attorney, the loan agreement, the spouse undertakings, the shareholders' rights entrustment agreement and the shareholders' powers of attorney
"Subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules. For the avoidance of doubt, the Subsidiaries include Consolidated Affiliated Entities in this prospectus
"Surpass Luck"	Surpass Luck Global Limited (超運環球有限公司), a company incorporated in the BVI with limited liability on 5 July 2016 and wholly-owned by Ms. Liao Rong
"Tianfu School"	Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市天府新區四川師大附屬第一實驗中學), a private middle school established under the laws of the PRC on 20 April 2016, where the school sponsor's interest is wholly-owned by Chengdu Mingxian, and a Consolidated Affiliated Entity of the Company
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Partner"	Excelsior School System Inc., a company incorporated under the laws of State of California, the United States, with limited liability, on 13 July 2005 and an Independent Third Party principally engaged in the provision of private education in the United States
"US School"	a for-profit grades 7-12 private international school to be operated by the Group in the State of California, the United States

"Wangcang Bojun"	Wangcang Bojun Education Management Company Limited* (旺蒼博駿教育管理有限公司), a limited liability company established under the laws of the PRC on 18 August 2017 and a Consolidated Affiliated Entity of the Company
"Wangcang Bojun School"	Wangcang Bojun School* (旺蒼博駿公學), a private primary, middle and high school to be established by Wangcang Bojun as the school sponsor and, upon its establishment, a Consolidated Affiliated Entity of the Company
"Youshi Kindergarten"	Chengdu Youshi Experimental Kindergarten* (成都幼師實驗幼兒園), a private kindergarten established under the laws of the PRC on 12 August 2002, where the school sponsor's interest is wholly-owned by Sichuan Boai, and a Consolidated Affiliated Entity of the Company
"Zheng Yong"	Zheng Yong Global Limited (正永環球有限公司), a company incorporated in the BVI with limited liability on 8 June 2016 and wholly-owned by Mr. Ran Tao
"%"	per cent

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "*" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.