BOJUN EDUCATION COMPANY LIMITED
博駿教育有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1758

博學致遠 駿馳天下
A Knowledgeable Man Wins The Whole World

ANNUAL REPORT 2019

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 18 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. As at 1 September 2019, we operated a total 11 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, Guangyuan and Ziyang, Sichuan Province. As at 1 September 2019, we had an enrollment of 12,082 students supported by 1,709 employees, including 986 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 four through-train schools in Chengdu, Bazhong and Guangyuan in Sichuan Province, to provide education from primary to high-school levels. In September 2019, we established a through-train school in Ziyang 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. Wu Jiwei

Independent Non-executive Director

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

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. Yang Yuan *(Chairman)*
Mr. Mao Daowei
Ms. Luo Yunping

Company Secretary

Mr. Lam Wai Kei

Authorised Representatives

Mr. Wu Jiwei
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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

1758

COMPANY'S WEBSITE

http://bojuneducation.com

INVESTOR RELATIONS

Phone: +86-28-86002115
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FINANCIAL HIGHLIGHTS

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

FIVE-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	**2019** **RMB'000**
Revenue	103,223	135,371	181,240	231,259	**338,019**
Gross Profit	35,304	49,387	59,134	61,814	**89,755**
Profit for the year	20,597	31,909	35,050	15,308	**28,941**
Adjusted net profit (Note)	14,778	30,035	37,858	26,294	**28,941**
Profit and total comprehensive income for the year attributable to owners of the Company	21,117	29,453	35,377	17,133	**26,597**
Basic earnings per share (RMB)	0.04	0.07	0.06	0.03	**0.03**

	For the year ended 31 August				
Financial ratio	2015	2016	2017	2018	**2019**
Gross profit margin (%)	34.2%	36.5%	32.6%	26.7%	**26.6%**
Net profit margin (%)	20.0%	23.6%	19.3%	6.6%	**8.6%**
Adjusted net profit margin (%)	14.3%	22.2%	20.9%	11.4%	**8.6%**

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 the paragraph headed "Financial review" under the section headed "Management discussion and analysis" in this annual report.

As at 31 August

Assets and liabilities	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Non-current assets	158,774	326,001	274,041	848,658	**1,370,899**
Current assets	848,318	386,225	427,327	631,127	**437,467**
Current liabilities	945,807	376,280	333,295	621,778	**899,076**
Net current (liabilities)/assets	(97,489)	9,945	94,032	9,349	**(461,609)**
Total assets less current liabilities	61,285	335,946	368,073	858,007	**909,290**
Non-current liabilities	8,061	6,196	2,946	45,634	**69,720**
Capital and reserves	53,224	329,750	365,127	812,373	**839,570**
Property, plant and equipment	133,653	213,089	224,341	671,226	**1,106,119**
Bank balances and cash	77,870	373,579	332,531	607,062	**336,647**
Contract liabilities (Deferred revenue)	100,305	144,389	201,325	280,481	**350,837**
Borrowings	79,000	–	–	60,000	**140,000**

As at 31 August

Financial ratio	2015	2016	2017	2018	**2019**
Current ratio	0.90	1.03	1.28	1.02	**0.49**
Gearing ratio (Note)	166.6%	2.2%	1.0%	7.4%	**16.7%**

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	**2019 RMB'000**
Net cash from operating activities	153,507	69,668	127,812	126,931	**103,870**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Company, covering the consolidated results of the Group for the year ended 31 August 2019.

RESULTS OVERVIEW

Compared with the previous financial year, the Group's total revenue for the year ended 31 August 2019 grew by approximately 46.1% to approximately RMB338.0 million. Profit for the year increased by approximately 89.1% to approximately RMB28.9 million, while adjusted net profit for the year increased by approximately 10.1% to approximately RMB28.9 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 2018, we had a student enrollment of 10,173, representing year-on-year growth of approximately 41.08%.

We aim to provide all-round education services to our students, endeavouring not only to nurture students for academic excellence. Our schools uphold the curriculum philosophy of "two walks and two excels in a lifetime class" and open required courses and elective subjects for students to study, for instance, the foreign language module courses (Japanese, French, Spanish, English), sports module courses (basketball, football, tennis, Chinese boxing, golf, cheerleading), arts module course (Chinese painting, calligraphy, vocal music, instrumental music, oil painting), every students are required to choose one out of each module course to study. We also help them to 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 2019, approximately 92.8% of our graduating middle school students scored well enough for admission by first-tier high schools in Chengdu. In the Gaokao of 2019, approximately 99.30% of our high school graduates were admitted to universities (this is the first batch of graduates), with approximately 94.8% of them admitted to the universities.

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 capacity of existing schools, with a view to the ongoing growth of our education services.

The Group opened one new school in Lezhi County of Ziyang City, Sichuan Province, PRC, in September 2019, which is expected to provide more than 3,200 new places for students. The Group believes the establishment of the 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 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Fundamental education in the PRC includes preschool, compulsory school, middle school and high school education. In the recent decade, the demand and supply of fundamental education was perennially tight. Quality education resources are scarce. In the reform of new Gaokao, demand of parents towards quality featured education increased. Looking forward, followed by the increasing comprehensive national power of the PRC and enhancing standard of living, private education will be quality and feature-oriented and become an important force for "establishing education that satisfies people". The population in Sichuan Province is large and has been one of the largest fundamental private education markets in terms of total number of students. The Group is committed to provide quality private fundamental education to Sichuan Province.

Business Review

Our Schools

We are a leading private education service group in Chengdu, Sichuan Province, the PRC. In the 2018/2019 school year, we operated one middle and high school, two middle schools, one primary and middle school and six kindergartens in Chengdu, one primary and middle school in Nanjiang County (南江縣) of Bazhong City (巴中市), Sichuan Province, one primary and middle school in Wangcang County (旺蒼縣) of Guangyuan City (廣元市), Sichuan Province and one primary and middle school in Lezhi County (樂至縣) of Ziyang City (資陽市), Sichuan Province, which commenced operation in September 2019.

Our Students

As at 1 September 2018, the Group had an enrolment of 10,173 students, including 1,287 preschool students and 8,886 intake of students from grades 1 to 12.

Our Objectives in Education

We adhere to our philosophy of "Combination of Chinese and Western, Arts and Science". Through customised curriculum design, we implement the "a lifetime a class" programme model. By offering them vibrant learning opportunities, we aim to provide all-round education services to our students and nurture them to excel not only in academics, but also other achievements. We believe the success of our education services have developed our students' skills in communication, creativity and collaboration, thereby helping them to achieve academic excellence and other achievements.

Education Services and Academic Performance

The core educational curriculum of our primary schools, middle schools 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 in 2019, approximately 92.8% (2018: 91.7%) of our middle-school graduates who participated in such examinations scored well enough for intake by first-tier high schools in Chengdu. At the Gaokao in 2019, approximately 99.3% of our high school graduates were admitted to universities (this is the first batch of graduates), with approximately 94.8% of them admitted to key universities.

In addition to standard educational curriculum, we also provide a variety of extracurricular activities for our primary school, 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 programmes 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. In 2018, we built piano room, Chinese culture studies room, technology room, calligraphy room, art room, tea art room and psychological consultation room in every school.

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 2019, we had an aggregate enrollment of 10,173 students, including 1,287 students at the kindergartens, 1,190 primary school students, 7,126 middle school students and 570 high school students. The following table sets forth information relating to the student enrollment of our schools as of the dates indicated:

School	**Student Enrollment As at 1 September**	
	2018	2017
Jinjiang School		
Middle school	3,055	2,885
Longquan School		
High school	570	330
Middle school	1,917	1,537
Tianfu School		
Middle school	1,635	903
Wangcang Bojun School		
Primary school	288	–
Middle school	124	–
Nanjiang Bojun School		
Primary school	235	–
Middle school	83	–
Pengzhou Bojun School		
Primary school	667	–
Middle school	312	–
Sub-total (Primary schools, middle schools and high schools)	8,886	5,655
Youshi Kindergarten	219	321
Lidu Kindergarten	285	303
Longquan Kindergarten	165	241
Peninsula Kindergarten	269	278
Riverside Kindergarten	102	146
Qingyang Kindergarten	247	267
Sub-total (Kindergartens)	1,287	1,556
Total	10,173	7,211

Teachers and Teacher Recruitment

We believe teachers are the key to maintaining our high-quality educational programmes 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 2018, we had 841 teachers. Approximately 98.21% of our primary school, middle school and high school teachers held a bachelor's degree or above, among which approximately 20.89% 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	
	2018	2017
Jinjiang School	194	192
Longquan School	211	170
Tianfu School	129	82
Pengzhou Bojun School	98	
Nanjiang Bojun School	44	
Wangcang Bojun School	47	
Youshi Kindergarten	18	24
Lidu Kindergarten	27	29
Longquan Kindergarten	16	27
Peninsula Kindergarten	23	22
Riverside Kindergarten	11	13
Qingyang Kindergarten	23	21
Total	841	580

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 programmes 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	
	2018	2017
Jinjiang School	1:15.7	1:15.0
Longquan School		
– High school	1:11.4	1:9.2
– Middle school	1:11.9	1:11.5
Tianfu School	1:12.7	1:8.7
Wangcang Bojun School		
– Middle school	1:6.5	/
– Primary school	1:13.3	/
Nanjiang Bojun School		
– Middle school	1:6.5	/
– Primary school	1:13.8	/
Pengzhou Bojun School		
– Middle school	1:4.6	/
– Primary school	1:14.4	/
Youshi Kindergarten	1:12.2	1:13.4
Lidu Kindergarten	1:10.5	1:11.3
Longquan Kindergarten	1:10.3	1:9.9
Peninsula Kindergarten	1:11.6	1:13.0
Riverside Kindergarten	1:9.3	1:13.7
Qingyang Kindergarten	1:10.7	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 as at 1 September of the year stated above.

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 our 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 enrol 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 year ended 31 August 2018 and the year ended 31 August 2019, (i) the teacher retention rates at our high school were approximately 94.1% and 90.16%, respectively, (ii) the teacher retention rates at our middle schools were approximately 93.2% and 94.82%, respectively, (iii) for the year ended 31 August 2019, the teacher retention rates at our primary school was approximately 92.7%, and (iv) the teacher retention rates at our kindergartens were approximately 66.2% and 79.86%[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 2019 owing to planned adjustments to the number of new classes and intake of students for the new school year starting from September 2019. 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 2019 was duly affected.

Tuition and Boarding Fees

For our primary schools, middle schools and high schools, our tuition fees for the 2017/2018 school year and the 2018/2019 school year ranged from RMB28,000 to RMB42,000 per student per year. For boarding students, a boarding fee of RMB1,200 to RMB1,400 per student per school year was also charged. The tuition fees of our kindergartens for the 2017/2018 school year and the 2018/2019 school year ranged from RMB26,160 to RMB56,160 per student per school 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	
	2018/2019 school year	2017/2018 school year
Jinjiang School		
Middle school	**RMB33,200 – RMB34,800**	RMB28,000 – RMB33,200
Longquan School		
High school	**RMB33,200 – RMB34,800**	RMB33,200
Middle school	**RMB33,200 – RMB34,800**	RMB29,200 – RMB33,200
Tianfu School		
Middle school	**RMB33,200 – RMB34,800**	RMB33,200
Wangcang Bojun School		
Middle school	**RMB27,200**	–
Primary school	**RMB23,200**	–
Nanjiang Bojun School		
Middle school	**RMB27,200**	–
Primary school	**RMB23,200**	–
Pengzhou Bojun School		
Middle school	**RMB43,400**	–
Primary school	**RMB37,400**	–
Youshi Kindergarten	**RMB45,360 – RMB46,560**	RMB33,360 – RMB40,560
Lidu Kindergarten	**RMB44,160 – RMB45,360**	RMB38,160 – RMB45,360
Longquan Kindergarten	**RMB26,160 – RMB27,360**	RMB26,160 – RMB27,360
Peninsula Kindergarten	**RMB54,960 – RMB56,160**	RMB44,160 – RMB48,960
Riverside Kindergarten	**RMB45,360 – RMB46,560**	RMB34,560 – RMB41,760
Qingyang Kindergarten	**RMB47,760 – RMB48,960**	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](%)	
	2018/2019	2017/2018	2018	2017	2018/2019	2017/2018
High school	570	330	630	360	90.5	91.7
Middle school	7,126	5,325	7,155	5,762	99.6	92.4
Primary school	1,190	0	1,520	N/A	78.3	0
Kindergarten	1,287	1,556	1,865	1,865	69.0	83.4
Total	10,173	7,211	11,170	7,987	91.1	90.3

Notes：

(1) For our Group's primary schools, middle schools and high school, 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 our 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 public information disclosure 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 programmes are expected to benefit from this trend. Meanwhile, more students choose to enrol 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 of 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 programmes and an international environment.

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, the PRC. 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 September 2018, we established Nanjiang Bojun School with an estimated total student enrollment of approximately 3,200 students, by way of the acquisition of land use rights. Nanjiang Bojun School comprises 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 initial intake of students from grades 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In September 2018, we established Wangcang Bojun School with an estimated total student enrolment of approximately 4,000 students, by way of the acquisition of land use rights. Wangcang Bojun School 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 initial intake of students from grades 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 of Ziyang City, a prefecture-level city of Sichuan Province, to establish, by way of the acquisition of land use rights, Lezhi School with an estimated total student enrollment of approximately 3,200 students after acquisition of land use rights. Lezhi School comprises a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Lezhi School commenced operation in September 2019 with initial intake of students from grades 1 (primary school) to 7 (middle school) and grade 1 of high school. The high school is expected to commence in 2020.

   – On 7 August 2018, Chengdu Mingxian entered into an educational project investment agreement with the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) ("**Zhongjiang Project**"), pursuant to which we establish Zhongjiang School by way of acquisition of land use right.

     On 7 August 2019, Chengdu Mingxian and the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) agreed to terminate the Zhongjiang project after having considered, among others, the adjustment in business strategies of the Group, the recent development in government policy in the education industry and other business plans of the Group. Chengdu Mingxian and the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) did not make any claim for the termination of Zhongjiang project. Zhongjiang project has not entered into any critical stage and the construction of school has not commenced. The Group has not incurred any capital expenditure for the Zhongjiang project. The termination of Zhongjiang project will have no material adverse impact on the Group's existing business operation and financial condition. For further information, please refer to the announcement of the Company dated 18 November 2019.

- 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 High and New District Bojun School* (內江高新區博駿公學學校) ("**Neijiang School**") in Neijiang High and New Technology Zone, Sichuan Province with an estimated total student enrolment 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 2021 with initial intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2023.

- In November 2019, we entered into an equity interest transfer intention agreement with Sichuan Jiuzhou Taoyuanli Eco-tourism Development Limited* (四川九洲桃源裏生態旅遊開發有限公司). After signing the formal equity interest acquisition agreement, we will acquire 100% equity interest of such company. Upon completion of the equity interest transfer, we will conduct planning on the 4th Division, Shuangquan Village, Wan'an Town, Chengdu (成都市萬安鎮雙泉村四組), the assets under such company with an area of 4,645.9 square metres, and operate it in order to expand the campus of Chengdu New Tianfu District No.1 Experimental 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).

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 September 2017, we jointly entered into a cooperation agreement with an independent third party (the "**School Investor**") in connection with the establishment of Pengzhou Bojun School comprising a primary school, a middle school and a high school with a total enrollment of not less than 4,000 students. The school would comprise a primary school, a middle school and a high school. 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 initial intake of students for grades 1, 5 and 6 (primary school) and grade 7 (middle school).

- In September 2018, we jointly expanded campus and school premises of Tianfu School with 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. We will also start a high school section at the school and the new high school section is expected to commence on 1 September 2020 subject to approval by and registration with relevant PRC authorities.

- 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 to 12 students and is an accredited school of the Western Association of Schools and Colleges. Pursuant to the memorandum of understanding, our 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 to 12. The joint venture will be owned by our 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 programmes to be offered by the US School. The US Partner will provide management services to the US School, assist our Group in identifying school premises and recruiting teachers for the US School. As at the date of this annual report, the selection of location of US School is still in progress.

The following table provides a summary of the estimated capacities of the new school premises to be opened in September 2020 and 2021.

School premises	Date of commencement[1]	Estimated Capacities for students
Tianfu School (High School Section)	September 2020	1,500
Neijiang School	September 2021	4,000
Total		5,500

Note:

1. The commencement of schools is subject to among other things, successful acquisition of land (where applicable), approval by and registration with relevant authorities and the progress of construction work. Therefore, the aforesaid new schools may or may not commence 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 enrol 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 1 September 2019 and their estimated capacity:

School premises	Student enrolled as at 1 September 2019	Expected capacity for students
Jinjiang School	3,198	3,300
Longquan School	2,815	3,500
Tianfu School	1,655	2,000
Wangcang Bojun School*	646	4,000
Nanjiang Bojun School*	628	3,200
Pengzhou Bojun School*	1,405	4,000
Leizhi School**	452	3,200
Affiliated kindergartens***	1,283	1,865
Total	12,082	25,065

* : New schools opened in September 2018

** : New school opened in September 2019

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

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

Leveraging on over 17 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 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 customised 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 optimising 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 at the date of this report, 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.

(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 15.83% of the Group's revenue for the year ended 31 August 2019 and approximately 10.62% of the Group's total number of students enrolled as at 1 September 2019. The Board will closely monitor the implementation of the Opinion and comply with the Opinion and seek further advice from our PRC legal advisor on the relevant implementation regulations in a timely manner.

As at the date of this annual 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 Opinions 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			
	2019	**Percentage of total**	2018	Percentage of total
	RMB'000	**%**	RMB'000	%
Tuition fees				
— Kindergartens	**53,514**	**15.83**	56,781	24.6
— Primary schools, middle schools and high schools	**275,190**	**81.41**	169,151	73.1
Sub-total	**328,704**	**97.24**	225,932	97.7
Boarding fees	**9,315**	**2.76**	5,327	2.3
Total	**338,019**	**100.0**	231,259	100.0

Our revenue increased by approximately RMB106.8 million or 46.1% from approximately RMB231.3 million for the year ended 31 August 2018 to approximately RMB338.0 million for the year ended 31 August 2019. The increase was mainly attributable to the increased total student enrollment level, which resulted the increase in tuition and boarding fees.

Student enrollment level in our schools increased by approximately 41.1% from 7,211 as of 1 September 2017 to 10,173 as of 1 September 2018, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Longquan School, Tianfu School, and the newly-added number of students enrolled in our newly commenced Pengzhou Bojun School, Nanjiang Bojun School and Wangcang Bojun School in September 2018.

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 2018 and 31 August 2019, our costs of services represented approximately 73.3% and 73.5% 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	
	2019	2018
	RMB'000	RMB'000
Staff costs	**157,855**	98,115
Depreciation and amortisation	**28,002**	19,850
Royalty fees	**14,511**	11,727
Rental and management fees	**19,578**	22,991
Office expenses	**13,958**	7,929
Repair and maintenance	**2,405**	1,077
Utilities expenses	**3,560**	2,229
Training expenses	**2,286**	2,242
Others	**6,109**	3,285
Total	**248,264**	169,445

Our costs of services increased by approximately RMB78.9 million or 46.6% from approximately RMB169.4 million for the year ended 31 August 2018 to approximately RMB248.3 million for the year ended 31 August 2019. 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, and the increase in number of students in the newly commenced Pengzhou Bojun School, Nanjiang Bojun School and Wangcang Bojun School 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 RMB59.7 million or 60.9% from approximately RMB98.1 million for the year ended 31 August 2018 to approximately RMB157.9 million for the year ended 31 August 2019, primarily because (i) the number of teachers increased from 580 as of 1 September 2017 to 841 as of 1 September 2018, in particular, the number of teachers we hired increased from 444 as of 1 September 2017 to 534 as of 1 September 2018 for Jinjiang School, Longquan School and Tianfu School, and the number of newly hired teachers was 189 for the newly operated Pengzhou Bojun School, Nanjiang Bojun School and Wangcang Bojun School; and (ii) we offered more competitive remuneration packages to attract and retain high quality teachers during the year ended 31 August 2019.

(ii) Depreciation and amortisation expenses increased by approximately RMB8.2 million or 41.1% from approximately RMB19.9 million for the year ended 31 August 2018 to approximately RMB28.0 million for the year ended 31 August 2019, primarily due to the completion of the construction of and commencement of operation of Nanjiang School and Wangcang Bojun School.

(iii) Royalty fees increased by approximately RMB2.8 million or 23.7% from approximately RMB11.7 million for the year ended 31 August 2018 to approximately RMB14.5 million for the year ended 31 August 2019, 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) Office expenses are approximately RMB14.0 million for the year ended 31 August 2019, increased by 6.0 million compared to the expenses in the previous year of 7.9 million, representing a growth of 76.0%, mainly due to the opening of Nanjiang School, Wangcang School and Pengzhou Bojun School.

In addition, our costs of services such as society activities, book purchase expenses increased in line with the expansion in scale of the schools we operated.

Employee benefits

As at 31 August 2019, the Group had approximately 1,709 employees (as at 31 August 2018: approximately 1,391). 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 programmes to its employees. For the year ended 31 August 2019, the annual staff costs (including directors' fees) amounted to approximately RMB191.6 million (2018: RMB121.0 million).

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					
	2019			2018		
	Segment revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin %**	Segment revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Primary schools, middle schools and high schools	**284,505**	**74,045**	**26.0**	174,478	46,241	26.5
Kindergartens	**53,514**	**15,710**	**29.4**	56,781	15,573	27.4
Total	**338,019**	**89,755**	**26.6**	231,259	61,814	26.7

Gross profit margin of our primary schools middle schools and high schools decreased from approximately 26.5% for the year ended 31 August 2018 to approximately 26.0% for the year ended 31 August 2019. The decrease in gross profit margin was mainly because of (i) the lower standard of fees charged by Nanjiang and Wangcang school.

Gross profit margin of our kindergartens increased from approximately 27.4% for the year ended 31 August 2018 to approximately 29.4% for the year ended 31 August 2019. The increase of gross profit margin was mainly attributable to the decrease in number of students in kindergarten which charged a lower fee. The number of students with a higher fee remained the same compared to the previous year.

Other income (expenses)

Our other income consists of (i) long-aged creditors waived (RMB3.4 million in 2019, RMB2.5 million in 2018); (ii) interest income from banks (RMB2.9 million in 2019, RMB1.0 million in 2018), and (iii) release of asset-related government grants (RMB1.1 million in 2019, RMB0.5 million in 2018).

Our other income (expenses) increased by approximately RMB3.6 million or 98.0% from approximately RMB3.7 million for the year ended 31 August 2018 to approximately RMB7.3 million for the year ended 31 August 2019. Such increase was mainly attributable to (i) income from long-aged creditors waived, (ii) interest income from banks, and (iii) increase of grants of three incomes from government, and the decrease in the start-up expenses of newly commenced schools (three school newly set up in 2018/2019 school year (namely Nanjinag Bojun School, Wangcang Bojun School and Pengzhou Bojun School) commenced into operation in the current year (2018: RMB6.8 million).

Other gains (losses)

	For the year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Net exchange gain	**8,322**	589
Gain (Loss) arising on disposal of property, plant and equipment, net	**36**	(213)
Others	**115**	(271)
Total	**8,473**	105

Other gains (losses) incurred from non-operational activities increased by approximately RMB8.4 million or 7,969.5% from RMB0.1 million for the year ended 31 August 2018 to approximately RMB8.5 million for the year ended 31 August 2019, primarily due to increase in net exchange gain which accounted for 92.4% of the total increase.

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 RMB23.7 million or 79.5% from approximately RMB29.9 million for the year ended 31 August 2018 to approximately RMB53.6 million for the year ended 31 August 2019, mainly attributable to the expansion of business scale of the Group, increase in number of administrative staff and increase in administrative and office expenses attributable to newly commenced schools (Nanjiang School, Wangcang School and Pengzhou Bojun School), expansion of Tianfu School and progress of new projects.

Finance costs

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

Our finance costs increased by approximately RMB5.5 million or 556.9% from approximately RMB1.0 million for the year ended 31 August 2018 to approximately RMB6.5 million for the year ended 31 August 2019, primarily attributable to the increase in bank borrowings for the year ended 31 August 2019.

Taxation

Our income tax expenses for the year ended 31 August 2018 and 2019 amounted to approximately RMB1.8 million and RMB16.4 million, respectively. The main reason of increase in income tax expenses during the year ended 31 August 2019 was due to the recognition of qualification and education income tax by the government in August 2019.

Profit for the year

Our profit for the year increased by approximately RMB13.6 million or 89.1% from approximately RMB15.3 million for the year ended 31 August 2018 to approximately RMB28.9 million for the year ended 31 August 2019, which primarily attributable to: (i) commencement of operation of Nanjiang Bojun School, Wangcang Bojun School and Pengzhou Bojun School, resulted in increase in revenue amounted to RMB106.8 million; (ii) increase in wavier of long-term payables, bank interest, government grants and other income amounted to RMB3.6 million; and (iii) increase in non-operating income including exchange loss and gain amounted to RMB8.3 million. Meanwhile, for the newly operated schools, (1) increase in staff remunerations and benefits, increase in property depreciation and amortisation which resulted in increase in cost of services amounted to approximately RMB78.9 million, and (2) administrative expenses increased by approximately RMB23.7 million, (3) finance cost increased by RMB5.5 million; and (4) income tax increased by RMB14.6 million. Net increase in profit for the year (after deduction) increased to RMB13.6 million compared to 2018.

Contract liabilities (Deferred revenue)

We record tuition fees and boarding fees collected initially as a liability under contract liabilities and recognise such amounts as revenue proportionately over the relevant period of the applicable program. Our contract liabilities increased by approximately RMB70.4 million or 25.1% from approximately RMB280.5 million as of 31 August 2018 to approximately RMB350.8 million as of 31 August 2019. The increase was primarily due to the increase in our student enrollment as a result of our school network expansion.

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 and redefined benefit obligations. 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	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**28,941**	15,308
Less:		
Imputed interest income from advances to related companies		(3,323)
Imputed interest income from advances to directors		(3,311)
Add:		
Listing expenses		17,620
Adjusted net profit	**28,941**	26,294

For the year ended 31 August 2019, our adjusted net profit amounted to RMB28.9 million, representing an increase of RMB2.6 million or 10.1% from RMB26.3 million as recorded for the year ended 31 August 2018, mainly attributable to the revenue increase due to the newly commenced schools.

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 pre-IPO investment, proceeds from the Global Offering and short-term bank borrowings. The short-term bank borrowings amounted to RMB140.0 million as of 31 August 2019, all denominated in Renminbi. As of 31 August 2019, our short-term bank borrowings have a variable interest at 111% to 140% of the benchmark interest rate of the People's Bank of China. Our cash and cash equivalents amounted to approximately RMB607.1 million and RMB336.6 million as of 31 August 2018 and 2019, 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, campus buildings 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 2019, 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 the financial years ended 31 August 2018 and 2019:

	For the year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Net cash from operating activities	**103,870**	126,931
Net cash used in investing activities	**(435,974)**	(359,813)
Net cash from financing activities	**51,650**	506,824
Net (decrease) increase in cash and cash equivalents	**(280,454)**	273,942
Cash and cash equivalents at beginning of the year	**607,062**	332,531
Effect on exchange rate changes	**10,039**	589
Cash and cash equivalents at end of the year, represented by bank balances and cash	**336,647**	607,062

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	
	2019	2018
	RMB'000	RMB'000
Payment for property, plant and equipment	**(369,782)**	(327,855)
Payment for leasehold land	**(76,804)**	(82,586)
Prepayment made for property, plant and equipment	**(13,680)**	(35,536)

We plan to satisfy such capital expenditures with a combination of our existing cash, cash generated from our operations, proceeds from the pre-IPO investment, 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	
	2019	2018
	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 combined financial statement	**82,682**	53,506

Gearing Ratio

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

Our gearing ratio increased from approximately 7.40% as of 31 August 2018 to approximately 16.7% as of 31 August 2019, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2019.

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 2019 would have decreased/increased by approximately RMB120,000 (2018: RMB60,000).

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 the end of the reporting period, the book value of the monetary asset of the Group denominated in foreign currency were as follows:

	As at 31 August	
	2019	2018
	RMB'000	RMB'000
Bank balance – US$	**51**	56
Bank balance – HK$	**182,695**	436,370
	182,746	436,426

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.

	For the year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Increase in post-tax profit	**9,115**	21,778

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. Our Group currently has not utilised any financial instrument to hedge the foreign exchange exposure. However, our Group management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Charges on the Group's Assets

There were no material charges on the Group's assets as at 31 August 2019.

Contingent Liabilities

As at 31 August 2019, the Group did not have any material contingent liabilities (31 August 2018: 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 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investment Held

For the year ended 31 August 2019, the Group had not held any significant investment.

Future Plans For Material Investments And Capital Assets

As at 31 August 2019, save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

Source and Use of Funds and Future Financial Policies

As of 31 August 2019, the Group recorded net current liabilities of approximately RMB461,609,000. In view of these circumstances, the Directors have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months, by taking into account the Group's cash flow projection including the extended payment terms as granted by certain suppliers after 31 August 2019, and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

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 Prospectus dated 19 July 2018. As at 31 August 2019, the Company applied the net proceeds in the following manner:

Use of proceeds		% of the net proceeds	Proceeds allocated (RMB million)	Amount utilised (RMB million)	Unutilised balance (RMB million)
I、	Establishing Nanjiang Bojun School (also known as Nanjiang School)	28%	120.1	120.1	–
II、	Establishing Wangcang Bojun School (also known as Wangcang School)	28%	120.1	120.1	–
III、	Establishing the high school section of Tianfu School	22%	94.4	94.4	–
IV、	Establishing Pengzhou Bojun School (also known as Chengdu School)	9%	38.6	38.6	–
V、	Establishing Lezhi School	5%	21.4	21.4	–
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	416.0	12.9

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

Significant Legal Proceedings

For the year ended 31 August 2019, 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.

Share Option Scheme

On 12 July 2018, the Share Option Scheme was conditionally approved and adopted pursuant to a written resolution passed by the shareholders. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. For the year ended 31 August 2019, no share options were granted under the Share Option Scheme by the Company. In addition, as at 31 August 2019, no share options under the Share Option Scheme were outstanding.

Final Dividends

The Board does not recommend the payment of final dividend for this year.

Dividend Policy

Declaration and payment of dividends depend on (among others) the Group's financial position, profitability, cash flow, liquidity level, business prospects and other relevant factors. The Company will strive to increase values for shareholders by distributing dividends but cannot guarantee that any dividends will be paid to shareholders.

Events After the Reporting Period

In November 2019, We entered into an equity transfer agreement of intent with Sichuan Jiuzhou Taoyuan Eco-Tourism Development Limited* (四川九洲桃源裡生態旅遊開發有限公司), pursuant to which, 100% equity interest in that company will be transferred to us after the execution of the formal equity acquisition agreement. Upon the completion of the equity transfer, we will replan and operate the land for the purpose of expansion of the campus of Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都天府新區四川師大附屬第一實驗中學) with the company's asset (a parcel of land situated at 4th Division, Shuangquan Village, Wan'an Town, Chengdu City* (成都市萬安鎮雙泉村四組) with a total area of 4,645.9 square metre).

Save as disclosed above, the Group had no material event after the end of the reporting period.

REPORT OF DIRECTORS

The Board presents their report together with the audited financial statements of the Group for the year ended 31 August 2019.

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 2019 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 2019 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 2019 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 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 capitalise 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 spending;

(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 2019, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Final Dividends

The Board did not recommend the payment of final dividend for the year ended 31 August 2019.

Annual General Meeting

The Company will hold an annual general meeting (the "AGM") on Thursday, 20 February 2020. Notice of the AGM will be published and dispatched to the Shareholders in accordance with the Articles of Association 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 20 February 2020 (Thursday), the register of members of the Company will be closed from 17 February 2020 (Monday) to 20 February 2020 (Thursday), 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 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 February 2020 (Friday).

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 2019, 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 2019, the Group's five largest suppliers accounted for approximately 32.56% of the Group's total purchases and the Group's single largest supplier accounted for approximately 23.3% of the Group's total purchases.

For the year ended 31 August 2019, 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) 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 2019, 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 2019 are set out in Note 15 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" in the Prospectus. As at 31 August 2019, the Company has applied the net proceeds of approximately RMB416.0 million. The unutilised net proceeds of RMB12.9 million are generally placed in licenced 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 2019 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 2019 are set out in the Consolidated Statement of Changes in Equity of this annual report.

Distributable Reserves

As at 31 August 2019, the Company's reserve available for distribution was RMB692.8 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 2019 are set out in Note 23 to the consolidated financial statements.

Directors

The Directors during the year ended 31 August 2019 and up to the date of this 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)(resigned on 1 September 2019)
Mr. Wang Ping (redesignated on 13 October 2016) (resigned on 1 September 2019)
Mr. Wu Jiwei (redesignated on 1 September 2019)

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)
Mr. Yang Yuan (appointed on 1 September 2019)

In accordance with article 83(3) of the Articles of Association, Mr. Wu Jiwei and Mr. Yang Yuan will hold office until the AGM and, being eligible, will offer themselves for re-election at the AGM.

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. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping 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 18 December 2019.

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 2019 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 appointment date.

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the appointment 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 2019.

Apart from the contract relating to the reorganisation 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 2019.

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 2019.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 August 2019.

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 practises.

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 12 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 28 to the consolidated financial statements.

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

As at 31 August 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or 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 to 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	25.93%
	Interest of spouse	83,160,000	Long position	10.12%
Ms. Liao Rong (Note 2)	Interest in a controlled corporation	83,160,000	Long position	10.12%
	Interest of spouse	213,120,000	Long position	25.93%
Mr. Ran Tao (Note 3)	Interest in a controlled corporation	123,390,000	Long position	15.01%
Mr. Wu Jiwei	Beneficial interest	46,000	Long position	0.01%

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 2019, 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 2019, 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	25.93%
Zheng Yong Global Limited (Note 2)	Beneficial owner	123,390,000	Long position	15.01%
Surpass Luck Global Limited (Note 3)	Beneficial owner	83,160,000	Long position	10.12%
Ms. Gong Yahong (Note 4)	Interest of spouse	123,390,000	Long position	15.01%
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	18.25%
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	18.25%
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	18.25%
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	18.25%

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	18.25%
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	18.25%
Brilliant Rich Holdings Limited (錦豐控股有限公司) (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.25%
China First Capital Group Limited (Note 5)	Interest in a controlled corporation	150,000,000	Long position	18.25%

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 2019, 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 favour 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 8 years and 7 months.

During the period between the Listing and 31 August 2019, no share options have been 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 2019, 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

The Board believes that the repurchase of the Shares and the subsequent cancellation of the Shares can enhance share value, which in turn will improve the return to the shareholders. Furthermore, the repurchase of Shares indicates that the Company is optimistic about its business development and long-term prospect of the industry. The Board of Directors considers the repurchase of the Shares is in the interest of the Company and the Shareholders as a whole.

During the year ended 31 August 2019, the Company purchased a total of 1,654,000 Shares with total purchase price (net of expense) of HK$2,106,540 on the Stock Exchange. Details of such share purchase are set out as follows:

Month of purchase	Number of purchased share	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Total purchase price (excluding expenses) (HK$)
March 2019	1,654,000	1.32	1.13	2,106,540

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 2019, 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, each of Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong has provided certain non-competition undertaking in favour of the Company. For details of the Non-Competition Undertaking, please refer to the Prospectus.

During the year ended 31 August 2019, the Board had not received any written notice from any of the Directors or controlling shareholders of the Company in respect of interest in any business (other than the Group) which is or is likely to be directly or indirectly in competition with our business.

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 2019, 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 2018 and 2019 were RMB0.20 million and RMB0.17 million, respectively, under the Office Lease Agreement.

On 1 September 2019, Chengdu Bojun renewed the Office Lease Agreement with Chengdu Hengyu. The office has an aggregate construction area of 360 sq.m with a term of three years and a monthly rent payable of RMB14,400 (RMB40 per sq.m).

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.

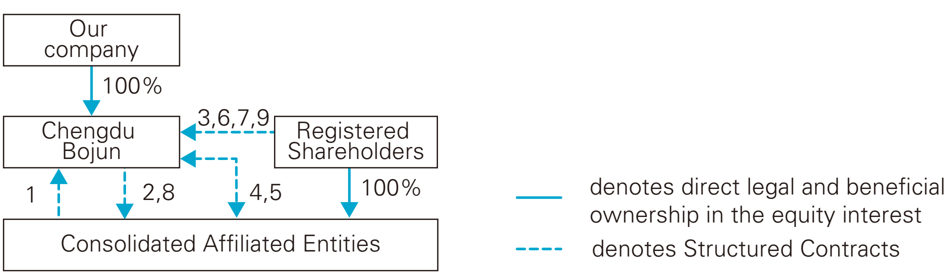
The Directors (including our independent non-executive Directors) have confirmed that the transactions under the Office Lease Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders 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 authorised 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 authorised 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 favour of Chengdu Bojun and each of the School Sponsors authorised 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 favour of Chengdu Bojun, each of the Appointees authorised 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 unauthorised 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 utilise 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 authorised 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**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Consolidated Affiliated Entities	**338,019**	231,259	**66,773**	42,251	**1,585,386**	1,053,282

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
	2019 RMB'000	2019 RMB'000
Consolidated Affiliated Entities	338,019	1,585,386

F. Regulatory Framework

1. Primary and Middle School Education

On 15 May 2019, the National People's Congress of the PRC has passed and promulgated the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the "Foreign Investment Law"), which will be effective on 1 January 2020. The Foreign Investment Law defines "foreign investment" as investment activities directly or indirectly carried out by foreign investors in the PRC, and has listed the examples of such foreign investments. Meanwhile, the Foreign Investment Law stipulates that the state implements the management scheme of pre-establishment national treatment along with a negative list with respect to foreign investment. For any field with investment restricted by the Negative List for foreign investment, foreign investors shall meet the investment conditions stipulated under the Negative List; any field that does not fall within the Negative List shall be administered under the principle of consistency between domestic and foreign investment. The Foreign Investment Law did not explicitly mention "actual control" and "contractual arrangement". According to the effective Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019), primary and middle schools offering compulsory education for students from grade one to nine in the PRC fall within the Negative List for foreign investment as prohibited 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 primary and 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, Tianfu School (each of which offers middle school education), Pengzhou Bojun School, Nanjiang Bojun School, Wangcang Bojun School and Lezhi Bojun School (each of which offers primary and 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" catalogue 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 Catalogue 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 reorganised 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 fulfil 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 programmes 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.

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.

For the year ended 31 August 2019, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects.

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 2019, the Group completed the establishment of Nanjiang Bojun School, Wangcang Bojun School, Pengzhou Bojun School, Lezhi 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 2019 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 2019:

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 2019 are set out in Note 29 to the consolidated financial statements.

Significant Legal Proceedings

For the year ended 31 August 2019, 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 2019 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 minimising 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 2019.

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 2019. The accompanying financial statements prepared in accordance with HKFRSs 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.

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 2019

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors

Mr. Xiong Tao (熊濤), aged 55, 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 46, 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 19 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 56, 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 20 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 programme 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 director

Mr. Wu Jiwei (吳繼偉), aged 47, was appointed as our non-executive Director on 1 September 2019 and has approximately 8 years of experience in the financial industry. He obtained a bachelor degree in finance in June 1994 and a master degree in investments and economics in June 1999 from the Central University of Finance and Economics (formerly known as Central Finance and Economics College* (中央財政金融學院)) in the PRC. He also obtained the securities practicing qualification certificate* (證券從業資格證書) from the Securities Association of China in December 2001. He worked in Bank of China Group Investment Limited from February 2010 to July 2014, holding his last position as a deputy general manager of the non-performing assets investment division. He then served as an executive director and chief executive officer of Huajun International Group Limited (stock code: 377), the shares of which are listed on the Main Board of the Stock Exchange, from September 2014 to March 2018.

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 Programme 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 on 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 programme 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.

Mr. Yang Yuan (楊玉安), aged 57, was appointed as our independent non-executive Director on 1 September 2019 and has over 36 years of experience in education industry. He obtained a bachelor degree in foreign language from Chongqing Normal University in the PRC in July 1983 and completed a master degree in education from Southwest University (formerly known as Southwest Normal University* (西南師範大學)) in the PRC in October 2000. He has been working at Sichuan Nanchong Institute of Educational Science* (四川省南充市教育科學研究所) since July 1983 and is currently serving as the deputy manager of the high school department. He obtained qualification of advanced teacher in high school English granted by Department of Human Resources and Social Security of Sichuan Province in the PRC and received credentials as a high school teacher issued by the Ministry of Education in the PRC (formerly the State Education Commission).

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 programme 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. 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 practises. He is a practicing 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 2019.

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 except as set out below. The Board will continue to review and monitor the corporate governance practises of the Company for the purpose of maintaining high corporate governance standards.

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

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

As at the date of this annual report, the Board comprises three executive Directors, one non-executive Director and four 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. Wu Jiwei

Independent non-executive Directors

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

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

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 since the date of disclosure of this annual report.

Independent non-executive Directors

From 1 September 2018 to 31 August 2019, 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 2019 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. Wang Ping	√	√
Mr. Bai Zimin	√	√
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 date of appointment.

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 practise 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 2019, five Board meetings were held and one annual 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	6/6
Mr. Ran Tao	6/6
Ms. Liao Rong	6/6
Mr. Wang Ping	6/6
Mr. Bai Zimin	6/6
Mr. Cheng Tai Kwan Sunny	6/6
Mr. Mao Daowei	6/6
Ms. Luo Yunping	6/6

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted 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 between 1 September 2018 and 31 August 2019.

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 practises 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 practises 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 C3 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.

During the year ended 31 August 2019, two meetings were held by the Audit Committee.

The attendance of each Director at such meeting is set out in the table below:

Name of Directors	Attendance/ Number of meetings
Mr. Cheng Tai Kwan Sunny	2/2
Mr. Mao Daowei	2/2
Ms. Luo Yunping	2/2

The Audit Committee reviewed the annual results and annual report for the year ended 31 August 2019, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor of the Company. Having reviewed the effectiveness of the internal and 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.

During the year ended 31 August 2019, two meetings were held by the Nomination Committee.

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	2/2
Mr. Mao Daowei	2/2
Ms. Luo Yunping	2/2

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. Yang Yuan (appointed on 1 September 2019), Mr. Mao Daowei and Ms. Luo Yunping, the independent non-executive Directors. Mr. Yang Yuan 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 packages, 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.

During the year ended 31 August 2019, two meetings were held by the Remuneration Committee.

The attendance of each Director at such meeting is set out in the table below:

Name of Directors	Attendance/ Number of meetings
Mr. Bai Zimin (resigned on 1 September 2019)	2/2
Mr. Mao Daowei	2/2
Ms. Luo Yunping	2/2

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 2019 are set out below:

Remuneration band	Number of individuals
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 2019 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 2019, the Board has conducted its annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review during the financial year ended 31 August 2019 did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate.

Auditors' remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor. During the year ended 31 August 2019, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's independent auditor are set out below:

Type of services	Amount (RMB'000)
Audit services	1,868
Non-audit services	180
Total	2,048

Company Secretary

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong ordinances, the Company engages Mr. Lam Wai Kei as a company secretary. During the year ended 31 August 2019, 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 2019.

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 practises and other information are available for public access.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

1 Company Review

Founded in 2001, the Group is a renowned private education services group in Chengdu, Sichuan province of the PRC. With a passionate commitment to educating and nurturing talents, the Group currently provides its high-quality educational services for pre-school, kindergarten, elementary, middle and high school students. Hinging on over a decade of relentless operation, the Group has met another fruitful milestone in education, paving the way for a more knowledgeable and sustainable community in the future.

2 About this Report

2.1 Reporting Period and Scope

This is the Group's second published Environmental, Social and Governance ("ESG") Report (the "Report") covering the financial reporting period from 1 September 2018 to 31 August 2019 (the "Reporting Year"). All ESG-related activities during the Reporting Year were presented in the Report.

The scope of the Report covered the Group's 13 schools in operation as of 1 September 2019 and the facilities including classrooms, dormitories and canteens. The 13 schools consisted of 6 kindergartens, 4 elementary and middle schools, 2 middle schools and a middle and high school in Sichuan province, the PRC.

2.2 Reporting Standard

The Report is prepared in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by The Stock Exchange of Hong Kong Limited. The Group adheres to the principles of materiality, quantitative, balance and consistency to report on the measures and performances in the Reporting Year. A content index is attached at the end of the Report as a tool to navigate readers to the specific topics corresponding with the ESG Guide. More in-depth information regarding corporate governance is addressed in the annual report in pursuance of Appendix 14 of the Main Board Listing Rules.

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

2.3 Reporting Theme

"Making Lifelong Contributions to Society with Enduring Excellence in Education" is the reporting theme of this Reporting Year. Serving as a robust catalyst for sustainable development, quality education nurtures talents and future leaders by developing their interests and facilitating their career progression. When students get older and graduate from schools, they are able to give back to society with their professional knowledge, humble attitude and other positive characteristics acquired in the institutions, shaping a well-rounded and sustainable community for a better tomorrow.

The Report highlights the Group's progress made in sustainability-related issues. From "Broad and Balanced Curriculum" and "Passionate and Professional Teaching" to "Conducive Learning Environment" and "Community Commitment", the four-pronged strategy is a cornerstone for sustainable development of the Group's education services.

3 Chairman's Statement

Dear Shareholders,

I am honoured to present the environmental, social and governance report of Bojun Education Company Limited and its subsidiaries. This year has marked our another year of success in upholding the group-wide commitment to sustainable development. With continuous endeavours to maintain quality private education services and further expansion of its services in the Southwestern part of the PRC, our Group has nurtured numerous talents and community leaders over the past 18 years.

With the grand opening of a new school, Lezhi Bojun School, in Sichuan province, the PRC this year, the Group has further widened its scope of education services, which enables the Group to offer more vacancies and cater to the predictably growing rate of student enrolment. The Group endeavours to inspire more students to contribute to society by laying concrete foundations of knowledge.

Hinging on the broad and balanced curriculum that promotes whole-person development of students, as well as distinctive profile of our management and teaching staff, admission rate of middle-school graduates in first-tier high schools in Chengdu, Sichuan province, the PRC has increased this year. We also took pride in receiving plenty of prestigious teaching awards issued by local government authorities.

Looking ahead to our future development, the Group pledges to relentlessly work towards providing professional education services, and strictly adhering to responsible operation, in terms of employment practises, health and safety, environmental mitigation, and comprehensive supply chain management. By demonstrating our commitments to ethical and responsible operation, the Group is dedicated to setting a good example for students. Meanwhile, we will continue to improve our operations in a way that minimises possible social and environmental risks.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management team and staff for their concerted efforts and support in building a sustainable learning environment.

Bojun Education Company Limited
Xiong Tao
Chairman
27 November 2019

4 Broad and Balanced Curriculum

The Group believes that a comprehensive school curriculum is essential for laying the groundwork for progressing through various stages of learning. To this end, the Group strives to establish a holistic curriculum to cater to the school context and students' development needs. With the core value 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」), the Group provided its students with bilingual mode of daily teaching as well as study tours and student exchange programmes in the hope of nurturing talents with international vision.

In addition, the Group's comprehensive educational approach, "one unique curriculum, all-round talents"(「一生一課表，兩走兩擅長」), aims to create opportunities for its primary, middle and high school students to explore and develop their interests and professions by taking a wide variety of core and elective courses. The Group pledges to spare no efforts to inspire its students to further bolster the society.

4.1 Education Quality

From software to hardware, learning and teaching resources become a powerful tool in delivering premium educational services that adapt to the needs of students. With the aim of facilitating effective teaching and learning, the Group is committed to designing the core educational curriculums of primary, middle and high schools with reference to the standards set by the national and provincial educational authorities of the PRC.

Particularly, the syllabuses of middle and high schools centred around the Senior High School Entrance Examination and the National Higher Education Entrance Examination respectively, in order for the students to get well-equipped and attain satisfactory academic results for a brighter future. The Group reviewed the curriculum on a regular basis to maintain the quality of education and keep abreast of the latest amendment of the national education policy and the evolving learning needs of students. With stringent quality control of the curriculum, the Group was not aware of any major complaints concerning its educational services during the Reporting Year.

Customised curriculum

Recognising that every single student is a unique individual with different potentials and talents, the Group is devoted to providing students with well-rounded and personalised learning opportunities. Through the lens of "one unique curriculum, all-round talents"(「一生一課表，兩走兩擅長」), the Group remains committed to offering a wide array of elective courses which include modules of foreign language, physical education as well as music and art. To fully unleash students' potentials, the Group enabled them to customise and select one elective course from each module based on their strengths and interests.

Modules	Elective Courses
Foreign Language	Japanese
	French
	Spanish
	English
Physical Education	Golf
	Tennis
	Chinese Boxing
	Swimming
Music and Art	Traditional Chinese Painting
	Acrylic Painting
	Calligraphy
	Vocal Music
	Musical Instruments

Western education model

The Group endeavours to implement bilingual education and to provide students with a western and interactive learning environment where they can use English in their daily conversations. The ultimate goal is to help students build their confidence in effective use of English. Furthermore, the Group aspires to educate the students on experiencing and appreciating cultural difference, nurturing them with international vision throughout their learning journey.

Wangcang Bojun School successfully organised an English Festival and Halloween Party during the Reporting Year. Revolving around the theme of "Language Colours the Dream, Youth Brightens Bojun School", the event consisted of a series of English contests and performances ranging from writing to speech and singing performances. Students enjoyed learning English in a fun way wearing Halloween costumes and with Halloween decorations.

During the English Festival, students enjoyed singing and delivering speech on stage.

Students learnt English and had fun together at Halloween Party in their unique and festive costumes.

4.2 Whole-person Development

Focusing on effective whole-person development, the Group identifies three pillars of comprehensive learning experience, namely academic achievement, study tours and exchange programmes, as well as extra-curricular activities. With this in mind, the Group's teaching philosophy values both students' academic achievement and learning experience outside classrooms in order to provide students with fruitful school lives.

Academic achievement

Attaching great importance to delivering premium quality education and helping students lay concrete foundations of knowledge, the Group pursues students' continuous academic improvement. During the Reporting Year, 92.8% of the Group's middle school graduates obtained the scores of first-tier high schools in national public examination. The Group was proud to announce that a number of its outstanding middle-school graduates have successfully received early admission to first-tier high schools in Chengdu, Sichuan province, the PRC and international programmes offered by other renowned high schools.

Additionally, 94.8% of the Group's high-school graduates were successful in enrolling in first-tier college-based universities including Tsinghua University during the Reporting Year. With high quality of pre-school education, Longquan Dongshan Kindergarten was awarded the "Outstanding Group Award" granted by Chengdu Education Bureau. The Group will continue to nurture more talents to become future leaders of the community.

Meanwhile, the Group is equally concerned about the study progress of students who are academically weak. In this regard, the Group arranged after-school tutorial classes by forming different small study groups, in which the higher achieving students could tutor the weaker students. During the process, the students were able to motivate one another, learn faster and improve their academic performance together.

Study tours and exchange programmes

In the pursuit of diversified learning methods, the Group strives to provide its students with ample opportunities of learning outside classrooms. Through organising an array of out-of-classroom and experiential learning activities such as study tours and exchange programmes, the Group widened the students' horizon and enabled them to learn more about foreign culture. These activities fostered international dialogue and cultural integration and expanded students' education and more importantly world perspectives. Apart from interaction among students, teachers from different schools could also share and exchange their teaching experience, thereby improving the teaching quality of each other. The Group has continuously encouraged its teachers and students to connect and communicate with diverse communities.

Case study: Shanghai and Singapore study tour

During the Reporting Year, the kindergarten students visited Shanghai and S.E.A. Aquarium in Singapore through the "Lion Club World Exploring (獅寶看世界)" programme.

Case study: the United Kingdom study tour

Middle and high school students participated in a study tour to the United Kingdom, that enabled students to practise English via day-to-day communication with local students.

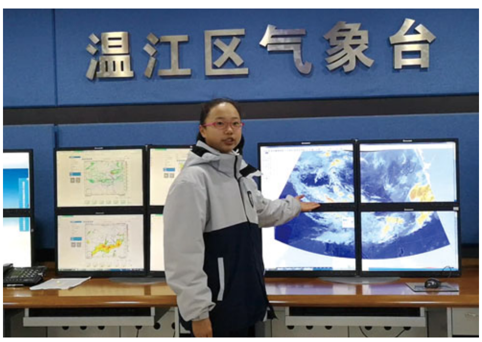
Case study: Australia study tour

During the Reporting Year, the middle and high school students also visited different attractions in Australia such as The University of Sydney, Opera House and Taronga Zoo.




Study tour: "Bojun Study Tour in Home Country"

The "Bojun Study Tour in Home Country" (博駿家國天下研學旅行) brought students to Beijing, Chengdu, Tsingtao and Lanzhou, through which they visited cultural heritage sites and deepened their understanding of the Chinese history.

Extra-curricular activities

The Group passionately believes that engaging in extra-curricular activities is not only for leisure, but it also plays a pivotal role in nurturing the students' practical skills ranging from leadership and communication to time management and critical thinking. Through establishing various clubs and societies, the Group aimed to create an all-round learning environment and underpin the student's capabilities on a wide spectrum of aspects such as music, arts, sports, public speaking and robotics. In these activities, students expanded their social circle and gained valuable experience on campus.

The students from Nanjiang Bojun School performed dancing with confidence and joy on stage.

Moreover, the Group is committed to sparking students' learning interest in the forms of competitions and activities. For instance, Chengdu Bojun School (Primary Section) rolled out their first Junbao Cup – Mathematics Festival during the Reporting Year. In this calculation competition, the school built the foundation of students' mathematics skills and motivated them to work harder and achieve better academic results in the future.

Chengdu Bojun School (Primary Section) successfully held their first
Junbao Cup – Mathematics Festival

5 Passionate and Professional Teaching

As major educational practitioners, teachers are one of the key factors in effectively disseminating professional knowledge and instilling positive moral values in their students. Therefore, the Group regards the teachers as a valuable asset in its daily operation. With ethical employment practises, the Group is committed to building a fair and harmonious workplace. By recruiting the right talents whose values are aligned with the schools' culture and vision, the Group hopes to further steer the professionalism of teaching staff.

In addition, allocation of training resources motivates the teachers to grow and thrive together with the Group. Equipping the staff with knowledge and skills that are beneficial to their work can effectively assure their teaching quality. Meanwhile, their outstanding teaching performance also cements the Group's position as a premium educational service provider.

5.1 People-oriented Employment Practises

The Group strives to uphold human rights, and attain ethical and legal rigours of employment, ultimately maintaining a good reputation and setting a good example for its students. To this end, the Group prohibited the employment of child and forced labours, by strict verification of all candidates' age and identity. During the Reporting Year, the Group abided by the Labour Law of the PRC and the Labour Contract Law of the PRC, and no child or forced labour was observed.

Moreover, a cohesive and harmonious workplace without any forms of discrimination is crucial to promoting diversity and inclusion, as well as safeguarding equal opportunities for teachers and other school staff. During the recruitment process, the Group ensured absolute fairness by factoring only in the academic background, qualification and work experience, without regards to age, gender, race, religion, sexual orientation and disability.

As a mean of embodying its core value of integrity and combating corruption, the Group had implemented a whistle-blowing policy for its employees to raise concerns and complaints associated with misconduct and malpractises such as fraud, bribery, extortion and money laundering. Depending on their preferences, whistle-blowers could provide related proof and information via various channels, including letter, email, facsimile, telephone and face-to-face. The internal audit department was responsible for handling all suspected cases and carrying out investigations in a fair and timely manner. The results of the investigations shall then be referred to the internal audit committee for further evaluation and approval for follow-up disciplinary actions. During the Reporting Year, the Group did not notice any concluded legal cases in relation to corrupt practises.

5.2 Distinctive Teacher Profile

Holding itself to the high standard of teaching quality, the Group endeavours to recruit talents continuously. In an effort to hire the most suitable and qualified teachers at the middle and high schools, the employment process consisted of written assessments and face-to-face interviews. Particularly, the Group would arrange practical teaching demonstrations for the job candidates so as to assess if they deliver effective and professional teaching.

On account of stringent employment practises, the Group had an aggregate of 1,709 employees by the end of the Reporting Year, all of whom were equipped with moral excellence and professional teaching strategies. The employment profile was detailed as follows.

2018/19 Employment Profile		Number of People
Total Number of Employees		1,709
By Gender	Male	460
	Female	1,249
By Employment Type	Senior management	6
	Administrative and supporting staff	150
	Teacher	1,001
	General staff	552
By Age Group	< 35	949
	35–50	601
	> 51	159
By Geographical Region	The PRC	1,709

2018/19 Turnover Rate		Percentage
Overall		11.55%
By Gender	Male	11.36%
	Female	13.73%
By Age Group	< 35	12.23%
	35–50	8.86%
	> 51	17.58%

The Group stresses that teachers are important mentors of students, inspiring students to identify their interests and expertise. Given direction to learning and even life planning, the students can put their professional knowledge into good use and contribute to the society at the later stage. In this regard, the Group places emphasis on continuous improvement of teaching quality. Regular assessments and reviews of the teachers' performance stimulated diversified and innovative teaching ideas which provoked active thinking and learning of students in class as well. In the end of each semester, the Group engaged students in giving feedback on the effectiveness of teaching so as to drive continuous improvement of education quality. In addition, the Group also took the teachers' class performance into consideration for promotion to senior and management positions.

During the Reporting Year, the Group employed a total number of 1,001 teachers for the 13 schools based heavily on their student teaching experience and education level. The teacher quality profile was summarised in the following table.

Teacher Quality Profile	Kindergarten	Primary, Middle and High Schools
Total Number of Teachers	119	867
Average Teaching Experience	6.6 years	8.54 years
Education Level	100% education diploma or above	97.58% bachelor's degree or above

Hinging on enthusiastic and responsible teaching, the teachers of the Group were honoured to publish over 100 education theses and research articles on national, provincial and municipal grades, and receive a number of prestigious awards and recognitions from the educational authorities of the PRC during the Reporting Year. Examples of the awards include first-class honours in Wangcang, Jinjiang and Guangyuan Teaching Competitions, Municipal Outstanding Principal from Wangcang People's Government (由旺蒼縣委縣政府頒發的「十佳校長」) and Municipal Outstanding Teacher from Wangcang Bureau of Education (由旺蒼縣教育局頒發的「市優秀老師」).

5.3 Professional Training and Development

As teaching quality is an essential component of positive student learning outcomes, the Group is committed to creating a highly effective learning environment not only for its students, but for its teachers as well. In this regard, the Group allocated ample resources for professional training and development in an effort to motivate the teachers to grow and thrive. The Group encouraged and subsidised the teachers to attend internal and external training programmes which aimed to advance their teaching knowledge. During the Reporting Year, the Group organised 40 training courses for 1,071 training hours for the employees from all schools.

In addition to training programmes, the Group also highly values support for new teachers. In one-on-one induction mentorship programmes, experienced teachers delivered useful advice and guidance to new teachers, from classroom disciplinary and parent interaction to routine work and time management. The mentorship not only addressed the concerns and difficulties that the new teachers might encounter upon induction, but it also assisted them in getting well adapted to school life more easily.

Case study: Bojun Cup – Classroom Teaching Competition 2019

During the Reporting Year, the Group rolled out "Bojun Cup", its first classroom teaching competition. Targeting at language and mathematics subject teachers from Wangcang Bojun School, Nanjiang Bojun School and Chengdu Bojun School, the event aimed to refine teaching skills of the teachers and strategically attest the importance of lifelong learning. After rounds of selection by weighing three-fold criteria, namely class preparation, teaching and collaboration in groups, 18 of the young teachers were chosen as representatives of the grand finale. At the finale, judges selected the most outstanding teachers according to their performance in individual class demonstrations.

The classroom teaching competition aimed to refine teaching skills of the teachers through practical experiences.

Case study: Training Session Conducted by Education Experts

At Nanjiang Bojun School and Wangcang Bojun School, the Group invited well-known education experts such as principals of renowned universities and academics specialising in education to sit in on classes and give valuable comments on current teaching practises as well as design and preparation of teaching materials. In the training session, the education experts also shared with the teachers their insights into effective teaching methods and responded to the teachers' enquiries. Meanwhile, the experts also had close dialogues with students during the class, deeply understanding their campus and daily lives. This training was a precious opportunity of recognising great teaching efforts and reinforcing the long-term strategic development plan of the schools.

Experienced education experts shared with the Group's teachers their valuable insights into engaging and effective teaching.

5.4 Rights and Benefits of Employees

In the hope of attracting and retaining a professional team of qualified and experienced teachers, the Group attaches great importance to staff welfare and wellness. To this end, the Group pursued efforts to offer employee benefit plans such as housing provident fund, pension, medical insurance and unemployment insurance in compliance with the related national regulatory requirements and school administration system. The Group provided its middle and high school teachers with accommodation at staff halls of residence, serving as employees' housing benefits and increasing their convenience to work.

Additionally, the Group strives to offer and regularly review its competitive remuneration and benefits packages depending on individual qualifications and performance. During the Reporting Year, all 13 schools held staff meetings bi-weekly, where employees could discuss the division of labour in the upcoming semester and express their opinions on their jobs and other matters related to the workplace.

The Group organised regular staff meetings to facilitate effective communication amongst employees.

Since work-life balance is a crucial element of employees' wellness, the Group is committed to promoting a stress-free working environment. During the Reporting Year, the Group organised a broad array of recreational and sports activities such as booking club, sports day and other field trips for its staff. In the series of events, the employees were able to take a pause and appreciate cultural values. Also, the activities strengthened bonding between employees, creating a harmonious working environment.

Employees took part in various leisure activities such as booking club and sports day.

6 Conducive Learning Environment

Working relentlessly towards sustainable learning environment in which students can grow and chase their dreams, the Group is dedicated to building safe and environmentally friendly schools. In addition to a series of measures to reinforce schools' preparedness for different scenarios and accidents, the Group also strives to raise awareness of environmental management on campus.

With a great emphasis on a sustainable supply chain management, the Group incorporates safety and environmental concerns into the purchase of high-quality products and services to strike a balance between cost efficiency, environmental impacts and operating performance. The Group makes an effort to work with its suppliers and tenders in order to minimise social and environmental risks of its supply chain through a number of effective policies and communication.

6.1 Maintaining a Healthy and Safe Campus

As a responsible provider of educational services, the Group devotes itself to building a safe campus where numerous engaging and effective learning activities could take place. In compliance with School Health Work Regulations, Law on Prevention and Control of Occupational Diseases, Fire Prevention Law and Law on Prevention and Control of Infectious Diseases of the PRC, the Group formulated contingency plans which listed out preventive measures and response procedures in dealing with various incidents. Examples include natural disasters referring to fire, earthquake and flood, infectious diseases, food and water poisoning, public hygiene and other event safety and accidents.

The Group is committed to safeguarding high-quality health care for the teachers and students. All schools of the Group were well-equipped with medical rooms, where certified medical professionals were on duty during school hours to offer timely medical assistance for unwell or injured teachers and students. Moreover, complying with relevant laws and regulations requirements, the Group provided a range of medical services from annual check-up to vaccination.

Earthquake-resistant design features for schools

Upholding a high safety standard on campus, the Group pursues efforts to increase the schools' preparedness for unpredictable and sudden natural hazards. One salient example is earthquakes. In a bid to improve school buildings' response to earthquakes, the Group incorporated earthquake-resistant design into all 13 schools of the Group. Upon project completion, the Group conducted a quake-test at the newly built and revamped schools in order to ensure the schools were built in compliance with relevant laws and regulations.

Through regular earthquake drills, the Group trained teachers and students to react and evacuate quickly in response to earthquakes so as to minimise the potential risks. Besides, the Group also reviewed the effectiveness of the drills on a regular basis to consistently reinforce the response capacity.

Fire drills to stay students alert

With the aim of training students' evacuation readiness in case of fire incidents, fire drill exercises were conducted for the elementary, middle and high schools. Moreover, the Group was honoured to invite firemen to explicitly educate the students about fire prevention and fire emergency procedures. The fire drill increased the fire preparedness of all units at schools.




Students and teachers evacuated during the fire drill and firemen were invited to demonstrate how to use fire extinguishers correctly.

Mental health education

To improve students' mental health and wellbeing, Nanjiang Bojun School invited an experienced psychological counsellor to hold a seminar regarding puberty health education for the female students. In the seminar, the counsellor gave precious advices on how to deal with emotional problems that students would commonly encounter at the stage of adolescence.




Experienced psychological counsellor educated the students about the appropriate ways to resolve emotional problems of teenagers.

6.2 Promoting Environmental Awareness

Apart from educating students about professional knowledge and moral values to make contribution to the society, the Group believes that protecting the environment is another major commitment of a responsible citizen. In an effort to strengthen awareness of environmental stewardship on campus, the Group had an environmental policy in place to elucidate guidelines on sustainable utilisation of resources referring to energy, waste and water. The environmental policy also outlined the Group's commitment to abide by all local relevant environmental laws and regulations such as the Environmental Protection Law and the Energy Conservation Law of the PRC.

Energy reduction measures

Hot water supply at dormitories and stoves at school canteens of the Group were fuelled by natural gas. Besides, the Group also used electricity in its daily operations. All schools of the Group adhered strictly to 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 gas ("GHG") emissions.

Going beyond the minimum legal standards, the Group is devoted to working more on environmental education. The Group cultivated energy saving habits of its students, from switching off idling lights and electronic appliances on campus to maintaining room temperature at 25 degrees Celsius in a bid to avoid unnecessary power wastage and fire hazards.

To help the students to better understand the importance of energy efficiency and conservation issues, the Group endeavours to correlate energy reduction with daily lives. For instance, the Group installed smart and LED lighting systems at all the schools, which are of higher luminous efficiency than traditional incandescent light bulbs. Additionally, the light systems featured an eco-friendly function of motion sensor that would turn off the lights automatically when not in use. The Group will explore feasible ways to reduce its energy consumption and build a low-carbon environment.

The schools installed smart and LED light systems to achieve higher energy efficiency.

Energy usage and GHG emissions

Indicator	Unit	2019[1]	2018[2]
Energy Usage			
Total electricity consumption	'000 kWh	5,194	2,457
Total natural gas consumption	m^3	833,340	274,120
Energy consumption by natural gas	'000 kWh	9,012	2,964
Energy intensity in gross floor area (GFA)[3]	'000 kWh/m^2	0.050	0.025
GHG Emissions			
Scope 1: Direct emission[4]	Tonnes of carbon dioxide equivalent (tCO_2-e)	491	162[5]
Scope 2: Indirect emission[6]	tCO_2-e	3,194	1,511
Total emission[7]	tCO_2-e	3,685	1,673
GHG intensity in GFA	tCO_2-e/m^2	0.013	0.017

Waste management

Waste generation is one of the complex and evolving environmental issues locally and globally. In this regard, the Group is devoted to upholding sustainable stewardship of resources and waste on campus. Daily operations of the schools generated both hazardous and non-hazardous wastes. The hazardous waste was mainly incurred by the laboratory as chemical waste, whereas non-hazardous waste referred to daily general waste and food waste. In compliance with local laws and regulations, the Group strived to continuously enhance its waste management system and records of non-hazardous waste generation.

All the schools implemented the "paperless office", replacing paper chronicles with electronic records management system. The Group also provided recycling facilities in an effort to facilitate collection of paper, aluminium and plastic on campus. Afterwards, the sorted resources were sent to certified third-party waste collection and recycling company. Similarly, the schools sorted and stored food waste generated at canteens, which was then collected by certified third-party food waste recycling organisation. For electronic waste such as waste computers, printers and air-conditioners, the Group appointed qualified recycling company so as to ease the burden on landfill sites.

1 The data obtained in 2019 excluded the performance data of Lezhi Bojun School that commenced operation at the beginning of September 2019.

2 The data obtained in 2018 excluded the performance data of three middle schools that commenced operation at the beginning of September 2018.

3 The total GFA of the Group's reporting scope in 2019 was 291,332 m^2, whereas that in 2018 was 97,883 m^2.

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

5 The data regarding total natural gas consumption in 2018 were incomplete, and therefore Scope 1 direct emission data in 2018 had been adjusted in alignment with the calculation method adopted in 2019.

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

7 Data regarding petrol consumption for the Group's vehicles were not disclosed as it was considered relatively insignificant to the Group's operation.

Regarding the disposal of hazardous chemical waste originated from school laboratories, the Group is dedicated to formulating a special waste management protocol to prevent various types of environmental pollution such as land contamination and water pollution. Students and teachers were required to sort the chemical waste with care. The classified waste was then collected by eligible third-party hazardous waste collection and recycling company. The Group will continue seeking to establish a more comprehensive waste management system in line with the principle of the Group's sustainable development.

Waste generation and management

Indicator	Unit	2019[8]
Non-hazardous waste		
General disposal	tonnes	712.36
Recycled paper	tonnes	4.28
Recycled metal	tonnes	0.03
Recycled plastic	tonnes	0.49
Hazardous waste ("HW")		
Liquid HW generation	tonnes	0.010
Solid HW generation	tonnes	0.019

Water saving initiatives

The Group devotes itself to water management and cutting down on water consumption. At schools, water was mainly utilised for toiletry needs and irrigation. Since water came solely from municipal utility providers, the Group did not encounter any particular issues with regards to sourcing water during the Reporting Year. Despite that, the Group still aspires to educate its students about global water scarcity issue and promote their awareness of water conservation, together building a sustainable learning space.

Through bolstering the groundwater use for irrigation, the Group effectively reduced the use of freshwater resources. All the schools had installed water saving devices and carried out regular inspection and maintenance of water pipes in order to prevent water leakage. The Group will pursue constant efforts to promote water conservation on campus.

Water consumption

Indicator	Unit	2019[9]	2018[10]
Total water consumption	m^3	294,215	248,076
Water consumption intensity in GFA	m^3/m^2	1.01	2.53

[8] Data regarding the Group's non-hazardous waste and hazardous waste were not disclosed in its ESG report 2018 due to incomplete data collection systems during the previous Reporting Year. Besides, the data obtained in 2019 excluded the performance data of Lezhi Bojun School that commenced operation at the beginning of September 2019.

[9] The data obtained in 2019 excluded the performance data of Lezhi Bojun School that commenced operation at the beginning of September 2019.

[10] The data obtained in 2018 excluded the performance data of three middle schools that commenced operation at the beginning of September 2018.

6.3 Guaranteeing Supply Chain Sustainability

Recognising the carbon footprint incurred by transportation of materials, the Group holds itself to sustainability of supply chain by implementing a series of measures. The Group formulated tender management policy in place for quality assurance and cost efficiency of the Group's construction, renovation and maintenance projects, and procurement of school equipment. The policy outlined the tender procedures and management of schools' procurement in accordance with relevant regulations and legislations such as Invitation and Submission of Bids Law and Construction Law of the PRC.

Stringent tender and procurement processes

To execute the tender management policy, the Group formed a supply chain management team, which contained representatives of various departments such as finance, administration, engineering and others that took part in the Group's supplier selection procedures. The policy was applicable to three main categories of tendered items, namely infrastructure, fit-out and maintenance, and school supplies. The selection criteria of suitable suppliers for schools included quality assurance, price, integrity and reputation. During the whole tender and procurement processes, the Group emphasised fairness and had zero tolerance towards dishonest, anti-competition and corrupting behaviours such as monopoly and bribery.

On a regular basis, the Group reviewed the performance of existing tenders and considered the needs of engaging new suppliers and service providers. All information in relation to tenders should be kept records for easier inspection and better management. 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 facilitated the Group to source high-quality goods in a fair manner that promoted business ethics.

Procurement for safe and green goods

The Group cares about the safety and environmental impacts of the materials prepared for its students. For certain items such as furniture, school uniforms and beddings, the Group required the suppliers to submit chemical content analysis reports serving as supporting documents to guarantee that they complied with relevant social and environmental regulations and legislations, and that their products were safe for the students to use. Take procurement of furniture as an example. One criteria of tender evaluation was eco-friendly product. Marks would be given if the tender was awarded China Environmental United Certification(中國環境標誌產品認證證書). Moreover, the Group endeavours to procure durable and eco-friendly construction materials including high-strength steel and high-performance concrete so as to minimise adverse environmental impacts.

7 Community Commitment

Adhering to its belief that students could learn while serving the communities, the Group pursues great efforts to invest ample resources in organising activities for the students to step outside the school and actively reach out to the community. Through continuous involvement in community engagement and services, the Group expects to deliver civic and moral education to students, in which they can develop positive values such as senses of responsibility and kindness, and also find great fulfilment in connecting with the society. Students as the young generations can also make contribution to shaping a better city by injecting joy, love and energy into the community.

During the Reporting Year, the Group held a number of community service activities. Wangcang Bojun School had successfully formed a Student Team of Red Neckerchief (紅領巾學生團隊). As the team name suggested, the students wore red neckerchiefs which symbolised patriotism. In mid-July 2019, they participated in a clean-up event in Chinese Red Army City. The students were all very helpful and tried their utmost to keep the streets clean.

The Student Team of Red Neckerchief joined a clean-up event in streets of the Chinese Red Army City.

To instil correct financial values in students and stress the importance of financial management, Wangcang Bojun School organised a mock market game entitled "Colourful Market" (七彩市場). Students traded with "Bojun coins" (博駿幣) while representatives from teachers and parents paid in cash. Eventually, the event earned RMB$395 which was donated to a youth development centre in Jinjiang, Chengdu.

Besides, the Group works constantly on connecting with parents in the hope of scaling up the positive impacts on the students and also the community. During the Reporting Year, Wangcang Bojun School invited students' parents to attend open days and meetings. The events not only enabled parents to understand more about how their kids learnt and played on campus, but they also fostered dialogues between teachers and parents.

The schools invited parents to school activities such as open days and meetings to enhance communication between teachers and parents.

8 ESG Content Index

Aspect	KPI	Description	Statement/ Section
SUBJECT AREA (A) ENVIRONMENT			
A1: EMISSIONS			
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 6.2 (b) There was no non-compliance noticed during the Reporting Year.
	A1.1	The types of emissions and respective emissions data.	6.2
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.2
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.2
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.2
	A1.5	Description of measures to mitigate emissions and results achieved.	6.2
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.2

Aspect	KPI	Description	Statement/ Section
A2: USE OF RESOURCES			
A2	*General disclosure*	Policies	6.2
	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).	6.2
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.2
	A2.3	Description of energy use efficiency initiatives and results achieved.	6.2
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.2
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material was not material to the Group because the Group's operation does not use any packaging material. Therefore, the relevant data were not disclosed.
A3: THE ENVIRONMENT AND NATURAL RESOURCES			
A3	*General disclosure*	Policies	6.2
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.2

Aspect	KPI	Description	Statement/ Section
SUBJECT AREA (B) SOCIAL			
B1: EMPLOYMENT			
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.1 & 5.4
	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	(a) 6.1 (b) There was no non-compliance noticed during the Reporting Year.
	B2.1	Number and rate of work-related fatalities.	The Group had zero case of work-related fatality.
	B2.2	Lost days due to work injury.	The Group had zero lost day due to work injury.
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.1
B3: DEVELOPMENT AND TRAINING			
B3	*General disclosure*	Policies	5.3
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The relevant data were not disclosed but the Group plans to disclose the information in the future.
	B3.2	The average training hours completed per employee by gender and employee category.	The relevant data were not disclosed but the Group plans to disclose the information in the future.

Aspect	KPI	Description	Statement/ Section
B4: LABOUR STANDARDS			
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 5.1 (b) There was no non-compliance noticed during the Reporting Year.
	B4.1	Description of measures to review employment practises to avoid child and forced labour.	5.1
	B4.2	Description of steps taken to eliminate such practises when discovered.	5.1
B5: SUPPLY CHAIN MANAGEMENT			
B5	*General disclosure*	Policies	6.3
	B5.1	Number of suppliers by geographical region.	The relevant data were not disclosed but the Group plans to disclose the information in the future.
	B5.2	Description of practises relating to engaging suppliers, number of suppliers where the practises are being implemented, how they are implemented and monitored.	6.3
B6: PRODUCT RESPONSIBILITY			
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 4 (b) There was no non-compliance noticed during the Reporting Year.
	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 practises 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.

Aspect	KPI	Description	Statement/ Section
B7: ANTI-CORRUPTION			
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	(a) 5.1 (b) There was no non-compliance noticed during the Reporting Year.
	B7.1	Number of concluded legal cases regarding corrupt practises brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There was no non-compliance during 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

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 97 to 166, which comprise the consolidated statement of financial position as at 31 August 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 judgement, 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 2019, revenue amounted to RMB338,019,000, 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 and with reference to evidence to determine whether the services have been provided; – Performing trend analysis on tuition fees and boarding fees; and – Performing substantive analytical procedures to test the accuracy and reasonableness of the amount of revenue recognised for tuition fees and boarding fees.

Other Information

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 judgement and maintain professional scepticism 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 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

		Year ended 31 August	
	NOTES	2019 RMB'000	2018 RMB'000
Revenue from provision of education services	6	**338,019**	231,259
Costs of services		**(248,264)**	(169,445)
Gross profit		**89,755**	61,814
Other income (expenses)	7	**7,329**	3,701
Other gains (losses)	8	**8,473**	105
Listing expenses		**–**	(17,620)
Administrative expenses		**(53,634)**	(29,879)
Finance costs	9	**(6,549)**	(997)
Profit before tax		**45,374**	17,124
Income tax expenses	10	**(16,433)**	(1,816)
Profit for the year		**28,941**	15,308
Other comprehensive income that will not be reclassified subsequently to profit or loss			
– Remeasurement of defined benefit obligations	24	**57**	455
Total comprehensive income for the year		**28,998**	15,763
Profit for the year attributable to			
– owners of the Company		**26,540**	16,678
– non-controlling interests		**2,401**	(1,370)
		28,941	15,308
Profit and total comprehensive income for the year attributable to			
– owners of the Company		**26,597**	17,133
– non-controlling interests		**2,401**	(1,370)
		28,998	15,763
EARNINGS PER SHARE			
– Basic (RMB)	14	**0.03**	0.03
– Diluted (RMB)	14	**N/A**	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	NOTES	As at 31 August 2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,106,119**	671,226
Prepaid lease payments	16	**178,042**	106,400
Deferred tax assets	17	**16,354**	10,538
Deposits	18	**24,958**	24,958
Prepayments for purchase of property, plant and equipment		**45,426**	35,536
Total non-current assets		**1,370,899**	848,658
Current assets			
Prepaid lease payments	16	**3,922**	2,638
Other receivables, deposits and prepayments	18	**96,555**	21,056
Amounts due from related companies	19	**343**	371
Bank balances and cash	20	**336,647**	607,062
Total current assets		**437,467**	631,127
Total assets		**1,808,366**	1,479,785
Current liabilities			
Other payables and accruals	21	**377,190**	267,716
Contract liabilities	22	**350,837**	–
Deferred revenue	22	**–**	280,481
Borrowings	23	**140,000**	60,000
Income tax payable		**31,049**	13,581
Total current liabilities		**899,076**	621,778
Net current (liabilities) assets		**(461,609)**	9,349
Total assets less current liabilities		**909,290**	858,007

		As at 31 August	
	NOTES	**2019**	2018
		RMB'000	RMB'000
Non-current liabilities			
Defined benefit obligations	24	**4,302**	3,482
Deferred income	25	**65,418**	42,152
		69,720	45,634
Net assets		**839,570**	812,373
Capital and reserves			
Share capital	26	**7,138**	7,152
Reserves		**830,801**	805,991
Equity attributable to owners of the Company		**837,939**	813,143
Non-controlling interests		**1,631**	(770)
		839,570	812,373

The consolidated financial statements on pages 97 to 166 were approved and authorised for issue by the Board of Directors on 27 November 2019 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 2019

	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 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
Capitalisation 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
Profit for the year	–	–	–	–	–	26,540	26,540	2,401	28,941
Other comprehensive income for the year	–	–	–	–	57	–	57	–	57
Total comprehensive income for the year	–	–	–	–	57	26,540	26,597	2,401	28,998
Repurchase of ordinary shares (Note 26)	(14)	(1,787)	–	–	–	–	(1,801)	–	(1,801)
Transfer	–	–	–	13,707	–	(13,707)	–	–	–
At 31 August 2019	7,138	671,945	28,805	61,843	(129)	68,337	837,939	1,631	839,570

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 for the years ended 31 August 2019 and 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Operating activities		
Profit before tax	**45,374**	17,124
Adjustments for:		
Depreciation of property, plant and equipment	**29,737**	20,530
Release of prepaid lease payments	**3,878**	2,206
Release of asset-related government grants	**(1,134)**	(548)
Finance costs	**6,549**	997
(Gain) loss on disposal of property, plant and equipment, net	**(36)**	213
Imputed interest income from amounts due from directors	**–**	(3,311)
Imputed interest income from amounts due from related companies	**–**	(3,323)
Interest income from banks	**(2,932)**	(1,020)
Defined benefit plan expenses	**877**	991
Unrealized exchange gain	**(10,039)**	(589)
Operating cash flows before movements in working capital	**72,274**	33,270
Movements in working capital:		
Increase in other receivables, deposits and prepayments	**(75,499)**	(3,243)
Increase in amounts due from related companies	**–**	(490)
Decrease in amounts due from related companies	**196**	–
Increase in contract liabilities	**70,356**	–
Increase in deferred revenue	**–**	79,156
Increase in other payables and accruals	**38,392**	19,318
Cash generated from operations	**105,719**	128,011
Interest received from banks	**2,932**	1,020
Income taxes paid	**(4,781)**	(2,100)
Net cash from operating activities	**103,870**	126,931
Investing activities		
Payment for property, plant and equipment	**(369,782)**	(327,855)
Payment for leasehold land	**(76,804)**	(82,586)
Prepayment made for property, plant and equipment	**(13,680)**	(35,536)
Loan to a non-controlling shareholder of a subsidiary	**–**	(8,000)
Proceeds from disposal of property, plant and equipment	**60**	213
Advance to related companies	**(168)**	(77)
Repayment from related companies	**–**	1,328
Repayment from a director	**–**	50,000
Receipt of assets related government grants	**24,400**	42,700
Net cash used in investing activities	**(435,974)**	(359,813)

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Financing activities		
Interests paid	**(6,549)**	(944)
Loan from a third party	**–**	20,000
Repayment of advance from a third party	**(20,000)**	–
Repayments of borrowings	**(60,000)**	–
Proceeds from new borrowings raised	**140,000**	60,000
Repayment of finance leases	**–**	(3,652)
Repayment of advance from related companies	**–**	(63)
Capital contribution by a non-controlling shareholder	**–**	600
Proceeds from issue of new shares	**–**	458,041
Repurchase of ordinary shares	**(1,801)**	–
Payment of listing expenses	**–**	(27,158)
Net cash from financing activities	**51,650**	506,824
Net (decrease) increase in cash and cash equivalents	**(280,454)**	273,942
Cash and cash equivalents at beginning of the year	**607,062**	332,531
Effect on exchange rate changes	**10,039**	589
Cash and cash equivalents at end of the year, represented by bank balances and cash	**336,647**	607,062

1. General and Basis of Preparation

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.

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 the companies comprising the Group on a collective basis, are regarded as "Controlling Equity Holders" of the School Sponsors and the PRC Operating Entities (both are defined in Note 2) and also regarded collectively as the ultimate controlling shareholders of the Company as they have been acting in concert of each other.

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

As of 31 August 2019, the Group recorded net current liabilities of approximately RMB461,609,000. In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection including the extended payment terms as granted by certain suppliers after 31 August 2019, and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

2. Structured Contracts

The provision of private education services of the Group was carried out by PRC operating entities, comprising 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"), Lezhi Bojun Education Management Company Limited* ("Lezhi Bojun") and Zhongjiang Bojun Education Management Company Limited* ("Zhongjiang 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 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 Centre Kindergarten* ("Peninsula Kindergarten") (collectively known as the "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:

* *The English names are for identification purpose only.*

- 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

2. Structured Contracts (Continued)

- 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.

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 transaction or balances:

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Revenue from provision of education services	**338,019**	231,259
Profit before tax	**42,472**	44,067

	As at 31 August	
	2019 **RMB'000**	2018 RMB'000
Non-current assets	**1,368,189**	845,442
Current assets	**217,197**	207,841
Current liabilities	**1,319,432**	841,122
Non-current liabilities	**69,720**	45,634

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

The Group has applied the following new and amendments to HKFRSs and new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 *Revenue from Contracts with Customers*

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 September 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

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

Upon initial application of HKFRS 15, except for certain reclassification of financial line items as set out in the table below, there is no other impact on the presentation and measurement or classification on the Group's consolidated financial statements.

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

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 September 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 August 2018 RMB'000	Reclassification RMB'000	Carrying amounts under HKFRS 15 at 1 September 2018 RMB'000
CURRENT LIABILITIES				
Deferred revenue	a	280,481	(280,481)	–
Contract liabilities	a	–	280,481	280,481

Note:

a. At the date of initial application, the total deferred revenue of RMB280,481,000 related to the consideration received from the students of schools in advance for the provision of education services. The balance was reclassified to "contract liabilities" upon application of HKFRS 15.

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

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
CURRENT LIABILITIES			
Deferred revenue	–	350,837	350,837
Contract liabilities	350,837	(350,837)	–

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

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

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
OPERATING ACTIVITIES			
Increase in contract liabilities	70,356	(70,356)	–
Increase in deferred revenue	–	70,356	70,356

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 18 are set out in Note a above for describing the reclassifications made to the consolidated statements of financial position at 1 September 2018 upon the adoption of HKFRS 15.

3.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets; and (iii) general hedge accounting.

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

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

The directors of the Company reviewed and assessed the Group's financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date and considered that there are no changes in classification and measurement of the Group's financial assets.

As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9. No additional impairment loss is recognised at 1 September 2018.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

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

3.2 HKFRS 9 *Financial Instruments* (Continued)

As a result of application of HKFRS 9, all the financial instruments of the Group continued to be measured at amortised cost starting from 1 September 2018, and the Group applied ECL model upon adoption of HKFRS 9 under which the Group measures the loss allowance equal to 12m ECL for all the financial assets. Unless when there has been a significant increase in credit risk since initial recognition in which circumstance the Group recognises life time ECL. The directors of the Company believe that there is no material impact upon adoption of HKFRS 9.

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

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

	31 August 2018 (Audited) RMB'000	**HKFRS 15** RMB'000	**1 September 2018 (Restated)** RMB'000
CURRENT LIABILITIES			
Deferred revenue	280,481	(280,481)	–
Contract liabilities	–	280,481	280,481

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

The Group has not early applied the following new and amendments to HKFRSs and new interpretation that have been issued but are not yet effective:

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

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

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (Continued)

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

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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. Upon application of the 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 by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a 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.

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

HKFRS 16 *Leases* (Continued)

Other than certain requirements which are also applicable to lessor, 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 2019, the Group has non-cancellable operating lease commitments of RMB215,811,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements met 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 in the consolidated financial statements in the future.

In addition, the Group currently considers refundable rental deposits paid of RMB1,678,000 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 would be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("Companies Ordinance").

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", as explained in the accounting policies set out below.

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

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 realisable 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:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

- 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 therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3.1)

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses 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 Group satisfies a performance obligation

4. Significant Accounting Policies (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3.1) (Continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

The Group recognises revenue from the provision of education services which arise from contracts with customers. For the provision of education services, revenue, including tuition fee and boarding fee (each being single performance obligations), was recognised over the relevant period of schooling semesters, i.e. over the period of time.

Income from provision of services at the on-campus canteens is recognised upon rendering of such services, i.e. upon fulfilment of performance obligation stipulated in the contracts and services are delivered to the customers.

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

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

4. Significant Accounting Policies (Continued)

Revenue recognition (prior to 1 September 2018)

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 primary school, middle schools and high school of the Group and tuition fees from kindergarten education services.

Tuition and boarding fees received from kindergartens, primary school, 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.

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

Leasehold land and building

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

4. Significant Accounting Policies (Continued)

Leases (Continued)

Leasehold land and building (Continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position. 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 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 licence 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attribute to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred 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)

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 presented as defined benefit obligation remeasurement reserves 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. 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another 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, annual leave and sick 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 tax' 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 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Construction in progress includes property, plant and equipment in the course of construction for supply of services 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.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

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.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of individually, 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(or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. Significant Accounting Policies (Continued)

Impairment of tangible assets (Continued)

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.

Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3.2)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3.2) (Continued)

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

All of the Group's financial assets are measured at amortised cost.

(i) *Amortised cost and interest income*

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

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 3.2)

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

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 3.2) (Continued)

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 3.2) (Continued)

(ii) *Definition of default*

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

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

(iii) *Credit-impaired financial assets*

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

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

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

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

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

(iv) *Write-off policy*

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 3.2) (Continued)

(v) *Measurement and recognition of ECL*

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

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

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

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

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

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

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, amounts due from related companies and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment, less any identified impairment losses.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 investment have been affected.

Objective evidence of impairment could include:

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as financial liabilities or equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

The estimates and underlying assumptions are reviewed on an 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 judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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 as detailed in Note 2 and other measures and accordingly, the Group has consolidated the School Sponsors and the PRC Operating Entities in the consolidated financial statements during 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.

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

Key sources of estimation uncertainty

The following is the key source of estimation uncertainty at the end of the reporting period, that 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.

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 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 2019, the carrying amount of property, plant and equipment other than construction in progress are RMB637,109,000 (2018: RMB343,731,000).

6. Revenue and Segment Information

The Group's revenue represents service income comprising tuition fees and boarding fees. The nature and effect of initially applying HKFRS 15 on the Group's consolidated financial statements are disclosed in Note 3.

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 performances focuses on types of services provided. CODM considers the business from service perspectives whereby assesses the performance of Preschool Education*, and Degree Education**, based on revenue generated in the course of the ordinary activities of a recurring nature. The services provided and type of customers of each kindergarten or school are similar to the other kindergartens or schools providing the Preschool Education or 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.

* Preschool education services are provided by Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten (collectively referred to as "Preschool Education").

** Degree education services are provided by Jinjiang School, Longquan School, Tianfu School, Nanjiang School, Wangcang School and Chengdu School (collectively referred to as "Degree Education").

6. Revenue and Segment Information (Continued)

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

	Preschool Education RMB'000	Degree Education RMB'000	Total RMB'000
Year ended 31 August 2019			
Tuition fees	**53,514**	**275,190**	**328,704**
Boarding fees	**–**	**9,315**	**9,315**
Total	**53,514**	**284,505**	**338,019**
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

Performance obligations for contracts with customers

Revenue from provision of education services comprising tuition fee and boarding fee (each being single performance obligation), was recognisd over time. The transaction price allocated to each of the performance obligation is recognised as a contract liability at the time of receipt and was released on a straight-line basis over the services period.

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

All the contracts with customers are agreed at fixed price for a term no longer than twelve months. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Geographical information

During both years, 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 both years.

7. Other Income (Expenses)

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Ancillary services income (Note i)	**43,374**	35,806
Less: relevant expenses (Note i)	**(43,374)**	(35,806)
Long-aged creditors waived	**3,357**	2,511
Interest income from banks	**2,932**	1,020
Release of asset-related government grants (Note 25)	**1,134**	548
Other government grants	**228**	–
Start-up expenses relating to new schools (Note ii)	**(343)**	(6,835)
Imputed interest income from advances to related companies	**–**	3,323
Imputed interest income from advances to directors	**–**	3,311
Others, net	**21**	(177)
	7,329	3,701

Notes:

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

ii. The amount represents start-up expenses for newly established schools for which schooling services have not been commenced at the end of the reporting period.

8. Other Gains (Losses)

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Net exchange gain	**8,322**	589
Gain (loss) arising on disposal of property, plant and equipment, net	**36**	(213)
Others	**115**	(271)
	8,473	105

9. Finance Costs

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**6,549**	944
Obligation under finance leases	**–**	53
	6,549	997

10. 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 under the tax laws of the Cayman Islands and the BVI and these entities have no business carried there.

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

The Rules on Private Schools in the PRC applicable to the Group were 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 2019, 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.

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 organisation. Up to the date of approval of the consolidated financial statements for the year ended 31 August 2019, specific rules for the registration of existing schools providing degree education services as not-for-profit schools had not been set out under the 2018 September Sichuan Implementing Guidance nor any detailed guideline had been further promulgated by local governmental authorities.

10. Income Tax Expenses (Continued)

The schools operated by the Group have been registered as non-enterprise institution (民辦非企業單位) and were regarded as not-for-profit organisations 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 conducted. Accordingly, no PRC EIT was recognised for the tuition and boarding fees income from the Degree Education whereas the non-taxable tuition related income, including tuition and boarding fees, amounted to RMB174,478,000 for the year ended 31 August 2018.

During the year ended 31 August 2019, further to the clarification made by local tax authority in relation to the 2018 September Sichuan Implementing Guidance, private schools which have not completed the registration as not-for-profit organisation are not exempted from the PRC EIT and are subject to the PRC EIT of 25%. An amount of RMB14,765,000 of income tax has been recognised for Degree Education in the current year, of which RMB2,252,000 was for the period from 1 January 2018 to 31 August 2018 following the new information became available to the Group and is accounted for as change in accounting estimate.

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 effective from 1 January 2015.

Pursuant to the PRC Income Tax Law and the respective regulations, the other 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	
	2019 **RMB'000**	2018 RMB'000
Tax expense comprises:		
PRC EIT	**22,249**	12,354
Deferred tax (Note 17)	**(5,816)**	(10,538)
	16,433	1,816

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	
	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**45,374**	17,124
Tax at applicable tax rate of 25%	**11,344**	4,281
Effect of tax losses not recognised	**9,271**	5,563
Under provision in respect of prior years	**2,252**	–
Tax effect of expenses not deductible for tax purpose	**800**	825
Tax effect of income not taxable for tax purpose	**(3,240)**	–
Effect of tax concessions and partial tax exemption	**(1,083)**	(6,166)
Utilisation of tax losses previously not recognised	**(2,898)**	(2,687)
Effect of different tax rates of other jurisdiction	**(13)**	–
Taxation for the year	**16,433**	1,816

11. Profit for the Year

Profit for the year has been arrived at after charging:

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Directors' and chief executive's remuneration (Note 12)	**1,456**	980
Other staff costs		
– Salaries and other benefits	**166,171**	96,745
– Staff welfare	**10,734**	13,598
– Retirement benefit schemes		
– defined contributions benefits	**12,336**	8,724
– defined benefits (Note 24)	**877**	991
Total staff costs	**191,574**	121,038
Royalty fee (included in "costs of services")	**14,511**	11,727
Depreciation of property, plant and equipment	**29,737**	20,530
Release of prepaid lease payments	**3,878**	2,206
Auditor's remuneration	**1,868**	1,388

12. 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 Company and the Group.

The executive directors emoluments shown below were for their services in connected with management of the Company and the Group. The 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 by entities comprising the Group during the reporting period, pursuant to the applicable Listing Rules and Companies Ordinance are disclosed below:

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

Directors' and chief executive's emoluments (Continued)

Year ended 31 August 2019

	Fees RMB'000	Salaries and allowances RMB'000	Defined contribution benefit RMB'000	Total RMB'000
Executive Directors				
Mr. Xiong Tao	–	300	56	356
Mr. Ran Tao	–	276	51	327
Mdm. Liao Rong	–	266	13	279
	–	842	120	962
Non-Executive Directors				
Mr. Bai Zimin (Note i)	–	60	–	60
Mr. Wang Ping (Note i)	–	157	–	157
	–	217	–	217
Independent Non-executive Directors				
Mr. Cheng Tai Kwan Sunny	157	–	–	157
Mr. Mao Daowei	60	–	–	60
Ms. Luo Yunping	60	–	–	60
	277	–	–	277
	277	1,059	120	1,456

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

Directors' and chief executive's emoluments (Continued)

Year ended 31 August 2018

	Fees RMB'000	Salaries and allowances RMB'000	Defined contribution benefit 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

Notes:

i. They were appointed as directors of the Company on 30 September 2016 and paid since 1 August 2018. Both of them resigned as non-executive directors effective from 1 September 2019.

ii. They were appointed as directors of the Company on 11 July 2018 and paid since 1 August 2018.

iii. Mr.Wu Jiwei was appointed on 1 September 2019 as a non-executive director and paid since then.

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.

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

Employees' remuneration

The five highest paid employees of the Group during the year included nil directors (2018: one director), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining five (2018: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Salaries and allowances	**3,427**	1,750
Contributions to retirement benefits scheme	**159**	133
	3,586	1,883

The number of the five highest paid employees (including the director) whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 August	
	2019	2018
Emolument bands		
Nil to Hong Kong dollar ("HK$") 1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–
	5	5

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

13. Dividend

No dividend has paid or declared by the Company for the years ended 31 August 2018 and 2019, nor has any dividend been proposed subsequent to 31 August 2019.

14. Earnings Per Share

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

	Year ended 31 August	
	2019	2018
Earnings		
Profit for the year attributable to the owners of the Company (RMB'000)	**26,540**	16,678
Number of shares		
Weighted average number of ordinary shares issued ('000)	**822,575**	617,792

The weighted average number of ordinary shares for the year ended 31 August 2019 for the purpose of calculating basic earnings per share has been adjusted for the fact that repurchase of ordinary shares during the year. No diluted earnings per share for the year ended 31 August 2019 was presented as there were no potential dilutive shares in issue during the reporting period.

The weighted average number of ordinary shares for the year ended 31 August 2018 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. The computation of diluted earnings per share for the year ended 31 August 2018 did not assume the exercise of the over-allotment option granted by the Company in relation to the Global Offering (as defined in the prospectus of the Company dated 19 July 2018) 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.

15. 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 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
Additions	180	11,373	675	4,588	8,371	439,467	464,654
Transfer	297,952	–	–	–	–	(297,952)	–
Disposals	–	(399)	–	(18)	–	–	(417)
At 31 August 2019	561,999	78,347	6,853	10,824	102,160	469,010	1,229,193
Accumulated depreciation							
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
Charge for the year	10,229	9,761	778	1,030	7,939	–	29,737
Elimination on disposals	–	(393)	–	–	–	–	(393)
At 31 August 2019	33,153	40,764	2,663	5,586	40,908	–	123,074
Carrying values							
At 31 August 2019	528,846	37,583	4,190	5,238	61,252	469,010	1,106,119
At 31 August 2018	240,943	35,977	4,293	1,698	60,820	327,495	671,226

Note: At 31 August 2019 and 2018, 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	20 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

16. Prepaid Lease Payments

	As at 31 August	
	2019 **RMB'000**	2018 RMB'000
Current assets	**3,922**	2,638
Non-current assets	**178,042**	106,400
	181,964	109,038

At 31 August 2019, the Group is in the process of obtaining the land use right certificate with carrying amounts of approximately RMB26,685,000 (2018: approximately RMB27,672,000).

During the year ended 31 August 2019, the Group has additional prepaid lease payments for obtaining the land use right of Wangcang Bojun and Lezhi Bojun with cost of approximately RMB31,956,000, and RMB44,848,000, respectively (2018: for obtaining the land use right of Nanjiang Bojun and Wangcang Bojun with cost of approximately RMB35,419,000, and RMB47,167,000, respectively).

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

17. Deferred Tax Assets

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

	Temporary difference on deferred income RMB'000
At 1 September 2017	–
Credit to profit or loss (Note 10)	10,538
At 31 August 2018	10,538
Credit to profit or loss (Note 10)	5,816
At 31 August 2019	16,354

As at 31 August 2019, the Group has unused tax losses of RMB74,945,000 (2018: RMB49,453,000) 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 2019, the unrecognised tax losses of RMB70,047,000 (31 August 2018: RMB44,138,000) will expire by end of 2024 (2018: 2023). Other losses may be carried forward indefinitely. The Group has no other significant unrecognised deferred tax assets for deductible temporary differences at 31 August 2019 and 2018.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB227,114,000 (31 December 2018: RMB185,798,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

18. Other Receivables, Deposits and Prepayments

	As at 31 August	
	2019 **RMB'000**	2018 RMB'000
Deposits	**25,084**	25,321
Receivable from a constructor (Note i)	**61,598**	–
Prepayments	**15,710**	10,195
Loan to a non-controlling shareholder of a subsidiary (Note ii)	**8,000**	8,000
Receivable from a third-party platform (Note iii)	**6,409**	–
Advances to staffs	**4,524**	2,439
Other receivables	**13**	12
Others	**175**	47
Total	**121,513**	46,014
Less:		
Deposit present under non-current asset		
– deposits for establishment of new school campus (Note iv)	**(10,145)**	(6,761)
– deposits for acquisition of a parcel of land (Note v)	**(12,500)**	(12,500)
– other deposits	**(2,313)**	(5,697)
	(24,958)	(24,958)
Presented under current assets	**96,555**	21,056

Notes:

i. The balance represents the excessive payment to a third-party constructor who provided services to Nanjiang School, being the difference between the advance payment to the constructor according to the contractual terms and total costs borne by the Group for services being received immediately prior to the cessation occurred during the year ended 31 August 2019. The balance is non-interest bearing and unsecured. The directors of the Company are of the view that the outstanding balances will be fully recovered before 31 August 2020.

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

iii. The balance represents the temporary unsettled bank payments for tuition and boarding fees collected through a third-party platform amounting to RMB6,409,000, which have been settled in September 2019.

iv. The balance represents the non-interest bearing deposits placed to local government authorities for the purpose of establishment of new school campus amounting to RMB10,145,000 (2018: RMB6,761,000).

v. The balance represents the 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 (2018: RMB12,500,000).

19. Amounts Due from Related Companies

Name	Relationship	As at 31 August 2019 RMB'000	As at 31 August 2018 RMB'000	Maximum amounts outstanding during the year ended 31 August 2019 RMB'000	Maximum amounts outstanding during the year ended 31 August 2018 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	**245**	77	**245**	5,275
Trade related					
成都恒宇實業有限公司 Chengdu Hengyu Industrial Company Limited ("Chengdu Hengyu")	Controlled by Mr. Xiong Tao	**98**	294		
Total, presented under current assets		**343**	371		

* The English names are for identification purpose only.

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

At 31 August 2019, the trade related balance represents the prepaid rental expenses is aged within one year.

20. Bank Balances and Cash

As at 31 August 2019, included in bank balances and cash are bank deposits of RMB43,359,000 (2018: RMB307,397,000) carrying fixed interest rates of 1.25% (2018: 1.40% to 1.90%) per annum with original maturity of less than three months.

As at 31 August 2019, other bank balances carry interest at prevailing market rate of 0.01% to 0.385% (2018: 0.01% to 0.385%) per annum.

21. Other Payables and Accruals

	As at 31 August	
	2019	2018
	RMB'000	RMB'000
Payables for property, plant and equipment	**229,389**	138,306
Miscellaneous expenses received from students (Note i)	**63,396**	45,734
Royalty fees payable	**50,985**	37,364
Payroll payable	**19,702**	12,209
Accrued expenses	**8,198**	6,184
Other tax payable	**1,226**	990
Advance from a third party (Note ii)	**–**	20,000
Others	**4,294**	6,929
	377,190	267,716

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 was non-trade in nature, unsecured, non-interest bearing and was fully settled during the year ended 31 August 2019.

22. Contract Liabilities/Deferred Revenue

	As at 31 August 2019 RMB'000	As at 1 September 2018 RMB'000
Tuition fees	**342,118**	273,358
Boarding fees	**8,719**	7,123
	350,837	280,481

The balance at 1 September 2018 is after adjustment from the application of HKFRS 15 (Note 3). The amount with the same nature as at 31 August 2018 is presented as deferred revenue on the face of the consolidated statement of financial position.

22. Contract Liabilities/Deferred Revenue (Continued)

The following table shows the revenue recognised in the current year relates to contract liabilities recognised at 1 September 2019:

	Advanced Tuition fee RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	280,481

At 31 August 2019, the contract liabilities represent the Group's obligation to transfer education services to students for which the Group has received advance payments from the students, the balance will be recognised as revenue for the year ending 31 August 2020.

23. Borrowings

	As at 31 August	
	2019 RMB'000	2018 RMB'000
Unsecured bank borrowings with corporate guarantee (Note)	**110,000**	60,000
Unsecured and unguaranteed bank borrowings	**30,000**	–
Analysed as:		
Carrying amount repayable within one year	**140,000**	60,000

The ranges of effective interest rates on the Group's borrowings are as follows:

	2019	2018
Variable-rate borrowings	**China lending benchmark interest rate + 11% to 40%**	China lending benchmark interest rate + 40%

Note: The borrowings are guaranteed by Chengdu Bojun and Chengdu Mingxian respectively.

24. Defined Benefit Obligations

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 2019 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 service 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	
	2019 **RMB'000**	2018 RMB'000
Civil retirement age	**60–65**	60–65
Qualifying employee rate	**80%–100%**	80%–100%
Employee departure rate (Note)	**0%–5%**	0%–5%
Mortality rate	**100%**	100%
Discount rate	**4.00%**	4.45%

Note: The assumption of employee departure rate for senior teachers in schools increased from 0% to 5% in current reporting period. The departure rates of other teachers are 0% to 5% which are consistent with prior year.

24. Defined Benefit Obligations (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	
	2019 **RMB'000**	2018 RMB'000
Service costs:		
Current service costs	**635**	856
Past service costs	**87**	5
Interest expenses	**155**	130
Components of defined benefit costs recognised in profit or loss	**877**	991
Components of defined benefit costs recognised in other comprehensive income*	**(57)**	(455)
Total	**820**	536

* 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	
	2019 **RMB'000**	2018 RMB'000
Liability arising from defined benefit obligations	**4,302**	3,482

Movements in the present value of the retirement defined benefit obligations during the reporting period were as follows:

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
At beginning of the year	**3,482**	2,946
Service costs and interest expenses (included in "cost of service")	**877**	991
Actuarial gains arising from changes in financial assumptions	**(57)**	(455)
At end of the year	**4,302**	3,482

24. Defined Benefit Obligations (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 analyses 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 RMB80,000 as at 31 August 2019 (2018: RMB64,000);
- If the mortality rate on benefit obligations decreases by 10%, the defined benefit obligations would increase by RMB86,000 as at 31 August 2019 (2018: RMB69,000);
- If the discount rate on benefit obligations increases by 0.1%, the defined benefit obligations would decrease by RMB125,000 as at 31 August 2019 (2018: RMB103,000);
- If the discount rate on benefit obligations decreases by 0.1%, the defined benefit obligations would increase by RMB130,000 as at 31 August 2019 (2018: RMB107,000);
- If the employee departure rate on benefit obligations increases by 5%, the defined benefit obligations would decrease by RMB206,000 as at 31 August 2019 (2018: nil);
- If the employee departure rate on benefit obligations decreases by 5%, the defined benefit obligations would increase by RMB219,000 as at 31 August 2019 (2018: nil);

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 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 from the prior reporting period.

25. Deferred Income

	Year ended 31 August	
	2019	2018
	RMB'000	RMB'000
Amounts recognised in profit or loss during the year:		
Subsidies related to assets (Note)	**(1,134)**	(548)

The movement of deferred income is as follows:

	As at 31 August	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**42,152**	–
Receipt of subsidies related to assets (Note)	**24,400**	42,700
Amount credited to profit or loss during the year (Note 7)	**(1,134)**	(548)
At end of the year	**65,418**	42,152

Note: The Group received government subsidies 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.

26. Share Capital

	Number of shares	Amount HK$	Amount RMB	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:				
At 1 September 2017	100,000	1,000	863	1
Capitalisation issue (Note i)	599,900,000	5,999,000	5,210,251	5,210
Issue of new ordinary shares (Note ii)	200,000,000	2,000,000	1,737,040	1,737
Exercise of over-allotment option (Note ii)	23,510,000	235,100	203,813	204
At 31 August 2018	823,510,000	8,235,100	7,151,967	7,152
Repurchase and cancellation of ordinary shares (Note iii)	(1,654,000)	(16,540)	(14,145)	(14)
At 31 August 2019	821,856,000	8,218,560	7,137,822	7,138

Notes:

i. 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 ("Capitalisation Issue").

ii. 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 and 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.

iii. The Company repurchased 1,654,000 shares from the market at the price of HK$1.13 to HK$1.32 per share with an aggregate consideration of approximately HK$2,107,000 (approximately RMB1,801,000) during the year ended 31 August 2019. The number of issued shares of the Company reduced to 821,856,000 shares of HK$0.01 each upon cancellation by 30 August 2019.

During the year, the Company repurchased its own ordinary shares through Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
20 March 2019	294,000	1.23	1.13	355,860
22 March 2019	102,000	1.25	1.23	127,140
25 March 2019	16,000	1.25	1.25	20,000
26 March 2019	122,000	1.28	1.27	155,740
27 March 2019	1,000,000	1.32	1.28	1,292,340
28 March 2019	120,000	1.30	1.28	155,460

The above ordinary shares were collectively cancelled on 30 August 2019.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

27. Commitments

a. Operating lease commitments

The Group as lessee

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Lease payments paid during the reporting period in respect of school/office premises, land and staff dormitories	**21,411**	24,936

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	As at 31 August	
	2019 **RMB'000**	2018 RMB'000
Within one year	**16,430**	12,721
In the second to fifth year inclusive	**62,822**	47,662
Over five years	**136,559**	126,133
	215,811	186,516

The leases have tenures ranging from one to forty years and no contingent rent provision included in the contracts. Rentals are fixed over the lease terms.

b. Capital commitments

	As at 31 August	
	2019 **RMB'000**	2018 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 consolidated financial statements	**82,682**	53,506

28. Retirement Benefit Plan

Defined contribution plan

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 RMB12,456,000 for the year ended 31 August 2019 (2018: RMB8,886,000) are included in cost of services and administrative expenses.

Defined benefit plan

The details of defined benefit plan are disclosed in Note 24.

29. Related Party Transactions

Other than those disclosed elsewhere in the consolidated financial statements, major transaction entered into by the Group with related parties is as follows:

Rental expenses incurred

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Chengdu Hengyu	**196**	196

The future minimum rental payable to Chengdu Hengyu under non-cancellable lease amounted to RMB173,000 (2018: RMB196,000), payable within one year is included in Note 27a.

Compensation of key management personnel

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

	Year ended 31 August	
	2019 **RMB'000**	2018 RMB'000
Short-term benefits	**3,916**	1,983
Post-employment benefits	**239**	283
	4,155	2,266

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 from prior year.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 23, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and, accumulated profits and other reserves.

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

a. Categories of financial instruments

		Carrying amount at 31 August	
		2019 RMB'000	2018 RMB'000
Financial assets			
Bank balances and cash	At amortised cost	**336,647**	607,062
Other receivables and deposits*	At amortised cost	**105,803**	35,819
Amounts due from related companies	At amortised cost	**343**	371
Total financial assets at amortised cost (2018: Loans and receivables)		**442,793**	643,252
Financial liabilities			
Other payables and accruals**	At amortised cost	**367,766**	248,333
Borrowings	At amortised cost	**140,000**	60,000
Total financial assets at amortised cost		**507,766**	308,333

* Prepayments is excluded.

** Accrued expenses and other tax payable are excluded.

b. Financial risk management objectives and policies

The Group's major financial instruments include other receivables and deposits, amounts due from related companies, 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.

31. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

(i) 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 on 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 2019 would have increased/decreased by approximately RMB267,000 (2018: RMB607,000). 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 2019 would have decreased/increased by approximately RMB120,000 (2018: RMB60,000).

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.

(ii) 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	
	2019 RMB'000	2018 RMB'000
Bank balances – US$	**51**	56
Bank balances – HK$	**182,695**	436,370
	182,746	436,426

31. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

(ii) 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	
	2019 **RMB'000**	2018 RMB'000
Increase in post-tax profit	**9,115**	21,778

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.

c. Credit risk and impairment assessment

Under HKAS 39 and HKFRS 9

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 individual assessments 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.

The Group had concentration of credit risk by geographical location as other receivables and amounts due from related companies which are all located in PRC at the end of reporting period.

31. Financial Instruments (Continued)

c. Credit risk and impairment assessment (Continued)

Under HKFRS 9

Starting from 1 September 2018, the Group applied ECL model upon adoption of HKFRS 9 under which the Group measures the loss allowance equal to 12m ECL for all of the Group's financial assets, unless when there has been a significant increase in credit risk since initial recognition in which circumstance the Group recognises lifetime ECL. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. The directors of the Company believe that there are no significant increase in credit risk of the Group's financial assets since initial recognition.

Other receivables and deposits/amounts due from related companies/bank balances

No allowance has been recognised for other receivables and amounts due from related companies as the expected loss for these receivables is immaterial under 12m ECL model based on the Group's assumption on the rates of default of respective counterparties taking into account forward-looking information.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. The ECL for bank balances was insignificant.

d. Liquidity risk

As of 31 August 2019, the Group recorded net current liabilities of RMB461,609,000. In view of these circumstances, the directors of the Company has given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether our Group will have sufficient financial resources to continue as a going concern.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Group's cash flow projection including the extended payment terms as granted by certain suppliers after 31 August 2019, and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. 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.

31. Financial Instruments (Continued)

d. Liquidity risk (Continued)

Liquidity and interest risk tables

	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 2019						
Non-interest bearing						
Other payables and accruals	N/A	367,766	–	–	367,766	367,766
Interest bearing						
Borrowings	5.82%	42,005	11,364	90,808	144,177	140,000
		409,771	11,364	90,808	511,943	507,766
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

e. 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 2019, the Company has following subsidiaries either control through holding 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 2019	Equity interest attributable to the Group At 31 August 2018	Principal activities
Bojun Education Investment Holdings Company Limited# ("Bojun Investment")	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 Bojun 成都天府博駿教育管理有限公司 (Note i)	PRC	HK$120,000,000	**100%**	100%	Education consultancy 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 2019	Equity interest attributable to the Group At 31 August 2018	Principal activities
PRC Operating Entities					
Jinjiang School 成都市錦江區四川師大附屬第一實驗中學 (Note ii)	PRC	RMB12,000,000	**100%**	100%	Provision of middle school education services
Longquan School 成都市龍泉驛區四川師大附屬第一實驗中學 (Note ii)	PRC	RMB10,000,000	**100%**	100%	Provision of middle school and high school education services
Tianfu School 成都市天府新區四川師大附屬第一實驗中學 (Note ii)	PRC	RMB3,000,000 (2018: RMB1,000,000)	**100%**	100%	Provision of middle school education services
Wangcang School 旺蒼博駿公學 (Note ii)	PRC	RMB1,000,000	**100%**	100%	Provision of primary and middle school education services
Nanjiang School 南江博駿學校 (Note ii)	PRC	RMB1,000,000	**100%**	100%	Provision of primary and middle school education services
Chengdu School 彭州市博駿學校 (Note ii)	PRC	RMB1,200,000	**51%**	51%	Provision of primary and middle school education services
Youshi Kindergarten 成都幼師實驗幼兒園 (Note ii)	PRC	RMB30,000	**100%**	100%	Provision of kindergarten education services
Lidu Kindergarten 成都幼師麗都實驗幼兒園 (Note ii)	PRC	RMB1,000,000 (2018: RMB60,000)	**100%**	100%	Provision of kindergarten education services
Riverside Kindergarten 成都幼師河濱印象實驗幼兒園 (Note ii)	PRC	RMB50,000	**100%**	100%	Provision of kindergarten education services
Longquan Kindergarten 成都幼師龍泉東山實驗幼兒園 (Note ii)	PRC	RMB100,000	**100%**	100%	Provision of kindergarten education services
Qingyang Kindergarten 成都青羊幼師境界實驗幼兒園 (Note ii)	PRC	RMB100,000	**100%**	100%	Provision of kindergarten education services
Peninsula Kindergarten 成都高新區幼獅半島城邦幼兒園 (Note ii)	PRC	RMB600,000	**100%**	100%	Provision of kindergarten 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 2019	Equity interest attributable to the Group At 31 August 2018	Principal activities
School Sponsors					
Chengdu Mingxian 成都銘賢教育投資有限公司 (Note iii)	PRC	RMB32,500,000	**100%**	100%	Education investment and management
Sichuan Boai 四川省博愛幼兒教育事業發展有限責任公司 (Note iii)	PRC	RMB4,000,000	**100%**	100%	Education investment and management
Chengdu Youshi Preschool Investment 成都幼獅幼兒教育投資管理有限公司 (Note iii)	PRC	RMB1,000,000	**100%**	100%	Education investment and management
Renshou Bojun 仁壽博駿教育投資管理有限公司 (Note iii)	PRC	RMB20,000,000	**100%**	100%	Education investment and management
Chengdu Jinbojun 成都金博駿教育諮詢有限公司 (Note iii)	PRC	RMB5,000,000	**100%**	100%	Education investment and management
Nanjiang Bojun 南江博駿教育管理有限公司 (Note iii)	PRC	RMB60,000,000 (2018: RMB10,000,000)	**100%**	100%	Education investment and management
Wangcang Bojun 旺蒼博駿教育管理有限公司 (Note iii)	PRC	RMB60,000,000 (2018: RMB10,000,000)	**100%**	100%	Education investment and management
Lezhi Bojun 樂至縣博駿教育管理有限公司 (Note iii)	PRC	RMB60,000,000 (2018: RMB10,000,000)	**100%**	100%	Education investment and management
Zhongjiang Bojun 中江博駿教育管理有限公司 (Note iii)	PRC	RMB10,000,000	**100%**	N/A	Education investment and management

* 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 Wholly Foreign Owned Enterprise (外商獨資企業).

ii. The legal form of these PRC subsidiaries is Private Non-Enterprise Organisation (民營非企業組織).

iii. The legal form of these PRC subsidiaries is limited liability company.

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 2017	3,599	1	32,460	–	–	36,060
Financing cash flows	(3,652)	–	(63)	59,056	20,000	75,341
Settlement made by a related company		(1)	(32,397)	–	–	(32,398)
Finance costs recognised (Note 9)	53	–	–	944	–	997
At 31 August 2018	–	–	–	60,000	20,000	80,000
Financing cash flows	–	–	–	73,451	(20,000)	53,451
Finance costs recognised (Note 9)	–		–	6,549	–	6,549
At 31 August 2019	–	–	–	140,000	–	140,000

34. Financial Information of the Company

	As at 31 August	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Investment in a subsidiary	**76,233**	76,233
Amount due from a subsidiary	**453,814**	175,411
	530,047	251,644
Current asset		
Bank balances and cash	**180,401**	435,417
	180,401	435,417
Current liability		
Amounts due to subsidiaries	**10,504**	10,333
Net current assets	**169,897**	425,084
Total assets less current liabilities	**699,944**	676,728
Capital and reserves		
Share capital	**7,138**	7,152
Reserves (Note)	**692,806**	669,576
	699,944	676,728

Note:

	Share premium RMB'000	**Accumulated (losses) profits** RMB'000	**Total** RMB'000
At 1 September 2017	250,000	(2,870)	247,130
Capitalisation 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
Repurchase and cancellation of ordinary shares	(1,787)	–	(1,787)
Profit and total comprehensive income for the year	–	25,017	25,017
At 31 August 2019	671,945	20,861	692,806

35. Share Option Scheme

Pursuant to an ordinary resolution passed on 12 July 2018, the Company approved and adopted a share option scheme (the "Scheme") which will remain in force for a period of 10 years from the date of its adoption. Details of the Scheme are set out in section titled 'Share Option Scheme' in the annual report for the year ended 31 August 2019.

During the years ended 31 August 2019 and 2018, no share options were granted under the Scheme by the Company. In addition, as at 31 August 2019 and 2018, no share options under the Scheme were outstanding.

36. Events After Reporting Period

On 14 November 2019, Chengdu Mingxian has entered into an agreement of intent with Sichuan Jiuzhou Taoyuan Eco-tourism Development Limited* (四川九洲桃源裡生態旅遊開發有限公司) in respect of acquisition of 100% equity interest in a target company ("Agreement of Intent").

During a period of two months commencing from the date of the Agreement of Intent for an estimated consideration of RMB21.8 million subject to the terms and conditions of the acquisition agreement to be finalised. Details of the Agreement of Intent is set out in the announcement dated 18 November 2019.

* The English name is for identification only.

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
"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 Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
"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"	11 December 2019, 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 Centre 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.