中國教育集團控股有限公司
CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu中教常春藤")

Stock Code : 839

To Pioneer Excellence and Innovation in Education

Annual Report 2018/2019

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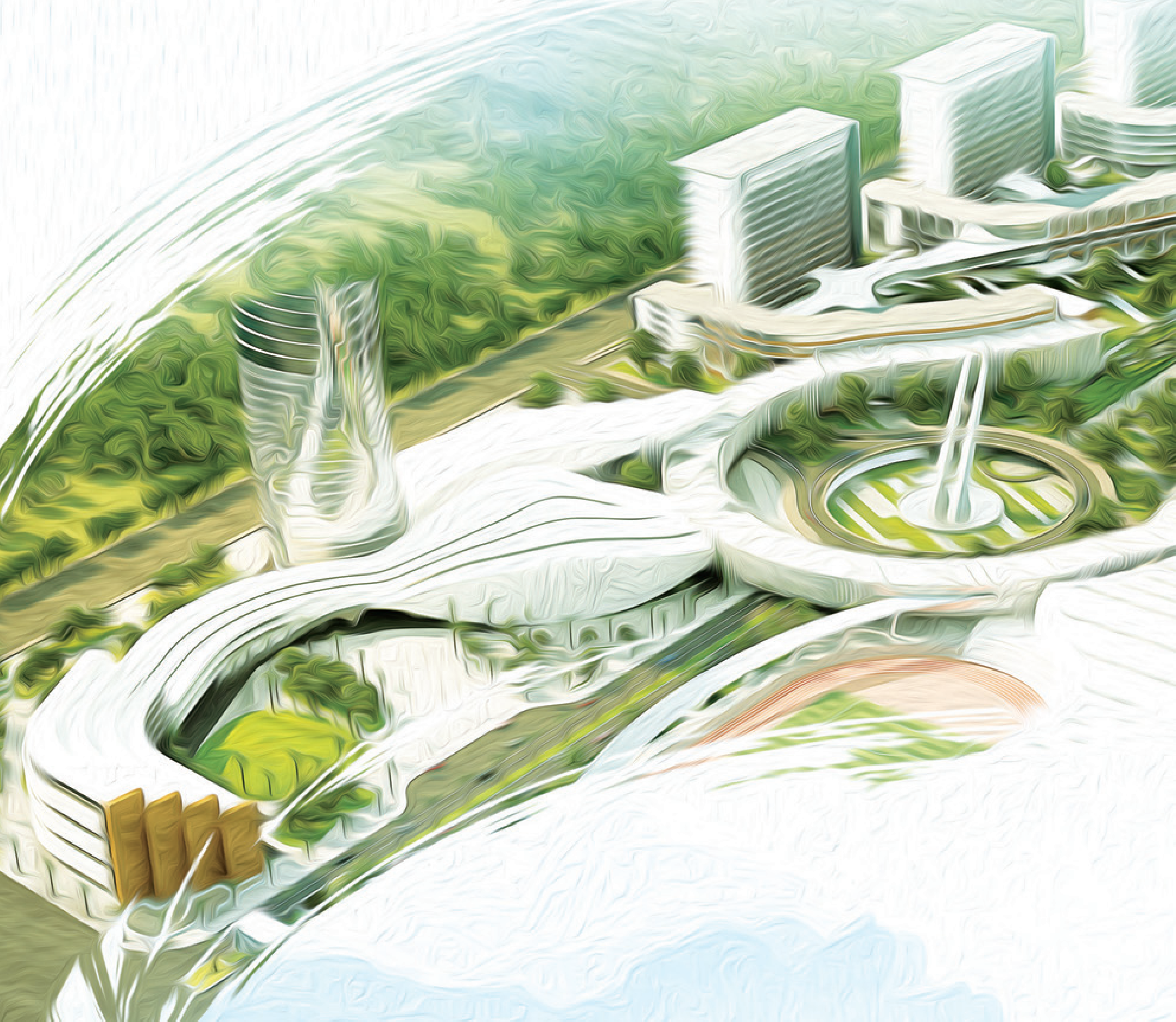

OUR MISSION

Preparing students for success through
Excellence and Innovation in Education

This report is printed on environmentally friendly paper

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Guo *(Co-chairman)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

AUDIT COMMITTEE

Dr. Rui Meng *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

REMUNERATION COMMITTEE

Dr. Gerard A. Postiglione *(Chairman)*
Dr. Yu Kai
Dr. Rui Meng

NOMINATION COMMITTEE

Mr. Yu Guo *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill

AUTHORISED REPRESENTATIVES

Dr. Yu Kai
Mr. Mok Kwai Pui Bill

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

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George Town
Grand Cayman KY1-9008
Cayman Islands

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Central
Hong Kong

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Walkers Corporate Limited
Cayman Corporate Centre
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George Town
Grand Cayman KY1-9008
Cayman Islands

Corporate Information

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Services Limited
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Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839

MILESTONES

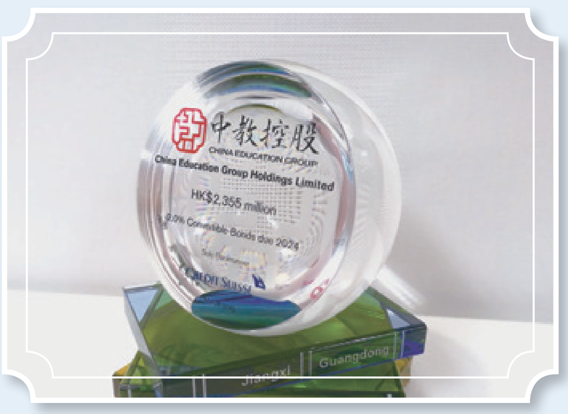
2017 DECEMBER

Listed on The Stock Exchange of Hong Kong Limited

2018 MARCH

Zhengzhou Transit School joined the Group

2019 MARCH



Issue of HK$2,355,000,000 convertible bonds due 2024

2019 MARCH

Shandong Quancheng University joined the Group

MILESTONES

2018 MARCH

Xi'an Railway College joined the Group

2018 SEPTEMBER

Guangzhou Songtian University and Songtian Polytechnic College joined the Group

2019 JULY

Chongqing Translators University joined the Group

2019 OCTOBER

King's Own Institute (Australia) joined the Group


办公楼
TO PIONEER EXCELLENCE AND
INNOVATION IN EDUCATION

Co-Chairmen's Statement

"We believe the quality of our operation is as cardinal as the quantity, and thus the post-acquisition management is undoubtedly an integral part of our individual careers as well as China Education Group's mission — Preparing Students for Success through Excellence and Innovation in Education."

Dear Shareholders,

On behalf of the board of directors of China Education Group Holdings Limited, we are pleased to present to you the annual report 2018/2019 for the twelve months ended 31 August 2019.

Overview of the Group

In the past twelve months, the Group has made remarkable progress in expanding the school portfolio and improving the post-acquisition management of the newly acquired schools. As at 31 August 2019, there are a total of approximately 170,000 students studying at our schools. Our portfolio has grown from three schools at the time of listing in December 2017 to ten school as at today. The rapid increase in student enrollment is attributable to the organic growth in students enrolled in our schools as well as the four new schools joining the Group during the financial year ended 31 August 2019, namely Guangzhou Songtian University and Songtian Polytechnic College in September 2018, Shandong Quancheng University in March 2019 and Chongqing Translators University in July 2019.

In response to the increased demand for admissions, the Group is currently further expanding the capacity of its schools. The new campus of Guangdong Baiyun University has commenced operation since September 2019 and the construction of the second phase of the new campus will continue and the whole campus is expected to boost a capacity for around 26,000 students in total upon completion. To further extend our presence in Guangdong-Hong Kong-Macao Greater Bay Area, the Group has also signed an agreement with the Government of Zhaoqing New District in Guangdong Province in August 2019 to establish a new university campus for Guangzhou Songtian University which is expected to accommodate approximately 30,000 students upon completion.

Co-Chairmen's Statement

Chongqing Translators University

In addition to the expansion plan of the exiting schools, the Group will continue its merger and acquisition ("M&A") strategy. The Group is open to enter into markets where there is growth potential and can bring about synergy to our existing business operation. With the joining of Shandong Quancheng University, the Group is able to penetrate into Shandong Province, the second most populated province in China. The acquisition of Chongqing Translators University has allowed the Group to penetrate into Chongqing, the most populated municipality in China and another important and strategic location for the Group.

Chongqing Translators University has approximately 13,000 undergraduate students taking 33 undergraduate programmes including foreign languages, management, literature, communication, music and arts. Operating on the philosophy of providing international education, the university is currently cooperating with more than 20 higher education institutes in 11 countries including the UK, Italy, Spain, Czech, Russia, Australia, France, Germany, Japan, Korea and Thailand. Through integration and sharing of resources, we believe that member schools of the Group would be able to improve teaching quality as well as to offer programmes with higher quality and in turn allow more students to receive quality education.

With a view to establish international footprints and to develop the Group into an international education group, we have taken our first step into the oversea market by acquiring King's Own Institute. King's Own Institute is one of the largest private business higher education providers in Sydney, Australia, one of the most popular and fastest-growing international student markets in the world. King's Own Institute is on the list of approved overseas institutions by the Ministry of Education of the PRC and currently has over 2,500 students from almost 100 countries around the world enrolled pursuing master's and bachelor's degrees in business, accounting, IT and TESOL. We believe that the acquisition will provide China Education Group with attractive growth opportunities in the thriving international higher education market and allow King's Own Institute to tap into the Chinese market.

Operational Highlights

The enrollment quota of the Group's higher education institutes has increased by approximately 13% as compared to that of last academic year. We are delighted to see that Guangzhou Songtian University's enrollment quota has increased 117%, undergraduate admission marks has increased 25 points (for science programmes) and the higher range of tuition fee has increased 30% over the ones of last two academic years. In addition, Guangzhou Songtian University has achieved a registration rate of 91.6% for academic year 2019/2020, the highest in the school's history.

Co-Chairmen's Statement

After joining the Group in March 2019, Shandong Quancheng University's enrollment quota has increased 21%, undergraduate admission marks has increased 13 points (for science programmes) and the higher range of tuition fee of the school has increased 15% over the ones of last academic year. In addition, Shandong Quancheng University's registration rate for the academic year 2019/2020 recorded at 93.9%, the highest in its history.

Similarly, shortly after joining the Group in July 2019, Chongqing Translators University's enrollment quota has increased 3%, undergraduate admission marks has increased 7 points (for science programmes) and the higher range of its tuition fee of the school has increased 6% over the ones of last academic year. In addition, the school achieved 95.7% registration rate for academic year 2019/2020, the highest in the Chongqing Translators University's history.

Future Strategy

While we are maintaining a high level of operation standard and commitment to excellence for both existing and new member schools, we also continue to explore opportunities for future growth. The Group prides itself on providing reasonable and affordable quality education to benefit students.

In view of the supporting government policies on higher education sector, the Group will continue to expand its school portfolio by adding independent colleges, private universities and higher education institutes in the China. Despite our M&A focus being in China, we will also continue to look for oversea opportunities which would not only enlarge our operation coverage but also conducive to the synergy development of our PRC schools.

In order to achieve fast and sustainable growth, we shall continue to expand our school network, achieve economies of scale as well as excellence and create value in our schools.

China Education Fund

Joining hands with Value Partners to establish a private equity fund has been proceeding smoothly. The purpose for establishing the Fund is to prolong our M&A strategy and to enhance our investment returns with an asset light business model. We anticipate to provide management service to the asset under management. Furthermore, we will also participate as a limited partner with an initial investment of RMB250 million which would enable us to benefit from the capital appreciation of the school portfolio held by the Fund.

Heartfelt Gratitude

On behalf of the Board, we would like to take this opportunity to thank every single employee of the Group for his or her dedication and hard work throughout the year. Our teams of professionals have shown great determination and commitment. We continue to strive and grow together as a big family and provide our students with quality education and happy memories that they would cherish even years after graduation. January this year marked the 25th Anniversary of our Jiangxi University of Technology and we are also going to celebrate the 30th Anniversary of our Guangdong Baiyun University and Baiyun Technician College in December this year. We are looking forward to the home coming of our alumni and celebrating our achievements together.

We are also thankful to our investors for their continuous support and feedback without which we would not be able to make improvements. We would like to extend our warm welcome to our new member schools and students and wishing them a fruitful school year ahead.

Yu Guo and **Xie Ketao**
Co-Chairmen

Hong Kong, 26 November 2019

NUMBER OF STUDENTS

170,000+

as at 31 August 2019

150 VOCATIONAL EDUCATION PROGRAMMES

132 CONTINUING EDUCATION PROGRAMMES

210 BACHELOR'S DEGREE PROGRAMMES

68 JUNIOR COLLEGE DIPLOMA PROGRAMMES

Management Discussion and Analysis

Zhengzhou Transit School

BUSINESS OVERVIEW

The Group had approximately 170,000 students as at 31 August 2019; it is the largest listed higher and vocational education provider in China in terms of student enrollment. As at 31 August 2019, the Group operated six higher education institutions and three vocational education institutions located in six provinces/municipality, namely Jiangxi, Guangdong, Henan, Shaanxi, Shandong and Chongqing, and recruited students from all provinces in the mainland China.

The Group offers a broad range of programmes and curricula. As at 31 August 2019, the Group offered 210 bachelor's degree programmes, 68 junior college diploma programmes, 150 vocational education programmes and 132 continuing education programmes. The disciplines provided by us covered around 98% of undergraduate students' choices and 93% of junior college students' choices in China in 2018/2019 academic year.

Growth Strategy

We have formulated our M&A strategy to achieve our growth target taking into account the high entry barrier of the higher education sector. Thus far, our M&A team, strong and with high execution capability, has already reviewed over 300 potential M&A targets since our Listing at the Stock Exchange in December 2017 and some of them are presently in due diligence process. We plan to explore more acquisition opportunities with attractive growth potential and expect more schools to join the Group in the future.

We have a track record of successfully integrating newly acquired schools into our Group. The increasing student enrollment and the newly acquired schools coming with potential for quality improvement are proof of our capability to integrate and identify new schools with promising growth prospects. We believe China's private higher and vocational education sector is on a strong growth trend with attractive potential and

Management Discussion and Analysis

opportunities. Going forward, building on our industry leadership and 30 years' education excellence and in fulfilling our mission of 'To Pioneer Excellence and Innovation in Education', we will adhere to our business strategies, endeavor to provide excellent quality education to more students, and striving for long-term sustainable growth of the Group and lucrative returns for shareholders.

Schools Consolidated into the Group During the Reporting Period

During the year ended 31 August 2019, the Group acquired four schools (namely, Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University, and Chongqing Translators University) which all became consolidated affiliated entities of the Group during the reporting period. Through welcoming four new schools on board, we have expanded our school portfolio from five schools (as at 31 August 2018) to nine schools.

The Directors believe that the transactions mark the Group's continuous efforts to expand its school network and increase market penetration. The Directors consider that with the acquisitions, the Group will further benefit from the economic development of Guangdong-Hong Kong-Macao Greater Bay Area, and be able to penetrate Shandong Province — the second most populated province in China, and Chongqing municipality — the most populated municipality in China. The Board sees good potential in the four new schools to increase student enrollment and the Group will be able to leverage on its competitive advantages to streamline the operation of new member schools and to enhance their operation and financial performance. The Group intends to efficiently integrate new member schools into the Group's school network to accomplish the resource sharing and synergetic development to enhance their quality of education provided, improve their operational efficiencies, increase their school sizes, optimise their pricing strategies and as a result improve the profitability of the Group as a whole.

Guangzhou Songtian University and Songtian Polytechnic College

The Company announced the acquisition of Guangzhou Songtian University and Songtian Polytechnic College on 14 June 2018, and the two schools became consolidated affiliated entities of the Group in September 2018. Transfer of 100% equity interest and change in the board of directors and legal representatives of Songtian Company (which is the 100% co-sponsor of Guangzhou Songtian University and 100% sponsor of Songtian Polytechnic College) have been completed and duly registered with the relevant government departments in the PRC.

Founded in 2000 and located in Guangzhou, Guangdong Province, the economically vibrant Pearl River Delta Economic Zone, Guangzhou Songtian University is an independent college approved by the MOE and operated by Songtian Company in collaboration with Guangzhou University (廣州大學). Guangzhou Songtian University has nine academic departments and nine research institutes, offers 34 full-time undergraduate programmes and conducts unified student recruitment on a national scale. As at 31 August 2019, Guangzhou Songtian University had more than 9,200 students. Guangzhou Songtian University earned the Award for Guangdong's Most Competitive Independent College in the 30 Years of Reform and Opening-Up (改革開放30週年廣東最具競爭力獨立學院獎) by Guangzhou Daily and also won the Guangzhou's Garden Organisation (廣州市花園式單位) title from Guangzhou government for its beautiful landscape.

Management Discussion and Analysis

Songtian Polytechnic College was founded in 2000 and located in Guangzhou, Guangdong Province, it is registered as a full-time higher vocational college with the MOE and is established with the approval from People's Government of Guangdong Province. Songtian Polytechnic College has seven academic departments, offers 21 junior college diploma programmes, and commenced recruiting students in 2007. As at 31 August 2019, Songtian Polytechnic College had approximately 3,500 full-time students. The initial employment rate of Songtian Polytechnic College's graduates in 2018/2019 academic year was approximately 97.4% while Guangdong Province's overall initial employment rate for junior college graduates in 2018 was approximately 94.6% according to Education Department of Guangdong Province. Songtian Polytechnic College also has one of the highest freshmen registration rates among higher vocational colleges in Guangdong Province.

Shandong Quancheng University

The Company announced the acquisition of Shandong Quancheng University on 14 January 2019, and the school became a consolidated affiliated entity of the Group in March 2019. Relevant approvals from the regulatory authorities, registration with regulatory authorities of the Group as the owner of 100% equity interest in the Shandong Dazhong Cultural (which primarily owns 100% of the co-sponsor interest in Shandong Quancheng University), and the change in board composition and legal representative have all been obtained and completed.

Founded in 2005 and located in Penglai city, Shandong Province, Shandong Quancheng University is an independent college approved by the MOE and operated by Shandong Dazhong Cultural in collaboration with Jinan University (濟南大學). Shandong Quancheng University offers 40 bachelor's degree programmes and nine junior college diploma programmes in six disciplines, namely economics, management, literatures, sciences, engineerings and arts, with approximately 8,500 students as at 31 August 2019. Shandong Quancheng University's admission is highly competitive; its undergraduate admission mark has been the highest among independent colleges in Shandong Province for two consecutive years from 2018 to 2019.

Chongqing Translators University

The Company announced the acquisition of all the sponsorship interest held by Chongqing Nanfang Group Limited (重慶南方集團有限公司) and 100% capital contributor's interest in Chongqing Translators University on 25 June 2019, and the school became a consolidated affiliated entity of the Group in July 2019.

Chongqing Translators University, an independent college sponsored by our consolidated affiliated entity and Sichuan International Studies University (四川外國語大學), is founded and approved by the MOE in 2003. The university offers 30 bachelor's degree programmes in foreign languages (with 11 kinds of Eastern and Western foreign languages), management, literatures, communication studies, music and arts, and has close partnership with 24 overseas universities. As at 31 August 2019, Chongqing Translators University has approximately 13,000 students across two campuses in Yubei district and Qijiang district, Chongqing municipality, the PRC, with a total area of 1,572 mu. A highly academically reputable institution, Chongqing Translators University is ranked 18th among 253 independent colleges that offer arts programmes in China in 2019, according to Wu Shu Lian Rankings of Arts Programmes in Independent College of China (武書連中國獨立學院社會科學排行榜).

Management Discussion and Analysis

Student Enrollment

As at 31 August 2019, we operated nine schools - six higher education institutions and three vocational education institutions, with a total enrollment of 170,098 students, up 40.2% from enrollment as at 31 August 2018. The rapid increase in student enrollment is attributable to the organic growth in students enrolled in our existing schools as well as the four new schools joining the Group during the year ended 31 August 2019.

School	As at 31 August 2019	As at 31 August 2018
Higher Education Institution		
Jiangxi University of Technology[(1)]	**41,360**	36,368
Guangdong Baiyun University[(2)]	**26,911**	26,416
Chongqing Translators University[(3)]	**13,238**	N/A
Guangzhou Songtian University[(3)]	**9,256**	N/A
Shandong Quancheng University[(3)]	**8,488**	N/A
Songtian Polytechnic College[(3)]	**3,453**	N/A
Vocational Education Institution		
Xi'an Railway College	**27,221**	20,635
Zhengzhou Transit School	**27,046**	24,476
Baiyun Technician College	**13,125**	13,420
Total	**170,098**	121,315

Notes:

(1) Includes 11,952 and 2,948 students enrolled in the continuing education programmes as at 31 August 2019 and 2018 respectively.

(2) Includes 8,056 and 8,411 students enrolled in the continuing education programmes as at 31 August 2019 and 2018 respectively.

(3) These schools were not yet our operating schools as at 31 August 2018.

Management Discussion and Analysis

Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 25% among various programmes on an annual basis. The tuition fee adjustment is determined by our school management teams taken in consideration of operating costs and market conditions.

	Listed tuition fees in academic year		Boarding fees in academic year	
	2018/2019 RMB	2017/2018 RMB	2018/2019 RMB	2017/2018 RMB
Higher Education Institution				
Jiangxi University of Technology				
Bachelor's degree programmes	16,000–23,000	15,000–20,000	1,600–2,300	1,600–2,000
Junior college diploma programmes	13,500–16,000	12,500–14,000	1,600–2,300	1,600–2,000
Continuing education programmes	2,500–5,000	5,000	N/A	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	19,000–30,000	19,000–28,000	1,500	1,500
Junior college diploma programmes	30,000	30,000	1,500	1,500
Continuing education programmes	3,000–6,000	3,000–6,000	N/A	N/A
Chongqing Translators University(1)				
Bachelor's degree programmes	13,000–17,000	12,000–17,000	900–1,300	900–1,300
Guangzhou Songtian University(1)				
Bachelor's degree programmes	23,000–25,000	19,500–21,500	1,500	1,500
Shandong Quancheng University(1)				
Bachelor's degree programmes	11,000–14,800	11,000–14,000	800–1,200	800–1,200
Junior college diploma programmes	8,000	8,000	800–1,200	800–1,200
Songtian Polytechnic College(1)				
Junior college diploma programmes	13,500–16,500	13,500–16,500	1,500	1,500
Vocational Education Institution				
Xi'an Railway College				
Technician diploma programmes	9,800–10,800	9,800–16,000	1,500	1,000
Zhengzhou Transit School				
Secondary vocational diploma programmes	7,900–8,600 (2)	7,300	1,000	1,000
Baiyun Technician College				
Post-secondary vocational diploma programmes	12,500–15,000	11,500–14,000	1,500	1,500
Secondary vocational diploma programmes	12,000–14,500	11,000–13,500	1,500	1,500
Technician diploma programmes	13,500–15,500	12,500	1,500	1,500

Notes:

(1) These schools were not yet our operating schools in the academic year 2017/2018.

(2) Effective from 2019 Spring Semester.

Management Discussion and Analysis

Awards and Recognitions Received During the Reporting Period

The Company and its nine schools have received numerous awards and recognitions during the reporting period in recognition of the quality of education we provide and the outstanding achievements of our operation. The following table sets forth some of the awards and recognitions we have received:

	Award/Accreditation	Awarding Organisation(s)
Corporate		
The Company/Group	Best Managed Companies 2019	Deloitte China, Bank of Singapore, the Business School of HKUST, Harvard Business Review (China) and the Federation of Shenzhen Commerce
The Company/Group	HKIRA 5th Investor Relations Awards 2019 (Best IR Company (Mid Cap), Best IR by Chairman/CEO (Mid Cap) and Best IR Team (Mid Cap))	Hong Kong Investor Relations Association
Higher Education Institution		
Jiangxi University of Technology	Outstanding University in Higher Education Graduate Employment in Jiangxi Province in 2016-2018 (2016–2018年度全省普通高校畢業生就業工作先進單位)	Education Department of Jiangxi Province
Guangdong Baiyun University	Outstanding Private School in Guangdong Province (廣東省優秀民辦學校)	Education Department of Guangdong Province, Private Education Association of Guangdong Province
	Second Prize of the 9th Guangdong Provincial Education and Teaching Achievement Award (Higher Education) (第九屆廣東省教育教學成果獎(高等教育)二等獎)	Education Department of Guangdong Province
Chongqing Translators University	Private Education Innovation Demonstration Institute of PRC (中國民辦教育創新示範單位)	Institute of Educational Sciences - China Academy of Management Science

Management Discussion and Analysis

	Award/Accreditation	Awarding Organisation(s)
Higher Education Institution (Cont.)		
Guangzhou Songtian University	First Prize (of University in Guangdong Province) in 2018 National Undergraduate Mathematical Modeling Competition (全國大學生數學建模競賽 — 廣東省本科組一等獎)	China Society for Industrial and Applied Mathematics
Vocational Education Institution		
Xi'an Railway College	Outstanding Organization Award of the 1st Professional Competence Competition for Teachers of Technician Colleges in Shaanxi Province (陝西省第一屆技工院校教師職業能力大賽優秀組織獎)	Human Resources and Social Security Bureau of Shaanxi Province
Zhengzhou Transit School	Outstanding Secondary Vocational Education Institute in Zhengzhou (鄭州市中等職業教育先進單位)	Zhengzhou Education Bureau
Baiyun Technician College	The 6th (2018) Huang Yan Pei Vocational Education Award – Outstanding School Award (第六屆(2018年)黃炎培職業教育獎—優秀學校獎)	China Vocational Education Society
	Fashion Technology Training Base of the 44th and 45th WorldSkills Competition (第44、45屆世界技能大賽時裝技術項目集訓基地)	Ministry of Human Resources and Social Security of the PRC

Management Discussion and Analysis

Awarded the Best Managed Companies (2019) by Deloitte
The award recognizes "industry leadership, global thinking, long-term strategy, innovative development and people-oriented" companies.

The Company is the recipient of **HKIRA 5th Investor Relations Awards 2019** (Best IR Company (Mid Cap), Best IR by Chairman/CEO (Mid Cap) and Best IR Team (Mid Cap)).

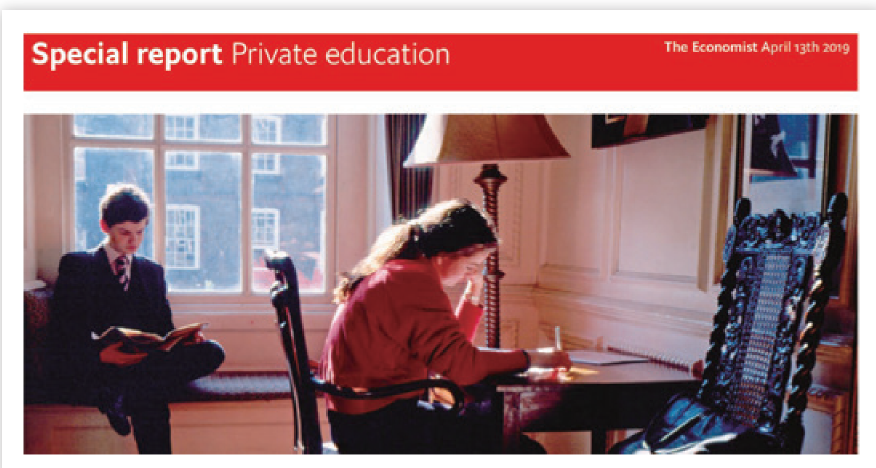


Photo credit: https//www.economist.com

Appeared in *The Economist*
China Education Group, Baiyun Technician College, Guangdong Baiyun University, Xi'an Railway College and Zhengzhou Transit School were featured in a special report on *The Economist* (April 13th 2019 edition).

Management Discussion and Analysis

OUTLOOK

We believe that China's private higher and vocational education sector is on a secular growth trend and there is significant potential with opportunities. In China today, there are over 700 private higher education institutions (including private universities, private junior colleges and independent colleges) and thousands of private vocational schools. Most of these private higher education institutions and private vocational schools are owned and operated independently. Hence, the ownership and operation of these institutions and schools are scattered. This translates into huge potential for M&A opportunities as well as significant room for enhancing the quality of education at the schools.

On 10 August 2018, the Ministry of Justice of the PRC issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《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)》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher and vocational education sector.

As an industry leader and drawing on the strategic advantages of our scale and history of operations in the education business, brand reputation, education quality, preparation of students for employment and resources for school-enterprise collaboration, we will strive to integrate private education resources and enlarge our market share as we enhance the quality of education in our schools, and ultimately to provide excellent education services to more students.

Entering Into A Framework Agreement For The Establishment of China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. The Group did not make any contribution to the China Education Fund during the reporting period. It is expected that Huajiao Education (or its nominee) and VP Shenzhen are to be the co-general partners of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited. Subsequent to the end of the reporting period, the Group made capital contribution amounting to RMB30,303,000 to the China Education Fund.

Management Discussion and Analysis

Wine college, Shandong Quancheng University

DEVELOPMENT OF NEW CAMPUSES

Guangdong Baiyun University's New Campus

Guangdong Baiyun University's new campus commenced operation in September 2019. The remaining construction work of Guangdong Baiyun University's new campus in Zhongluotan, Guangzhou, Guangdong Province, the PRC, has been proceeding as planned. With a site area of approximately 750 mu, the development is divided into two phases — the first phase with a capacity of 8,000 students has been completed while the second phase with a capacity of 18,000 students is expected to be completed in 2021.

Guangzhou Songtian University's New Campus

In response to the increasing demand for admissions, the Group signed an agreement with Zhaoqing New District Government which will supply the Group with 1,500 mu of land for the establishment of a new university campus with a capacity of approximately 30,000 students. The Company believes that the establishment of the new campus in Guangdong-Hong Kong-Macao Greater Bay Area will benefit from the economic development of Greater Bay Area and the rapid and continuous population growth in the Guangdong Province.

Guangdong Baiyun University's new campus

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the year ended 31 August 2019 and the Pro Forma Period (as defined below) are as follows:

	Year ended	
	31 August 2019 *RMB'000*	31 August 2018 *RMB'000* (Pro Forma)
Revenue	**1,954,874**	1,295,441
Cost of revenue	**(833,401)**	(509,798)
Gross profit	**1,121,473**	785,643
Other income	**80,554**	78,654
Selling expenses	**(52,796)**	(24,300)
Administrative expenses	**(352,985)**	(218,150)
Operating profit	**796,246**	621,847
Investment income	**33,519**	18,433
Other gains and losses	**(57,694)**	(45,909)
Listing expenses	**–**	(23,568)
Finance costs	**(103,771)**	(30,022)
Profit before taxation	**668,300**	540,781
Taxation	**18,938**	12,603
Net profit	**687,238**	553,384
Gross profit margin	**57.4%**	60.6%
Adjusted net profit attributable to:		
– owners of the Company	**746,502**	635,529
– non-controlling interest	**94,621**	43,494
	841,123	679,023

Note: On 3 August 2018, the Company announced to change its financial year end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC. Accordingly, the current accounting period covers a period of twelve months from 1 September 2018 to 31 August 2019. The corresponding comparative amounts shown in consolidated statement of profit or loss and other comprehensive income covered a period of eight months from 1 January 2018 to 31 August 2018, and therefore are not entirely comparable with amounts shown for the current accounting period.

To provide meaningful comparative information, the Group prepared pro forma financial information covering the twelve-month ended 31 August 2018 (the "Pro Forma Period"). The pro forma figures have not been audited. The pro forma financial information is comprised of the figures of (1) four months derived on a proportion basis from the financial results of the period from 1 July 2017 to 31 December 2017 and (2) eight months derived from the audited financial results for the eight months ended 31 August 2018.

Management Discussion and Analysis

For the year ended 31 August 2019, the Group recorded revenue increase by 50.9% to RMB1,954.9 million compared to RMB1,295.4 million for the Pro Forma Period. Operating profit increased by 28.0% to RMB796.2 million compared to RMB621.8 million for the Pro Forma Period. Adjusted net profit increased by 23.9% to RMB841.1 million compared to RMB679.0 million for the Pro Forma Period.

Revenue

The Group's revenue reached RMB1,954.9 million for the year ended 31 August 2019, up 50.9% as compared to RMB1,295.4 million for the Pro Forma Period. The increase reflected students' strong demand for quality higher and vocational eduction offered by the Group and the effective execution of the Group's acquisition strategy.

Higher Education Segment

Revenue from higher education segment increased from RMB925.6 million for the Pro Forma Period to RMB1,277.8 million for the year ended 31 August 2019, representing a 38.1% increase.

The significant increase in revenue of higher education institutions was mainly driven by the inclusion of Guangzhou Songtian University, Songtian Polytechnic College, Chongqing Translators University and Shandong Quancheng University during the reporting period and organic growth in student enrollment and tuition fees of existing higher education institutions, namely Jiangxi University of Technology and Guangdong Baiyun University.

Vocational Education Segment

Revenue from vocational education segment increased from RMB369.8 million for the Pro Forma Period to RMB677.1 million for the year ended 31 August 2019, representing a 83.1% increase.

The significant increase in revenue of vocational education institutions was mainly driven by the inclusion of Zhengzhou Transit School and Xi'an Railway College (which both became consolidated affiliated entities of the Group in March 2018) and organic growth in student enrollment and tuition fees of three vocational education institutions, including Baiyun Technician College.

Cost of Revenue

The cost of revenue increased from approximately RMB509.8 million for the Pro Forma Period to approximately RMB833.4 million for the year ended 31 August 2019, representing a 63.5% increase. The increase was due to the expansion of the Group, the growth of student number and the higher cost structure, which includes partnership costs paid to public schools, of the newly acquired independent colleges, namely Guangzhou Songtian University, Shandong Quancheng University and Chongqing Translators University. The partnership costs in such independent colleges will cease to exist after the independent colleges are converted to full private higher education schools.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB1,121.5 million for the year ended 31 August 2019 as compared to RMB785.6 million for the Pro Forma Period. The gross profit margin was 57.4% for the year ended 31 August 2019 as compared to 60.6% for the Pro Forma Period. The slight drop in gross profit margin was mainly due to the inclusion of newly acquired schools which had lower gross profit margins as compared to the existing and more mature schools of the Group. As explained in the section "Schools Consolidated into the Group During the Reporting Period", the management's plan is to improve the operations and enhance the profit margins of the newly acquired schools and the whole Group to levels that are comparable to the Group's existing mature schools through the Group's operational expertise.

Other Income

Other income primarily included academic administration income, management fee income and government grants.

Selling Expenses

The Group's selling expenses was RMB52.8 million for the year ended 31 August 2019 as compared to RMB24.3 million for the Pro Forma Period. The significant increase in selling expenses incurred for the year ended 31 August 2019 was mainly due to the inclusion of certain vocational schools which had higher selling expenses.

Administrative Expenses

The Group's administrative expenses was RMB353.0 million for the year ended 31 August 2019 as compared to RMB218.2 million for the Pro Forma Period. It represented about 18.1% of the revenue for the year ended 31 August 2019 and was increased as compared to that of 16.8% for the Pro Forma Period. The increase in administrative expenses was mainly due to the inclusion of administrative expenses of the newly acquired schools and the increase in expenses associated with central management operations and M&A activities of the Group.

Operating Profit

The operating profit amounted to RMB796.2 million for the year ended 31 August 2019, increased by 28.0% as compared to RMB621.8 million for the Pro Forma Period.

Other Gains and Losses

The other gains and losses were recorded at net loss of RMB57.7 million for the year ended 31 August 2019 which was mainly attributable to the foreign exchange loss of RMB65.9 million, as a result of depreciation of Renminbi against United States Dollars and Hong Kong dollars.

Finance Costs

The finance costs of RMB103.8 million for the year ended 31 August 2019 represented the interest expenses on bank and other borrowings and convertible bonds and imputed interest on deferred cash considerations.

Management Discussion and Analysis

Net Profit and Net Profit Margin

	Year ended 31 August 2019						
		Adjustments					
	As reported	Foreign exchange loss	Share-based payments	Imputed interest on deferred cash considerations	Fair value gain on convertible bonds	Listing expenses	Adjusted
	(RMB'000, unless specified)						
Net profit for the period	687,238	65,887	48,863	40,619	(1,484)	–	841,123
Net profit attributable to owners of the Company	592,617	65,887	48,863	40,619	(1,484)	–	746,502
Earnings per share (RMB cents)							
— basic	29.33						36.95
— diluted	29.16						36.74
Net profit margin	35.2%						43.0%

	Year ended 31 August 2018 (Pro Forma)						
		Adjustments					
	As reported	Foreign exchange loss	Share-based payments	Imputed interest on deferred cash considerations	Fair value gain on convertible bonds	Listing expenses	Adjusted
	(RMB'000, unless specified)						
Net profit for the period	553,383	43,394	42,731	15,947	–	23,568	679,023
Net profit attributable to owners of the Company	509,889	43,394	42,731	15,947	–	23,568	635,529
Earnings per share (RMB cents)							
— basic	27.57						34.25
— diluted	27.49						34.15
Net profit margin	42.7%						52.4%

Adjusting for the foreign exchange loss, share-based payments, imputed interest on deferred cash considerations, fair value gain on convertible bonds and listing expenses, adjusted net profit was increased by 23.9% from RMB679.0 million for the Pro Forma Period to RMB841.1 million for the year ended 31 August 2019. The adjusted net profit attributable to owners of the Company was increased by 17.5% to RMB746.5 million for the year ended 31 August 2019. The adjusted net profit margin was decreased from 52.4% for the Pro Forma Period to 43.0% for the year ended 31 August 2019.

The Group's net profit was RMB687.2 million for the year ended 31 August 2019, representing an increase of 24.2% compared to RMB553.4 million for the Pro Forma Period. The net profit margin was decreased from 42.7% for the Pro Forma Period to 35.2% for the year ended 31 August 2019.

The decrease in adjusted net profit margin and net profit margin was mainly due to the inclusion of newly acquired schools which had lower adjusted net profit margins and net profit margins as compared to the existing and more mature schools of the Group and the finance costs, central management operations expenses and M&A expenses.

Earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and amortisation of intangible assets and prepaid lease payments. EBITDA was increased by 36.1% to RMB1,008.5 million for the year ended 31 August 2019 from RMB740.8 million for the Pro Forma Period. Adjusting for the foreign exchange loss, share-based payments, fair value gain on convertible bonds and listing expenses, adjusted EBITDA was increased by 31.9% from RMB850.5 million for the Pro Forma Period to RMB1,121.8 million for the year ended 31 August 2019.

Property, Plant and Equipment

Property, plant and equipment as at 31 August 2019 increased by 79.5% to approximately RMB5,850.8 million from approximately RMB3,258.7 million as at 31 August 2018. Increase in property, plant and equipment was mainly due to the inclusion of Guangzhou Songtian University, Songtian Polytechnic College, Chongqing Translators University and Shandong Quancheng University and the construction of Guangdong Baiyun University's new campus.

Prepayments for Investments

The prepayments mainly represent the amounts made for the acquisition of Yantai Haijun Property Limited (煙台海郡置業有限公司), which primarily owns land and properties adjacent to Shandong Quancheng University. The land and properties are expected to be used for Shandong Quancheng University's campus expansion.

Total Bank Balances and Cash

Including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash was increased from approximately RMB1,907.1 million as at 31 August 2018 to approximately RMB4,254.4 million as at 31 August 2019. The Group issued HK$2,355.0 million (equivalent to RMB2,007.2 million) convertible bonds in March 2019 and drew down a loan of US$133.8 million (equivalent to RMB900.6 million) from International Finance Corporation in April 2019.

Management Discussion and Analysis

Capital Expenditures

Our capital expenditures for the year ended 31 August 2019 were approximately RMB808.0 million and were primarily related to maintaining and upgrading the existing school premises, and construction of new campus of Guangdong Baiyun University and new buildings of Jiangxi University of Technology.

Liquidity, Financial Resources and Gearing Ratio

As at 31 August 2019, the Group had total bank balances and cash (including structured deposits and money market funds recognised in financial assets at fair value through profit or loss and restricted bank deposits) of approximately RMB4,254.4 million (2018: RMB1,907.1 million) and bank and other borrowings and convertible bonds of approximately RMB4,266.6 million (2018: RMB237.0 million).

As at 31 August 2019, certain bank and other borrowings and proceeds from convertible bonds were not yet utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the year ended 31 August 2019. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

As at 31 August 2019, the gearing ratio (which is calculated on the basis of total borrowings and total equity of the Group) and the net gearing ratio (which is calculated on the basis of total borrowings, net of total bank balances and cash, and total equity of the Group) were 60.9% (2018: 3.7%) and 0.2% (2018: -25.8%), respectively.

Foreign Exchange Risk Management

During the year ended 31 August 2019, the majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Management Discussion and Analysis

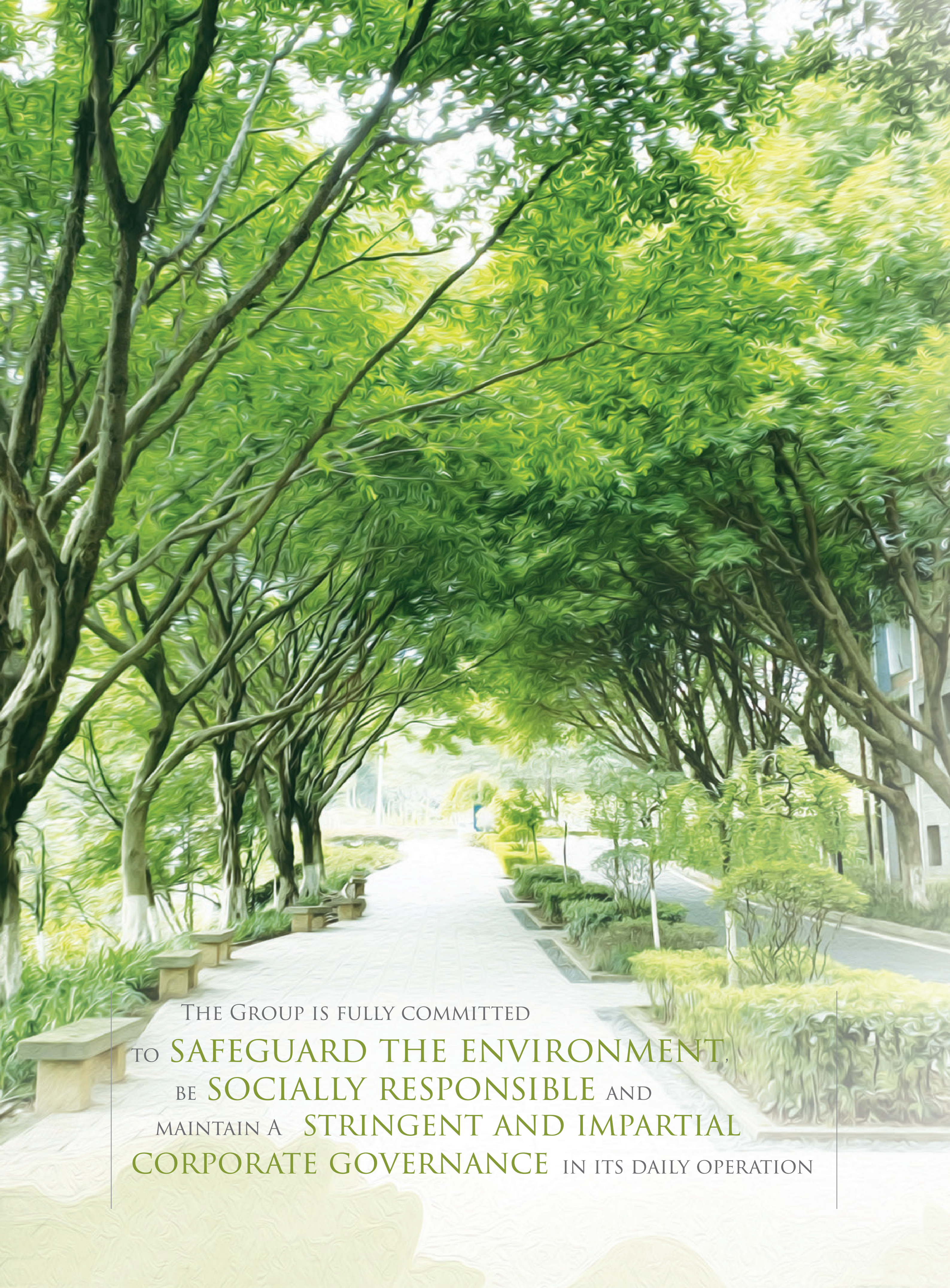
Charges on the Group's Assets

As at 31 August 2019 and 2018, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group.

Save as above, there was no other material charge on the Group's assets as at 31 August 2019 and 2018.

Contingent Liabilities

As at 31 August 2019 and 2018, the Group had no significant contingent liability.



The Group is fully committed to **SAFEGUARD THE ENVIRONMENT**, be **SOCIALLY RESPONSIBLE** and maintain a **STRINGENT AND IMPARTIAL CORPORATE GOVERNANCE** in its daily operation

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1 Reporting Guidelines

Our Group is not only a paragon of private higher education and vocational education in China but also an exemplar of staunch guardian of Environmental, Social and Governance ("ESG") practice. We are fully committed to safeguard the environment, be socially responsible and maintain a stringent and impartial corporate governance in our daily operation.

This report, prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules, aims to provide the environmental and social performance of China Education Group Holdings Limited for the year ended 31 August 2019. We set out below our efforts to mitigate the negative influence to the environment, to promote our employees' well-being and to contribute to the local communities during the reporting period.

1.2 Reporting Scope and Reporting Period

Unless otherwise stated, the reporting scope of this report covers the Group's 11 major consolidated affiliated entities (previous year's report: seven), namely China Education Group (Hong Kong) Limited ("HK China Education Group"), Huajiao Education Technology (Jiangxi) Company Limited ("WFOE"), Jiangxi University of Technology, Guangdong Baiyun University, Chongqing Translators University, Guangzhou Songtian University, Shandong Quancheng University, Songtian Polytechnic College, Xi'an Railway College, Zhengzhou Transit School and Baiyun Technician College. The increase in reporting coverage is due to four new schools (major consolidated affiliated entities) are included into the Group during the reporting period.

Unless otherwise stated, the reporting period of this report is from 1 September 2018 to 31 August 2019, which is tantamount to the reporting period covered in the Annual Report 2018/2019.

1.3 ESG Governance and Report Statement

ESG matters and reporting are responsible by the Group Internal Control Department and overseen by the Board. The Board periodically conducts ESG assessment by identifying potential impacts, risks, and opportunities posed to the operation, reviews senior management and functional departments' competence in executing ESG responsibilities, and initiates internal auditing providing high-quality assurance on ESG reporting.

This report is solely prepared by the Company. The data and information used in this report are derived from our internal source (such as questionnaires, records, statistics and inhouse researches) and external data (such as estimations and measurements provided by independent third-party professionals engaged by the Company). The Board and senior management, to their best knowledge, have monitored and guarantee the completeness, reliability, authenticity and objectivity of the information included in this report, and update ESG disclosure practice based on changing standards and business operation. We also hope to strengthen our communication with the stakeholders and increase the transparency of the Company through the publication of this report, to achieve economic, social and environmental sustainable development.

This report is available in both English and Chinese. However for any discrepancies, the Chinese version will prevail.

1.4 Stakeholder Engagement

In order to achieve completeness and to report the most significant aspects for the Group in this report, we have engaged the key stakeholders, including but not limited to government authorities, non-governmental institutions and organizations, shareholders, students, employees and suppliers, in discussion sessions to discuss and to review areas of attention which will help the Company to meet its potential growth and be prepared for future challenges.

1.5 Information and Feedback

We welcome stakeholders' feedback on our ESG approach and performance. Please provide us with your views or suggestions via email to sprg_chinaeducation@sprg.com.hk.

2. PARTNERING WITH INTERNATIONAL FINANCE CORPORATION (IFC) IN ESG COMPLIANCE AND PROMOTION

2.1 Inclusive Business

IFC has identified the Group as having an inclusive business model due to its reach to underserved students. Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis to people at the base of the pyramid. G20 leaders have highlighted the important role of inclusive businesses in the implementation of the United Nations' Sustainable Development Goals. Inclusive businesses re-define business-as-usual to help eradicate poverty and boost shared prosperity. The Group is proud of being identified as an inclusive business model and will continue to commit itself in offering high quality education with affordable tuition to students.

Environmental, Social and Governance Report

The Group considers United Nations' Sustainable Development Goals and believes Goal 1: No Poverty — Economic growth must be inclusive to provide sustainable jobs and promote equality, and Goal 4: Quality Education — Obtaining a quality education is the foundation to improving people's lives and sustainable development, are the most relevant to the Group's business.

2.2 Compliance with IFC Performance Standards

The Group will collect data to monitor environmental and social status, review and report on our environmental and social policy; this report covers the status of our compliance with *IFC Performance Standards* and applicable local governmental, social, labour, safety, security and health registration and standards and measures taken to remedy any non-compliance. We agree to achieve, as a minimum, the standards set out in *IFC's Environmental and Social Policies and IFC Performance Standards*, and the *World Bank Group Environmental, Health, and Safety* general guidelines. Such requirements define approaches for managing business operations and investment projects and include Performance Standards in areas such as environmental and social management system, labour and working conditions, land acquisition and involuntary resettlement, and life and fire safety. We have agreed to implement an action plan to adopt measures to enable our operations to be conducted in compliance with *IFC Performance Standards*. We will also comply with applicable environmental, social, labour, health, security and safety legislations and guidelines and standards in countries/regions where we operate. For more details, please refer to the section headed "Cornerstone Investors" of the Company's prospectus dated 5 December 2017.

2.3 IFC Green Buildings Project

Meeting the *IFC Performance Standards* is not our ultimate goal in corporate sustainability and environment protection; we strive to go well beyond regulatory compliance. In November 2017, the Group has committed to implement IFC Green Building standards that adopt IFC EDGE certification (new buildings designed and constructed must meet 20% improvement in energy, water, and materials usage as measured against local construction practices) for energy efficiency and material consumption sustainability across our existing and future new school/campus project(s). IFC EDGE certified buildings are financially and environmentally rewarding, making them more investment worthy and marketable properties.

During the reporting period, Guangdong Baiyun University's new campus project has started preparing its new buildings to be IFC EDGE certified. As at the date of this annual report, we have successfully registered for the project and started preparing for the site audit; management expects the Group to receive the IFC EDGE certification in 2020.

We believe a commitment to apply IFC Green Building standards can help the Group to enhance its profitability through resource and cost efficiency. More importantly, this commitment would complement the Group's strong brand value and strengthen the Group's leadership position among HKEx's listed education companies.

Environmental, Social and Governance Report

3. ENVIRONMENT

3.1 Emissions

General

The Group is principally engaged in education services, hence, the types and volumes of emissions generated in our daily operations are limited. Our major sources of emission are exhaust from our motor vehicles and canteens, catering and domestic wastewater from schools, and the domestic wastes from schools. Our schools strictly comply with the *Notice on Further Promoting the Energy Conservation of Public Buildings of the Ministry of Finance and the Ministry of Housing & Urban-Rural Department*, the *PRC Energy Conservation Law*, and all other relevant laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. In addition, our schools preserve the natural environment by focusing on the management of the polluting sources of schools pursuant to the *PRC Environment Protection Law* and other relevant laws and regulations.

Types of emissions and respective emission data

Our source of **exhaust gases and greenhouse gases** is mainly from stationary combustion (such as canteens) and company-owned vehicles. The air emissions of motor vehicles include nitrogen oxides (NO_x), sulphur oxides (SO_2) and respiratory suspended particles (PM), while the greenhouse gas emissions include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). We also produce carbon dioxide indirectly through electricity consumption.

Our **liquid emissions** are mainly domestic wastewater from dormitories and canteens. Domestic wastewater is discharged into the municipal sewage pipelines in compliance with municipal requirements. During the reporting period, a campus of one of our schools has not yet obtained the sewage discharge (into the municipal sewage treatment pipeline) permit; the rectification is currently in progress.

Environmental, Social and Governance Report

As for the **solid emissions**, our hazardous wastes are light tubes and bulbs. Our major source of non-hazardous wastes is from various recyclable and non-recyclable domestic wastes produced from schools. The Company's domestic wastes are collected and categorized by qualified professional property companies and are transferred by municipal disposal companies to the garbage transfer station designated by government health authorities. The garbage generated by the schools each day is removed, disinfected and cleaned by property management companies, and is transferred to the garbage transfer station for disposal. The detailed emission data of the Group during the reporting period is as follows; The substantial increase in emissions from 2018 to 2019 is due to inclusion of emissions of the newly acquired schools and difference in reporting periods.

	Measure	Year ended 31 August 2019	Eight months ended 31 August 2018
Air Emissions (excluding greenhouse gas emissions)			
Nitrogen oxides (NO_x)	kg	**4,598.0**	2,525.1
Sulphur oxides (SO_2)	kg	**38.1**	2.8
Particulate matter (PM)	kg	**436.4**	198.1
Total air emissions:	kg	**5,072.5**	2,726.0
Liquid Emissions			
Domestic wastewater (from dormitories)	tonnes	**3,414,220**	1,006,251
Domestic wastewater (from canteens)	tonnes	**468,203**	121,613
Total liquid emissions:	tonnes	**3,882,423**	1,127,864
Solid Emissions			
of which: hazardous waste (light tubes and bulbs)	number	**39,571**	16,759
of which: non-hazardous waste	tonnes	**13,052**	7,554
Less: recycled portion	tonnes	**(338)**	(182)
Total non-hazardous solid emissions:	tonnes	**12,714**	7,372

Greenhouse Gas Emissions	Measure	Year ended 31 August 2019	Eight months ended 31 August 2018
Combustion of fuels in stationary sources (scope 1)	tonnes	**11,459**	1,128
Combustion of fuels in mobile sources (scope 1)	tonnes	**954**	479
Less: greenhouse gas offset by our trees (scope 1)	tonnes	**(529)**	(466)
Energy indirect emissions (scope 2)	tonnes	**66,124**	28,456
Total:	tonnes	**78,008**	29,597

Environmental, Social and Governance Report

Measures to mitigate emissions and results achieved

In order to reduce gas emissions (mainly emissions from vehicles), the Group provides trainings to drivers to enhance their driving skills and their management and operation capabilities of the school vehicles team. We encourage our drivers to study traffic rules, traffic atlas and routes when their vehicles are idle, making them less likely to take wrong paths and to save time and fuels. We perform school vehicles inspection and maintenance regularly to ensure our vehicles are always in good conditions. In addition, our drivers are required to be proficient in various types of vehicles' technical performance. Secondly, we use renewable energy for emission reduction, which plays a positive and promotive role to ease the power shortage, to reduce the total energy consumption of the society, and to improve the environment and enhance the comfort of residential housing. For example, our nine operating schools arrange school buses for employees to commute between schools and their residential districts, and some schools use renewable energy school buses so as to reduce the local transportation usage and thus the emissions of exhaust gas to a certain extent. Thirdly, we attach great importance to the afforestation of campus and proactively carry out tree planting activities to increase the green coverage of campus. As at 31 August 2019, Jiangxi University of Technology and Xi'an Railway College have afforestation rates as high as 60% and 75% respectively. During the reporting period, we introduced 395 new trees and replanted more than 185 thousand shrubs and saplings. During the reporting period, the greenhouse gas offset by the Group's owned trees amounted to 529 tonnes, which effectively offsets the greenhouse gas emissions of 0.68%. Strengthening campus greening management not only protects and improves the ecological environment, but also beautifies the campus and creates an elegant and comfortable education environment.

The Group proactively carries out emissions reduction and water saving campaigns to reduce liquid emissions (mainly catering wastewater emission and domestic wastewater emission from schools). For example, Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College carry out water saving and emission reduction campaigns and education in line with other environmental campaigns such as "National Energy Saving Publicity Week". Our schools strictly comply with the relevant requirements relating to the management of urban sewage discharge. Domestic wastewater is discharged into urban facilities within the permitted scope. All domestic sewage of the schools is treated in biochemical pools before discharging into municipal sewage treatment pipeline through the sewage system, to avoid the domestic wastewater generated by schools from contaminating the nearby water body.

Environmental, Social and Governance Report

How non-hazardous waste is handled, reduction initiatives and results achieved

Our Schools carry out environmental protection campaign and education for students through the management personnel or student cadres or the electronic display screens at the entrance of dormitories and classroom buildings, to imperceptibly enhance the environmental awareness of our students.

In order to reduce recyclable solid emissions, we proactively implement paperless office and online office to reduce paper consumption. Our schools discourage students and canteens using or providing plastic bags and disposable tableware so as to reduce the production and discharge of domestic waste. For example, Chongqing Translators University's canteens impose charges on plastic bags and disposable tableware, and Zhengzhou Transit School provides direct drinking water throughout the campus, significantly reducing the consumption of plastic bags, disposable tableware and other environmental pollutants.

Our schools have been committed to promoting sustainable development and dedicating themselves to recycle the recyclable solid waste. The garbage and waste generated by the schools are classified and collected by cleaning staff each day. The recyclable items are recycled, while the remaining non-recyclable waste is handled by cleaning companies. During the reporting period, the Group recycled 338 tonnes of recyclable waste in total (excluding those handled by third-party recycling companies), sufficiently reducing landfills in respective schools' local communities.

*Waste Recycling Statistics of the Group in 2019**

	Types of recycled wastes (Measure: tonnes)					
School	Water bottles	Card board	Books and misc plastic	Cans	Used clothing	Recycled Total
Jiangxi University of Technology	5	17	5	1	3	31
Guangdong Baiyun University	20	117	7	10	3	157
Baiyun Technician College	26	40	2	7	6	81
Others	3	12	39	1	14	69
Total:	54	186	53	19	26	338

* *For the year ended 31 August 2019, excluding the recyclable waste handled by third-party companies.*

Environmental, Social and Governance Report

3.2 Use of Resources

General

In order to promote the reasonable consumption and conservation of energy and thus to enhance the overall efficiency of energy consumption, our schools have assessed the energy reduction goals and have improved the management system of energy saving and energy saving records in accordance with the *PRC Energy Conservation Law* and the relevant documents issued by the provincial and municipal commission of industry and information technology and the city energy saving office. The energy reduction goals are segmented and the stage of completion of the energy reduction goals is evaluated regularly. The formulation and improvement of various energy reduction systems create a regulated environment with rules and precedents for our schools to follow so as to develop economical/resource conservative campuses. We have formulated various energy reduction systems in line with the actual situation of the development of schools and each department is constrained to strictly comply with the systems.

For example:

The Regulation of Energy Management (for upper management):	*The Duties of Water Conservation Leading Team, the Duties of Leader of Energy Saving Team, Responsibilities of Water, Electricity, and Gas Management Positions, the Standards of Water Saving Work*
The Management System of Energy Saving and Usage:	*The Management System of Energy Usage, Notices for Strengthening of Energy Saving Management of School Air Conditioners, Provisions on Administration of Water Reduction and Water Usage Management, the Management System of Planned Water Usage, the Management System of Incentive and Penalties of Water Usage, the Management System of Water, Electricity and Gas Usage*
The Management and Analysis Regulation of Energy Measurement:	*The Management Regulation of Energy Consumption Statistics and Usage Analysis, the Management Regulation of Energy Measurement, the Requirements of Energy and Water Measurement, the Measures for Administration of Energy and Water Measurement and Energy Saving*
The Usage and Maintenance Regulation of Energy-based Devices:	*Operating Instructions of Air Conditioners, the Scheduled Maintenance Regulation of Water Equipment, Appliances and Pipes, the Operation and Management Regulation of Water Saving Equipment, Public Facilities Management and Maintenance System*

Environmental, Social and Governance Report

Total consumption of resources/energy

The Group adheres to the principle of conservation and exercises stringent management of energy consumption. The total energy consumption of the Group during the reporting period is as follows; The substantial increase in resources/energy consumption from 2018 to 2019 is due to inclusion of consumption of the newly acquired schools and difference in reporting periods.

Resources/Energy Categories	Measure	Year ended 31 August 2019	Eight months ended 31 August 2018
Electricity	kWh	**87,735,312**	37,514,822
Water	m^3	**8,041,439**	2,000,976
Natural gas	m^3	**5,036,060**	285,001
Gasoline	liter	**162,541**	65,092
Diesel	liter	**218,291**	114,651
Liquefied petroleum gas	kg	**75,145**	56,810
Alcohol-based fuels	kg	**259,435**	371,095

Energy use efficiency initiatives and results achieved

During the reporting period, the initiatives made by our schools to enhance the energy use efficiency and the results achieved are mainly reflected by the electricity and water savings. Our efforts in **electricity-saving** include: firstly, certain old low-voltage cabinets in various buildings are replaced; secondly, traditional street lights in campuses and lighting in classrooms are gradually replaced with LED energy-saving lamps or Acousto-optic lamps; thirdly, the regulation for energy conservation of water heaters and air conditioners in student dormitories are strengthened. The water heaters, air conditioners and other high-power equipment are switched off timely when they are operated under electrical overload, to ensure the safety and stability on using electricity in schools. Specific measures taken by the schools are: air conditioner temperature is set to 26°C or above in the summer; and all staff and students leaving classrooms or offices are required to switch off lighting devices and lights; private power connect or high energy-consuming appliances are not allowed on campuses. These measures proactively help to ease the power shortage, reduce the total energy consumption, and mitigate pollution; they are important guarantees for sustainable economic and environmental development.

Environmental, Social and Governance Report

Various measures in **water-saving** are adopted by our schools. Firstly, treated sewage irrigation; for example, Shandong Quancheng University has built-in sewage treatment plant that treats 600-800 tonnes of domestic wastewater on a daily basis and use the treated wastewater for greening and road spraying. Secondly, most of our schools implement water conservation and renovation projects such as utilising water conservation taps, water saving storage-type toilet flushing valves, environmental automatic micro-irrigation and so on to effectively reduce the total water consumption in campuses. Thirdly, proactively carry out publicity campaign on energy conservation and provide environmental training by displaying posters in campuses to promote the importance of environmental protection to students and teachers and enhance their environmental awareness. Fourth, inspect the electricity and power equipment regularly to prevent water pipe leakage. Our efforts in water conversation are well recognised by the government; both Guangdong Baiyun University and Baiyun Technician College were awarded “Water-saving Enterprises in Guangdong Province in 2018” by Water Affairs Bureau of Guangzhou Municipality (pictures below).

Water fit for purpose and packaging material

The Company does not have any problems in sourcing water that is fit for purpose. All of our schools have stable sources of water supply from municipal pipes and the water quality meets the national safety standard. The Group engages in the business of education services but not industrial manufacturing, thus no packaging material is consumed.

Environmental, Social and Governance Report

3.3 Environment and Natural Resources

General

The Group strictly abides by and implements the relevant national and provincial policies, in order to reduce damage to the environment and natural resources. During the reporting period, the Group abode by the following policies which have a significant impact on the environment and natural resources, including but not limited to: **National policies**, such as, *Notice of the Ministry of Finance and the Ministry of Housing and Urban-Rural Development on Further Promoting Energy Efficiency in Public Buildings*, PRC Energy Conservation Law, *Notice of the State Council on Issuing Comprehensive Working Methods of Energy Saving and Emission Reduction in the 13th Five-Year Plan, and Notice of the Ministry of Education on Deeply Developing Food Saving, Water Saving and Electricity Saving Activities*; **Provincial policies**, such as, *13th Five-Year Plan for Energy Conservation and Emission Reduction in Guangdong Province, Promotion Plan for Energy Conservation and Emission Reduction in Guangdong Province in 2018*, and *School Safety Regulations in Shandong Province — Work Program for Learning, Publicity and Implementation*; **Municipal-level policies**, such as, *Notice on Launching Activities to Create Water-saving Colleges and Universities of Nanchang City, Notice on Further Strengthening School Electricity Safety Management*, and *Notice on Guidance and Management of Electricity Safety in Winter*. In addition, the schools emphasize the development of campus culture, strive to create a clean, civilized and harmonious campus environment, by doing a good job in campus greening, sanitation and hygiene management, implementing a target management system in accordance with the school quality management system, and regularly reviewing the implementation of various policies aiming to further reduce the impacts on the environment.

Significant impacts of activities on the environment and natural resources and our conservation actions taken

As the number of students in the Group is continuously increasing, the amount of water consumption and sewage discharge is correspondingly increasing, so does the amount of domestic garbage and kitchen waste, resulting a certain impact on the environment and water resource. In addition, new infrastructure projects in progress, such as Guangzhou Songtian University and Songtian Polytechnic College's new library construction, have generated considerable air and noise pollution.

Environmental, Social and Governance Report

Our schools emphasize the environment protection and stick to the sustainable development in daily management. In order to reduce environmental pollution, the Group has integrated energy conservation and emission reduction into the entire teaching and service processes, and has actively established and promoted conservation-oriented campuses so that energy conservation work can be carried out in the schools in a concerted manner. During the reporting period, the relevant management actions we have taken are: 1) Promote energy-saving renovation for buildings. We built an energy-saving supervision platform on campus, in order to supervise the water and electricity consumption in the students' dormitories and the use of air conditioners during the course of administration, teaching and in the office, so as to ensure the real-time transmission of data and remote monitoring and management. 2) Strengthening water saving measures. We strictly regulate water consumption, promote water conservation, oppose the waste of water resources, and encourage water recycling. The schools have actively carried out activities to create "Water-saving Colleges and Universities" based on The Assessment Standard for Water- Saving Colleges and Universities promulgated by respective provincial governments. 3) Strengthening energy-saving measures for office equipment. According to our internal statistics, reducing the standby time of office equipment can greatly reduce power consumption and extend the equipment service life. While we actively cultivate employees' awareness of energy conservation in reducing power consumption caused by standby time, we also plan to use some automated technology to achieve energy conservation in reducing power consumption caused by standby time. In addition, we have phased out old equipment with high power consumption and gradually replaced them with green products and equipment. We give priority to energy efficiency in the purchasing of electrical appliances and equipment. 4) Carrying out the investigation, monitoring and analysis (such as real-time tracking and management) of water and electricity usage and establishing the energy saving incentives and restraint mechanisms. 5) The Group encourages a paperless office environment, gradually bans the cafeteria to provide students with plastic bags and recycles all recyclable garbage as much as possible, so as to effect earnest enforcement in environmental protection.

Environmental, Social and Governance Report

4. SOCIAL

4.1 Employment and Labour Standards

4.1.1 Employment

Jiang Shaorong
(Head of Apparel Design and Manufacturing Department, Baiyun Technician College)

"I have been teaching at Baiyun Technician College for nearly 30 years. What has propelled me to stay this long? It is my faith in believing in the development of the school, especially after joining the China Education Group. With the tremendous support from the Group, my student Wen Caiyun earned the most prestigious Gold medal in the fashion technology project in the 45th WorldSkills Kazan 2019."

General

Remuneration

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Schools participate in social insurance (pension, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees. For example, Guangdong Baiyun University participates in accidental medical insurance plan for employees while Zhengzhou Transit School, Shandong Quancheng University and Chongqing Translators University pay commercial insurance for their retired employees, etc.

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Dismissal

The guidelines and procedures for the dismissal of employees and the termination of contracts with schools are stipulated in relevant human resource policies and *Employment Contract*. In general, employees are terminated by the schools only if they violate the national laws, the rules and regulations of the schools, or the relevant provisions of the Employment Contract. The schools provide economic compensation to eligible terminated employees according to the *PRC Labour Contract Law*.

Recruitment

We follow the *PRC Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law* as well as provincial and local Labour laws and regulations (of where the operating schools locate and operate) in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. Our schools carry out their recruitment works based on relevant human resource policies and the *Methods for Implementing Teachers' Recruitment Work*, and continuously to improve and refine their recruitment processes. School staff recruitment procedures/cycle can be summarised as follows: pre-hiring advertisement, resume screening, interview invitation, HR interview, professional qualification assessment, employer business assessment, departmental and school senior management interview, background investigation, conditional employment offer, physical examination, and formal employment offer. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and smoother transitions and integrations.

Promotion

The Group believes that the teaching quality depends largely on the quality of teachers. To improve the teaching quality and enhance teachers' work initiatives, as well as to ensure teachers are fairly rewarded and compensated based on their efforts and work qualities, most of our member schools have formulated the *Measures for Determination of Performance Awards* and recommended teachers and employees to conduct annual assessments.

The schools promote teachers and employees based on their work performance, individual performance, and job qualifications, etc. For professional and technical positions, we promote the eligible employees among the best professional and technical personnel based on their performance results and service time at the current positions and promote them within the systems of post ranking. For management positions, we select the eligible employees among the best based on their performance, results and annual assessments and promote them in the case of vacant posts. In the case of no vacant posts, we may appropriately give a raise to the qualified employees.

Share Option Schemes and Share Award Scheme

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivizing eligible participants for their contribution to the Group. For more details, please refer to the section headed "Share Option Schemes and Share Award Scheme" of the Report of the Directors.

During the year ended 31 August 2019, a total of 4,350,000 share options is granted to certain key management employee of the Company, its subsidiaries and schools.

Working hours and vacations

The Group strictly implements the system of working, resting and vacation according to relevant human resource policies and other national regulations. Our standard working hours are eight hours per day, five days per week, or no more than 40 normal working hours per week, with at least one day off. Except for unusual circumstances, such as at the end of the year, we do not advocate overtime work. For those who have been approved to work overtime due to business needs, the schools shall pay the overtime fees according to regulations. Teachers and employees are legally entitled to statutory holiday, winter and summer vacations (or annual leaves), casual leaves, sick leaves, marriage leaves, compassionate leaves, maternity leaves (and paternity leaves) and other paid or unpaid leaves.

Equal opportunities

Teachers and employees enjoy equal opportunities for education, professional development and promotion and are not discriminated against due to their races, genders, religions or cultural backgrounds.

Diversification

The backgrounds of our teachers and employees are highly diverse; they come from different provinces in China or foreign countries; they graduated from schools in China and abroad; their experiences (prior to joining us) include government agencies, institutions, enterprises, private non-enterprises, and industry organisations; we also have foreign teachers from other countries. The Group has made great efforts to attract social talents to join the teaching team and to promote its diversity, and to fully utilize the valuable experience of the retired and re-employed personnel. For example, Jiangxi University of Technology, Zhengzhou Transit School and Chongqing Translators University employ a considerable number of retirees from the industries and schools.

Anti-discrimination

We provide equal opportunities in recruitment and employment, and oppose any types of discrimination. The Company resolutely resists and opposes any forms of discrimination or forced labour practices, including forced labour, racial discrimination, and improper punitive measures. We strive to create a harmonious and equal working environment for all employees. During the reporting period, the Group did not receive any complaints related to any form of discrimination or forced labour.

Total number of employees by gender, type of employment, age group and geographical region

As at 31 August 2019, the Group had a total of 8,718 employees, a 38.2% increase from 2018's mainly due to acquisition of four schools. Please refer to the following four tables for detailed disclosure by category.

Total number of employees by gender

Gender		At 31 August 2019 (person(s))	At 31 August 2018 (person(s))
Male		**4,328**	3,345
Female		**4,390**	2,962
	Total:	**8,718**	6,307

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Total number of employees by type of employment

Type of employment	At 31 August 2019 (person(s))	At 31 August 2018 (person(s))
Directors & senior management of the Group*	**9**	9
Teachers	**6,079**	4,317
Teaching support staff	**528**	709
Administrative staff	**1,152**	643
Accounting and internal control staff	**95**	66
Campus security staff	**167**	118
Other staff	**688**	445
Total:	**8,718**	6,307

* *Details of directors & senior management of the Group are set out in Directors and Senior Management of this Annual Report.*

Our main employees are teachers and teaching support staff, accounting for nearly 75.8% of the total number of employees. Our teachers and teaching support staff are our greatest and most valuable human resource asset.

Total number of employees by age group

Age group	At 31 August 2019 (person(s))	At 31 August 2018 (person(s))
30 or below	**2,470**	1,924
31-40	**3,325**	2,240
41-50	**1,527**	1,119
51-60	**1,035**	780
Over 60	**361**	244
Total:	**8,718**	6,307

About 55.7% of our employees are between the ages of 31 and 50; this group mainly consists of teachers and professors with teaching experience of 10–20 years. In addition, the number of employees under the age of 30 is also considerable, accounted for 28.3% of the total employees; this group mainly consists of youth teachers with teaching experience of or less than 10 years or youth teachers working toward their teacher qualification certificates, with tremendous supports from the Group.

Total number of employees by geographical region

Geographical region	At 31 August 2019 (person(s))	At 31 August 2018 (person(s))
Jiangxi Province	**1,832**	1,746
Guangdong Province	**1,518**	1,358
Henan Province	**881**	923
Shaanxi Province	**684**	522
Shandong Province	**652**	n/a*
Chongqing municipality	**496**	n/a*
Other regions	**2,655**	1,758
Total:	**8,718**	6,307

* *Shandong Quancheng University and Chongqing Translators University were not yet our operating schools in 2018.*

Similar to our students, our employees also come from foreign countries and various regions in China, despite our nine schools are located in only six provinces/municipalities. At 31 August 2019, around 30.5% of our employees were from foreign countries and other provinces/municipalities in China.

Employee turnover rate by gender, age group and geographical region

We have a very stable teachers and management workforce. During the reporting period, the Group had a total of 867 resigned employees, representing an employee turnover rate of 9.0%. Please refer to the following three tables for detailed disclosure by category:

Employee turnover by gender

Gender	Year ended 31 August 2019 (person(s), %)	Eight months ended 31 August 2018 (person(s), %)
Male	**473 (4.9%)**	190 (2.8%)
Female	**394 (4.1%)**	186 (2.8%)
Total:	**867 (9.0%)**	376 (5.6%)

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Employee turnover by age group

Age Group	**Year ended 31 August 2019 (person(s), %)**	Eight months ended 31 August 2018 (person(s), %)
30 or below	**449 (4.7%)**	227 (3.4%)
31-40	**249 (2.6%)**	81 (1.2%)
41-50	**55 (0.5%)**	27 (0.4%)
51-60	**58 (0.6%)**	27 (0.4%)
Over 60	**56 (0.6%)**	14 (0.2%)
Total:	**867 (9.0%)**	376 (5.6%)

Employee turnover by geographical region

Geographical region	**Year ended 31 August 2019 (person(s), %)**	Eight months ended 31 August 2018 (person(s), %)
Jiangxi Province	**38 (0.4%)**	24 (0.4%)
Guangdong Province	**174 (1.8%)**	117 (1.7%)
Henan Province	**262 (2.7%)**	157 (2.3%)
Shaanxi Province	**90 (0.9%)**	25 (0.4%)
Shandong Province	**64 (0.7%)**	n/a*
Chongqing municipality	**38 (0.4%)**	n/a*
Other regions	**201 (2.1%)**	53 (0.8%)
Total:	**867 (9.0%)**	376 (5.6%)

* *Shandong Quancheng University and Chongqing Translators University were not yet our operating schools in 2018.*

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4.1.2 Health and Safety

General

In order to ensure the normal teaching order of the Group and the health and safety of the employees and students, the Group has established strict safety management regulations and standards for fire safety, campus safety and health environment construction, facilities and equipment management, and anti-smoking management, etc., to provide staffs and students with a healthy and safe working and learning environment. While strictly complying with the *PRC Infectious Diseases Prevention Law, School Health Work Regulations, Fire Protection Law* and other relevant laws and regulations in formulating safety management systems, the Group has also established a safety and health work leading team to effectively supervise the implementation of safety inspection system and a safety accountability system to ensure the health and safety of teachers and students. Baiyun Technician College, one of our operating schools, has established an ISO 9001 quality management system in earlier years, in addition to *QB-0703-04 Work Environment Management Procedures* and *QB- 0810-18 Protection Control Procedures* to effectively protect the occupational and environmental safety of employees and students.

The Group also provides employees with relevant accident protection as required by national regulations such as the *PRC Labour Law* and the *Regulations on Work Injury Insurance*. The Group provides necessary labour protection supplies and other measures to ensure employees have a safe working environment that is free from occupational hazards. In addition, the Group participates in annual employee work-related injury insurance and basic medical insurance, which can help its schools and its employees to mitigate accidental risk and damage to a certain extent.

Work injuries and accidents

During the reporting period, the Group did not have any work-related fatalities days (previous year's report: 0).

During the reporting period, the Group had five employees who had work-related injuries (previous year's report: three), resulting a total of 93 lost days (previous year's report: 72). In response to these five work-related injuries, the Group actively applied for work-related injury certification for employees, arranged hospital visits, and compensated for work-related injuries to ensure employees obtain insurance coverage and salary as required by relevant laws.

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Occupational health and safety measures and related implementation and monitoring methods

Due to the characteristics and working environment of the education industry, most employees, such as teachers and administrative staff, do not expose to any inherent occupational hazard risks. A small group of employees, such as maintenance technicians and other outdoor workers, expose to limited occupational hazards risk. Schools mainly adopt the following measures to avoid occupational hazards: (i), to provide necessary protection and communication tools for safety and security personnel; (ii), to provide labour protection supplies for maintenance personnel; (iii), to provide refreshing drinks for workers in high temperature environment in summer; (iv), to formulate safe operating procedures and provide safety trainings for employees.

Our schools have adopted the following measures to ensure the safety of employees:

First, implement safety education and safety precautions. In order to enhance employees' healthcare awareness and physical well-being, most of our operating schools provide free health check-up for all employees every one or two years.

Second, establish safety and health supervision projects. We have strengthened safety inspections in key areas and key locations to eliminate safety hazards in a timely manner. As at the end of the reporting period, the safety and health supervision projects established by the Company mainly include: safety and health publicity and education, investigation and rectification of hidden safety hazards, power safety usage management, management of hazardous chemicals, safety management of food and boilers in canteens, policies and security work requirements, clinic and health management, dormitory safety management and school bus safety management, and improvement for campus and surrounding environment. We are equipped with necessary video surveillance equipment in public areas, and assign security guards to safety and health supervision projects, with clear division of labour and responsibility. As for campus environment, our schools regularly disinfect different areas of campuses on a weekly basis, and makes sufficient efforts on environmental hygiene and disease prevention. In addition, air conditioning maintenance work is conducted every semester. At the same time, anti-smoking is strictly enforced, and tobacco control inspections are regularly conducted to ensure the health of staffs and students and to avoid any incidents that endanger the safety of our school campuses.

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Third, crack down fire safety issues. The group attaches great importance to campus fire safety; all our schools issue fire safety notices at the beginning of academic year, holidays, important periods and sensitive periods. Jiangxi University of Technology and Guangdong Baiyun University hold large-scale fire drills on the annual fire prevention publicity day to enhance the fire safety awareness and self-rescue capability of teachers and students. For example, Guangdong Baiyun University provided trainings to more than 1,200 on-campus volunteer firefighters in November 2018; Zhengzhou Railway Transit School held a school-wide fire safety drill in November 2019 and launched Military training on fire safety in February 2019 and July 2019 to improve students 'safety awareness and self-rescue and mutual rescue capability. During the reporting period, all our operating schools carried out comprehensive and in-depth fire safety inspections on large and small buildings on campuses, to eliminate any hidden concerns or dangers, and to timely carry out rectification on issues identified.

4.1.3 Development and Training

General

The Group attaches great importance to employee training and development. In order to maintain and enhance staffs' teaching and management skills, the Group and its operating schools have formulated employee training programmes throughout the entire academic year based on the actual needs. The training activities focus on the dissemination of culture and the improvement of business capabilities. Taking the extraction and inheritance of experience as the goal, the training model of case analysis is mainly used to comprehensively upgrade employees' knowledge reserves and business. The Group strongly encourages teaching staff to participate in preemployment training, as well as professional trainings that lead to professional teacher and counsellor qualifications, academic lectures, and innovation and entrepreneurship trainings. The Group also encourages them to participate in forums, seminars, meetings and professional training in other disciplines, as well as overseas exchange opportunities.

During the reporting period, our training programmes and projects at **Group-level** mainly include:

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Internal training delivered by the Group

The Group's functional departments conduct internal training on a regular basis. For example, Group Finance Department has periodically conducted trainings on Enterprise resource planning ("ERP") system, budgeting, cash management, policies and procedures in its monthly meetings. Group Internal control department carried out trainings on risk management and internal control in March and April 2019 at operating schools with a focus on risk management awareness and importance of risk responsibility consciousness. During the reporting period, the Group Logistics Department organized five special trainings on ERP system to further standardize the operation of ERP supply chain module, and provided training on procurement management and logistics at schools in June 2019 to further standardize the schools' procurement and logistics management.

Niu Yan
(Director of Human Resources, Zhengzhou Transit School)

"After joining the Group, we clearly feel that there are more and more interaction and exchange opportunities among member schools, not only has strengthened our mutual friendship but also has promoted and encouraged communication."

"We have learned a great deal of valuable experiences and practices of member schools' through the Group's human resources monthly work meeting, 839 University training, and exchange visits/studies among member schools."

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In summer 2019, 839 University, an internal training and development platform to our employees, provided professional training to 50 accounting staffs and 42 logistic staffs. In addition, 839 University conducted training on teaching quality improvement for 66 teaching staffs (management level) and training on general management for 59 managerial personnel. Moreover, in May 2019, the Group held the first teaching skills competition, with a total of 24 teachers participated, aimed to improve teachers' teaching skills and to promote teaching reform and innovation.

China Education Group's first teaching skills competition 2019

839 University general management training, Summer 2019

839 University accounting training (left) and teaching quality improvement training (right), Summer 2019

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External training provided by the Group

In addition to the internal finance and internal control offered by 839 University, the Group also actively sent employee to participate in external expert training. For example, during the reporting period, Group Finance Department participated in seminars on legal analysis of the new education policy and the impact of capital market on education, financial planning and budgeting, financial analysis, decision support and risk management conducted by professional institutions such as PricewaterhouseCoopers. In March 2019, Group Internal Control Department participated in the professional training organized by Shanghai Ruixin Company on initializing and evaluating risk management.

The Group also from time to time invites external experts to provide workshop for teaching staffs. For example, in April 2019, the Group invited Professor Zhao, Vice Chairman of the Research Professional Committee of Chinese Universities, to deliver a workshop on " Paradigm Reform; Student-centered Teaching " for all school teaching staff (management level) of the Group. In summer 2019, the Group invited professionals from Fudan University to conduct "College English teaching reform" seminar for all English teachers of higher education institutions the Group.

During the reporting period, our training programmes and projects at **school-level** mainly include:

1. Encouraging teaching staff to obtain teacher qualifications and counsellor qualifications. For example, Jiangxi University of Technology, Guangzhou Songtian University, Shandong Quancheng University and Chongqing Translators University have issued the *Notice on Launching the 2019 Teacher Qualification Accreditation Work* in accordance with the *Notice on Teacher Qualification Accreditation Work* according to their respective Provincial Education Departments. During the reporting period, a total of 53 teachers from Guangdong Baiyun University obtained the teacher qualification of higher education, while 56 teachers from Zhengzhou Transit School obtained the teacher qualification of secondary vocational education.

Luo Qing
(Secretary of the Board of Directors Office, Guangzhou Songtian University)

"I did not have teacher qualification When I joined the school as an administration staff in 2013, but becoming a teacher has always been my dream. With the help of the school's "administration staff and counsellor teacher qualification transition program", I received the teacher qualification of higher education in 2019, accomplished one of the biggest milestones in my career. "

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2. Support and encourage our teachers to pursue master or doctoral degrees. For example, during the reporting period, Guangdong Baiyun University provided full financial support to 7 teachers to pursue their doctoral degrees in domestic and foreign universities, while Chongqing Translators University supported 6 teachers for their doctoral degrees studying according to the *Measures for the Management of on-the-job Doctoral Training and the Measures for the Implementation of PhD Candidates Introduction*.

Yao leiyue

(Director of Software Research Institute, Jiangxi University of Technology)

"With the support of the University, not only I have successfully promoted to the professorship in 2018 but also started studying for my doctoral degree in a reputable university in China in the same year. I am truly grateful for the Group's generous investment in youth teachers and contribution in Education!"

3. Short-term studies at domestic and foreign universities. For example, during the reporting period, Jiangxi University of Technology, Guangdong Baiyun University and Chongqing Translators University organized and selected 373, 15 and 108 teachers respectively to participate in teaching, management and research skill training programmes such as receiving further education abroad and visiting domestic and foreign universities.

Sun Rui

(Associate Professor of School of International Business and Management, Chongqing Translators University)

"With the support from the school, I was honorably selected to be a visiting scholar at University of British Columbia (Canada). I am deeply impressed by a world-class university's strong academic atmosphere, advanced teaching concepts, diversified teaching strategies and vigorous campus vitality; my professional quality and teaching skills have been greatly improved."

"Benefiting from the development tenet of innovation, openness and internationalization of China Education Group, more and more teachers will have the opportunity to participate in short-term scholar programmes at world class universities in Australia, UK, etc. to broaden their horizons and greatly promote their professional development."

4. Practicing and serving temporary positions in enterprises. For example, Zhengzhou Transit School has sent more than 100 teachers to other schools and enterprises to participate in key teaching personnel and double-qualification teacher training this summer. Every summer, Guangdong Baiyun University arranges over 60 teachers to go to enterprises for a one to two months practice working on professional counterpart positions to enhance their practical work abilities; after the end of practice, they can bring real projects and industrial experiences back to school and utilize and incorporate them in classroom teaching.

5. School-enterprise cooperation in production, learning and research. For example, Jiangxi University of Technology closely focuses on the training objectives of applied talents and have established off-campus practice bases with more than 300 enterprises such as Huawei. Guangzhou Songtian University and Guangdong Yu Zhi Yuan Solar Energy Technology has jointly established enterprise school. Another example is Shandong Quancheng University won 4 projects in school-enterprise collaborative education project of Ministry of education.

6. Carrying out teaching skill training for teachers; encouraging teachers to participate in forums, seminars, meetings in other disciplines and professional training. For example, in May 2019, Jiangxi University of Technology held the *Application of National Social Science Fund* and the training was open to more than 150 full-time teachers.

7. Pre-employment training for new employees. All our schools carry out preemployment training for new teachers and counselors at the beginning of each academic year. Through centralized training, practice and follow-up training, we help new employees quickly familiarize themselves with school cultures and management procedures (such as teaching, research, HR, etc.) thus they can grasp the essentials of teaching methods and integrate them into teaching.

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Percentage of trained employees by gender and employee category

During the reporting period, the Group provided on-the-job training that benefit employees' personal and professional development for a total of 4,547 staffs, accounted for 52.2% of total employees. Please refer to the following two tables for detailed disclosure by category:

Number and percentage (%) of employees who received training by gender

Gender		**Year ended 31 August 2019 (person(s), %)**	Eight Months ended 31 August 2018 (person(s), %)
Male		**2,035 (23.4%)**	1,617 (25.6%)
Female		**2,512 (28.8%)**	1,545 (24.5%)
	Total:	**4,547 (52.2%)**	3,162 (50.1%)

Number and percentage (%) of trained employees by employee category

Employee Category		**Year ended 31 August 2019 (person(s), %)**	Eight Months ended 31 August 2018 (person(s), %)
Senior management		**63 (0.7%)**	57 (0.9%)
Middle management		**449 (5.2%)**	335 (5.3%)
Other staff		**4,035 (46.3%)**	2,770 (43.9%)
	Total:	**4,547 (52.2%)**	3,162 (50.1%)

Weighted average training hours completed per employee by gender and employee category

During the reporting period, the weighted average training hours completed per employee of the Group was 45 hours. Please refer to the following two tables for detailed disclosure by category:

Weighted average training hours completed per employee by gender

Gender	Year ended 31 August 2019 (hour(s))	Eight Months ended 31 August 2018 (hour(s))
Male	**44**	40
Female	**47**	44
Weighted average training hours:	**45**	42

Weighted average training hours completed per employee by employee category

Employee Category	Year ended 31 August 2019 (hour(s))	Eight Months ended 31 August 2018 (hour(s))
Senior management	**45**	48
Middle management	**48**	48
Other staff	**45**	41
Weighted average training hours:	**45**	42

Employment of employees with disabilities and employees with material family difficulties

The Group actively safeguards the employment opportunities for all types of people and prohibits discrimination in all aspects to ensure that every employee is respected and treated fairly. We are a disabled-friendly company and we actively solve the employment problem for the disabled. Under the same circumstances, we give priority to people with disabilities and people with material family difficulties in making hiring decisions. As at 31 August 2019, the Group had a total of 27 disabled employees and 20 employees (As at 31 August 2018: 23, 33) with material family difficulties, respectively accounted for 0.3% and 0.2% of the total employees (As at 31 August 2018: 0.4%, 0.5%).

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4.1.4 Labour Standards

General

The Company prohibits and resolutely resists hiring child labour or forced labour and in strict compliance with the relevant requirements of the *PRC Labour Law, Labour Contract Law, Teachers Law, Law on the Protection of Minors, Provisions on the Prohibition of Using Child Labour* and the *Special Rules on Labour Protection of Female Employees*. Our human resources departments examine the identity of job applicants and employees recruited, conducts inspection on child labour and illegal labour, performs detailed background check on high end talents and employees who hold key positions, and enters into contracts with all full-time employees in accordance with relevant laws and protects their legitimate rights and interests. During the reporting period, the Group was not involved in any illegal labour, child labour or forced labour.

Strict prohibition of child labour and forced labour

The Group respects and upholds internationally recognised human rights and actively resists any actions disregarding and abusing human rights. In accordance with the *PRC Labour Law, Labour Contract Law, Union Law, Provisions on the Prohibition of Using Child Labour*, the *Special Rules on Labour Protection of Female Employees* and other national laws, the Group has formulated specific recruitment and human resources policies which prohibit the use of child labour and forced labour. The Group also prohibits forced labour or servitude in any forms, and ensures that all employees work on a voluntary basis. The Group recruits staff based on an open, fair, justice, and voluntary basis, and prohibits the recruitment and employment through forced actions or fraudulence.

If any non-compliance related to child labour and forced labour is found, the disciplinary supervision department and the management shall review the entire recruitment and management procedures, and identify the defects and make targeted improvement on relevant procedures to prevent the reoccurrence of similar incidents. Our nine schools have never been involved in any illegal labour, child labour or forced labour since they were established.

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4.2 Operation Practices

4.2.1 Supply Chain Management

General

As an education services provider, we engage our suppliers to provide us with office supplies, furniture, teaching devices and equipment, teaching material and supplementary teaching material and uniforms. In order to standardize the material supply procedures, to enhance the working efficiency, to facilitate the quality and efficient material supply, and to strengthen the supervision and management of partnered customers and lower the risks in relation to procurement, the Group has formulated the *China Education Group Procurement Management Regulations (for Trial Implementation)* and the *China Education Group Logistics Operation Guidance Manual*, and other policies and guidelines to scientifically manage the school procurement. In addition, our schools have formulated the *Procurement Management System*, the *Tendering Procedures for Equipment Procurement*, supplier selection mechanism, and other policies to scientifically manage of school suppliers.

The Group actively cooperates with suppliers to ensure the quality of purchased goods; apart from conducting periodic random inspection on product quality with suppliers, we explicit product quality assurance period on contracts and withhold at least 5% of the contract amount as quality assurance deposit. Group Logistics Department and most of our schools have established the *Qualified Supplier Databases*; each of our supplied goods has readily available substitutes and at least three back-up suppliers. We perform categorized management on suppliers through *Qualified Supplier Databases*, conduct “qualified supplier assessment/maintenance” on an annual basis, and discontinue the cooperation with unqualified suppliers in time.

Group Logistics Department implements “centralized procurement, local distribution” for large-scale in demand commodities. For goods with sporadic demand but large cumulative consumption, we enter into long-term supply contracts with suppliers and implement long-term contract prices. Centralized procurement at Group level makes full use of economics of scale and effectively reduces procurement costs.

Environmental, Social and Governance Report

Number of suppliers by geographical region

During the reporting period, about 89% of the Group's suppliers are from the six provinces/municipalities where our nine schools are located.

Geographical region	At 31 August 2019	At 31 August 2018
Jiangxi Province	**103**	251
Guangdong Province	**238**	107
Henan Province	**114**	190
Shaanxi Province	**66**	41
Shandong Province	**49**	n/a*
Chongqing municipality	**223**	n/a*
Other regions	**102**	80
Total:	**895**	669

* *Shandong Quancheng University and Chongqing Translators University were not yet our operating schools in 2018.*

Practices of supplier engagement and implementation and supervision of such practices

Our schools take into full consideration of the suppliers' environmental and social risk factors in supplier selection. The Group actively promotes a healthy and fair competitions among suppliers. Firstly, we will verify and conduct due diligence on the legitimacy (such as the validity of business license, tax registration certificate and organization code certificate), qualification, business scope and operating and financial results in last three years of relevant suppliers.

We will then require the suppliers to provide quality examination reports, quality certification and other relevant materials of specific products for internal audit purpose. For example, in procurement of bedding products for students, we require the suppliers to provide quality examination certificates or reports issued by governmental authorities; and in procurement of furniture, electric appliances and teaching equipment, we examine the product quality certification provided by the suppliers.

Environmental, Social and Governance Report

Our schools' procurement departments have matured and complete supplier engagement systems in place. For small amount procurements, we engage the suppliers based on the principle of "emphasizing on efficiency while ensuring quality" and make comparison among different suppliers for specific products. For example, the procurement of minor commodities, quotations from at least three suppliers are required and shall be subject to school's online approval. For large amount procurement, we assess and select the suppliers through public tender or competitive bidding procedures in strict accordance with relevant system of the Group and the schools. For example, the procurement departments shall select and engage the suppliers with full consideration of the product quality and price (such as horizontal comparison between local market price and proposed price, vertical comparison of price among different locations) based on the local market conditions, to achieve an equilibrium between product quality and price in procurement.

4.2.2 Service Responsibility

We provide education services in strict compliance with relevant national laws

Our schools operate in accordance with the *PRC Education Law*, the *Law for Promoting Private Education*, the *Several Provisions on the Administration of Private Colleges and Universities*, the *Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education* and other national laws and regulations, to provide high quality higher education and vocational education services, as well as accommodation, meal catering and other ancillary services.

How do we maintain consistent high-quality education?

To provide high-quality education service to students has always been our relentless pursuit. Firstly, our schools have formulated and implemented the *Teaching Standards for Teachers*, the *Guidance on Curriculum Revision*, the *Measures on Identification and Handling of Teaching Non-Compliance*, the *Scoring Measure on Teaching and Teaching Management* and other rules and systems. Through the management system, our schools have specified the quality standards of formulation (and revision) of cultivation proposals, formulation (and revision) of course syllabus, teaching preparation, teaching research, classroom teaching, teaching organization, after-class tutoring, homework review, teaching practices and other teaching procedures, and have formed a complete and standardized system of teaching management and teaching quality assurance, as well as handling procedures and appealing review procedures for non-compliant teachers. Secondly, periodic inspections are conducted at different phases. At the beginning of semester, our schools will carry out initial teaching examination with focus on examining the compilation of course syllabus, class preparation by teachers, teaching PPT preparation and plans for teaching research activities by the teaching research office. In the middle of semester, schools will carry out mid-term teaching examination with focus on examining the implementation of activities of the teaching research office, implementation of curriculum instruction, completion of research report and guidance on dissertation preparation. At the end of semester, schools will carry out final examination with focus on examining the content of test papers and teachers' procedural assessment on students. In addition, we will conduct online mutual evaluation on teaching and learning experience between teachers and students for every academic year and publish the year-end evaluation. Thirdly, schools will hold periodic meetings to discuss teaching quality. Through preparation of briefing reports and meetings, we receive and review feedbacks to solve the problems and improve the quality.

Our schools have formulated the *Exam Management Rules*, *Exam Paper Management Measures*, the *Student Assessment Measures* and other management systems to standardize the organization and implementation of tests and to prevent the occurrence of accidents related to security and confidentiality of examination rooms and test paper due to human error.

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CHINA

Child's play for fashion award winner

Designer honed her skills making dolls' clothes before winning international competition in Russia

By LI WENFANG in Guangzhou
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Playing with dolls may seem childish, but for 21-year-old Wen Caiyun it set her on the path to a world championship in fashion skills.

A graduate of Baiyun Technician College of Business and Technology in Guangzhou, Guangdong province, Wen won the fashion technology competition at the 45th WorldSkills Competition held in the Russian city of Kazan in August.

The four-day contest was staged over 18 hours and covered four modules — drawing two formal items of attire, making a pattern for a skirt, designing and making a coat, and draping a dress.

The requirements for each module were only revealed to the contestants shortly before the contest started.

According to the website of the competition organizer, a fashion technology practitioner "designs and creates garments based on an understanding of aesthetics".

The practitioner must also have a strong foundation of technical skills including "design, pattern-making and use of specialized equipment for pattern-making, cutting, and manufacture".

Wen's interest in fashion started

Wen Caiyun makes a coat during the 45th WorldSkills Competition held in the Russian city of Kazan in August. PHOTOS PROVIDED TO CHINA DAILY

internship at an evening dress company, designing in lace and patterned cloth.

When the qualifying events for the competition in Kazan approached last year, teachers persuaded Wen Caiyun to try again. Jiang Shaorong, head of the fashion department at the college, said she was feeling discouraged by her previous failure.

The training was tough, both for Wen Caiyun and the teachers, who spent plenty of their spare time helping her perfect her skills and preparing her to cope with the psychological ups and down.

Training in the last few months before the contest was tough, with more than 12 hours' work a day. "Sometimes I felt tired and bored. Then I took a rest," Wen Caiyun said.

She also prepared herself through simulated contests. "Every day, a teacher gave me a picture and I started to work on it immediately. This was meant to test my on-the-spot capabilities."

The training helped Wen Caiyun become calm and her performance during the contest in Kazan was steady, except for one incident.

During the last module, with 10 minutes left to complete the task, she found she could barely sew up the back of the dress because she had hastily made the cut at the hip too straight. She fixed the problem

Photo (above) credit: CHINA DAILY, November 12, 2019 edition

Photo (bottom right) credit: https://worldskills2019.com

Wen Caiyun, a fashion design student from Baiyun Technician College, represented China to compete with participates from more than 30 countries and regions in the 45th WorldSkills Competition (August 2019, Russia Kazan), honorably earned the most prestigious Gold medal in the fashion technology project.

"My success is inseparable from my education at Baiyun Technician College; I am particularly grateful for the school's fertile learning environment, unique and effective teaching method, and scrupulous instructors. Earning the Gold medal in the WorldSkills Competition is the highest honor I have ever received, and the best gift for the 30th anniversary of my Alma Mater!" Wen Caiyun commented after the award ceremony.

Environmental, Social and Governance Report

Teaching quality management

We adhere to the "student-oriented" teaching strategies and the quality management philosophy of "continuous improvement" to build a teaching quality assurance system. The Group attaches great importance to the assurance and improvement of teaching quality; we safeguard our quality management mainly through the following two aspects:

First, to maintain a well-established management system. During the reporting period, our schools have continuously improved the management systems in educational administration, teaching operation, student registry, teaching quality, practical teaching, examination, teaching file, classroom and teacher management. For example, Jiangxi University of Technology has more than 100 institutional documents including the *Management Manual for Teaching*, the *Compilation of Teaching Quality Monitoring Systems*, *Teacher's Manual* and *College Student's Handbook* in effect, while Guangdong Baiyun University has more than 100 institutional documents in *Undergraduate Teaching Management and Regulation*, 27 institutional documents in *Practical Teaching (at Enterprises) Management and Regulation*, and 47 standards in the *Compilation of Undergraduate Teaching Quality Standards*.

Second, to optimize the process management of quality control. We constantly improve the standards of personnel training and teaching quality and optimize the quality assurance system to monitor the quality of teaching. The schools adhere to the Teaching Evaluation as the starting point, and through the combination of campus assessment and off-campus assessment, comprehensively monitor the teaching and teaching management process and constantly stabilize the teaching quality.

In addition, we collect comprehensive data and aim to assess information validity in real time. Our schools collect the basic status data of higher education each year and report it to the education authorities. Through undergraduate data collection and in-depth analysis and summary, we timely monitor the schools' core teaching data, which has become an important basis for the summarization and adjustment of teaching policies and measures and has helped schools to improve performance to the various indicators meet or even exceed the national standards.

For example, during the reporting period, Guangdong Baiyun University has arranged teachers to attend 2,577 peer-review classes/lectures, covering 100% of the faculty. Special inspections were carried out for teaching plans, teaching schedules progress, implementation of curriculum, etc. During the reporting period, 411 student teaching and administrative staff have reported a total of 3,213 pieces of teaching information, which cover lecture quality and classroom discipline, etc. The collection, summary and analysis of various types of data provide an important basis for schools to summarize and adjust the teaching management system and measures.

Quality improvement

In order to achieve a dynamic quality control, our schools have formed a quality improvement model of timely feedback, dynamic management and continuous improvement. There are improvement procedures and mechanisms from finding problems, reporting problems, conducting rectification, reviewing rectification. For the problem of teaching quality, feedback will be provided in a timely manner, and relevant departments are required to carry out rectification. Based on the self-rectification of departments, the schools pay attention to the review of rectification. Our quality improvement of personnel training is mainly implemented in three levels: (1) Instant improvement through classroom monitoring, (2) Focused improvement through regular teaching inspections, and (3) Systematic improvement through quality evaluation. We examine and recover the teaching quality through quality improvement programmes.

How do we ensure the physical health and safety of students?

In order to ensure the safe and stable development of students, our schools have issued the *Student Management Rules*, the *Measures on Assessment of Comprehensive Quality of Students*, the *Rules on Management of Class Attendance Rate*, the *Handling methods for students' violation of discipline*, the *Rules on Leave Application of Students*, the *Student Apartment Management Rules*, the *Housekeeping Standards in Student Dormitory*, and other management rules to regulate and procure our students to develop good, healthy behavior and habits during their time at school.

To ensure the campus safety, the schools have put great efforts in the following three aspects: firstly, focus on the management of areas with safety hazard (such as the campus gate, teaching buildings, dormitories and canteens) and assign security guards to patrol such areas; in addition, the schools conduct special inspection before and during major events, festivals and socially sensitive periods to eliminate security and safety hazard. Secondly, strengthen the technical protection facilities. For example, as at 31 August 2019, Chongqing Translators University has set up electronic monitoring rooms and installed 264 surveillance cameras to monitor the entire teaching and residential area. Thirdly, strengthen the security force. For example, Shandong Quancheng University's campus security force consists of 57 competed staff, patrol the campus on a daily basis. All its security guards are also volunteer firefighters who have carried out strict fire-fighting training, perform fire patrol inspection at any time. The University also assigns one or two building managers for each building to ensure the building safety.

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Our schools organize safety education activities such as legal knowledge workshop, fire drills and safety knowledge promotion for our teachers and students throughout the year. For example, in the beginning of Fall semester, the schools invite legal experts to give lectures on legal knowledge to the freshman students, to educate them on relevant cases and the security situation in the campus neighborhood, to enhance their awareness of self-protection, and to deliver the promotional brochure of legal education prepared by the schools. In November, our schools carry out large-scale fire drill and invite the firefighters to the campus to provide training on fire safety and firefighting practices so as to enhance the fire safety awareness and self-rescue ability of teachers and students. In December, we cooperate with the provincial education department to organize Q&A sections on legal and safety knowledge for freshman students.

The Group attaches great importance to food safety. We conduct daily inspection on the canteens in schools. The inspection covers food ingredient procurement and documentation, utensils sterilization and recording and food ingredient storage, etc. Meanwhile we maintain a good document filing and sorting system (for food safety database). For example, Shandong Quancheng University's canteens adopt the sample retention system, which keeps samples of all food served in any day in the refrigerator for 24 hours for easy tracking. In order to strengthen the training on food safety, the schools invite experts from the municipal food and drug administration to provide training to the staff every year, thereby enhancing their awareness of food safety, regulating the food safety operating procedures and protecting the physical health of teachers and students.

How do we ensure the psychological health of students?

The Group strikes to promote students' all-round and healthy development especially in mental health and good social adaptability training. For example, Jiangxi University of Technology and Songtian Polytechnic College include psychology as elective course into talent training curriculum, and carries out mental health exam and establishes database for freshmen annually. Likewise, all our schools have psychological counseling rooms and provide counseling services to students. In addition, we regularly organize activities such as "Mental Health Promotion Month" and "Psychological Carnival" to create a campus atmosphere that embrace psychological education so that students can cultivate positive mental well-beings though participating in interesting activities.

How do we ensure the objectivity of our enrollment advertisement?

We carry our enrollment advertisement and promote our schools mainly through the advertising on traditional mainstream media such as official website, newspaper, TV, and journals on higher education entrance examination published by provincial education authorities and on emerging media such as internet media, mobile newspaper, mobile application of mainstream media and official account on WeChat platform.

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The Group carries out promotional activities in strict compliance with relevant laws and regulations, and has formulated the *Enrollment Information Approval and Publish Mechanism*, the *Enrollment Advertisement Content Management and Filing* and the *Enrollment Promotion Platform Maintenance and Management* in accordance with the *PRC Education Law*, the *PRC Advertisement Law* and the *Provincial Measures on Filing and Management of Enrollment Advertisement of Private Colleges and Universities*, to make filing and effect management and control of the advertisement and promotional information published by the Group. All advertisement and promotional information are accurate, objective, true and not misleading. We also actively seek advices and supervision from the supervisory personnel of provincial governments and the provincial enrollment supervision team. Our effort in objective advertising is highly recognised by students, parents and the public.

Our schools' enrollment (advertisement) plans for each academic year can only be implemented after receiving approval from the Group. In addition, some schools' enrollment advertisements are required to file to and receive approval from the relevant departments of the provincial government. For example, Chongqing Translators University's enrollment regulations has been strictly reviewed by relevant departments of Chongqing Municipal Education Commission, before it is uploaded to the platform (Sunshine Gaokao/陽光高考) designated by the Ministry of Education for prospective students. Chongqing Translators University's school promotion and enrollment brochures are published and distributed in other provinces and cities are only after being reviewed and filed by relevant departments of Chongqing Municipal Education Commission, ensuring the enrollment information publicity completely transparent and free of misleading information.

Number of students who withdraw from our schools

During the reporting period, a total of 3,705 students withdrew from our schools (withdrawal rate: 2.2%). The schools have made relevant refunds in accordance with relevant policies.

How do we respond to the complaints from the students and employees?

During the reporting period, the Group received a total of 4 complaints from the employees and 78 complaints from the students (previous year's report: 2, 34). The increase is due to inclusion of student withdraw of newly acquired schools and difference in reporting periods. The complaints were mainly related to public facility repair and dissatisfied food taste in the canteens. The Group has taken active measures of improvement for reasonable requests.

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In order to effectively protect the rights and benefits of our students and employees, our schools continuously maintain a channel for students and employees to express their demands and concerns. Firstly, the schools have set up president's mailbox (and other mailbox open to public) and have designated special personnel to handle various kinds of oral and written inquiries at different levels in order to receive all kinds of feedbacks from the public, students and staff. Secondly, the schools hold the "Meeting with the Principal Day" and student forums once every period to collect the problems and concerns raised by the students. We listen to and solve the students' problems on study and daily life in a timely manner, and encourage students to fully participate in the schools' daily management, to enhance the level of democratic management of the schools. Thirdly, some schools have refined the *Students Complaints Handling Rules* and the *Whistleblower Complaint Protection Rules*. During the reporting period, the Group was not involved in any material litigations, complaints, disputes or negative news coverage.

Safeguard and protection of our intellectual property rights

The Group strictly protects the intellectual property rights of schools and students in accordance with the *PRC Patent Law* and the *PRC Implementation Rules of Patent Law*. In addition, a majority of our schools have also introduced and implemented their respective *Administrative Measures for Scientific Research* and *Administrative Measures on Intellectual Property Rights*. During the reporting period, the Group was not involved in material complaints or disputes related to intellectual property rights.

During the reporting period, our higher education institutions' efforts to safeguard and protect the intellectual property rights of the schools include: (1) To improve the management of intellectual property rights. The schools have set up Research Management Departments to be responsible for the application, protection, and transfer of the intellectual property rights of schools. The schools have also maintained intellectual property rights conversion agency, which comprises of a dedicate team to promote the intellectual property rights conversion and coordinate the disputes caused by intellectual property rights, protecting the intellectual property rights of the schools. In addition, the schools have also established a patent application fund for intellectual property rights to subsidize the intellectual property innovation activities, and the maintenance and improvement of patents at later stages; (2) To well protect the intellectual property documents of the schools. We have strengthened the promotion and learning of the confidentiality so that teachers and students can clearly identify the bottom line that they cannot reach, and clearly define their own activities so as to better protect their intellectual property rights. Respective academic departments and research institutes appoint specialized personnel to archive and backup the laboratory results, scientific research results, confidential files of the archives and competitive scientific research items. (3) The schools implement graduation project (graduation dissertation) review. We will educate the students and ask the students to modify or rewrite the graduation dissertation for which the repetition rate exceeds the standard. If there are serious acts of plagiarism, we will handle it in accordance with the *Measures for the Prevention and Handling of Academic Misconduct in Colleges and Universities and the Implementation Rules of handling Measures for Dissertation Fraud*.

We protect both internally-developed and external intellectual property rights of educational resources. Our schools have issued *Management Regulations for Teaching Materials* to ensure the textbooks used are all ordered from authorized publishers, and we have purchased online resources for our teachers to ensure the teaching materials and educational resources they use are those with copyrights.

Consumer and employee data protection and privacy policy

The Group strictly implements the Provisions on the *Administration of Internet Forum and Community Services*, the *Provisions on the Administration of Internet Comments Posting Services and the Provisions on the Administration of Internet Group Information Services*. The service providers of Internet forum community, comments posting, and group information shall take necessary measures to protect the safety of the personal information of users and shall not disclose, falsify, damage or illegally sell or provided such information to others. We strictly follow the relevant national laws and regulations related to the protection of personal information, especially for works that involving personal information of teachers and students, and the privacies of them and their families shall not be involved. For the promotion that involve teachers and students, we need to obtain the consents of teachers and students first. No personal sensitive information of teachers and students, such as ID number, home address, telephone number, date of birth, etc., shall be released to the public. The Group and its subsidiary schools do not rent, sell or provide students and employee data to third parties for purpose other than legitimate business needs.

To ensure the personal data safety of students and safeguard the safety and interests of the Group, we strictly implement the No. 9 Warning (protecting the school's personal information and privacy, subsidizing workers shall "tighten this string") issued by the National Student Financial Aid Management Center and the requirements of the *Notice on Prohibiting Publicizing Sensitive Personal Information of Teachers and Students*, as well as the *Student Management Provisions*, the *Implementing Rules for the Management of Teaching Archives*, the *Administrative Measures for Informatization Data and the Administrative Measures for the Change of Basic Information of Students' Enrollment Status* issued by the schools, to protect personal information security. We also have signed confidentiality agreements with staff who involved in the safety and privacy of student information, effectively protects the privacy of students and the Group from information leakage in any form. In addition, each school will also conduct regular training to educate teachers and employees to strictly abide confidentiality obligations and respect student privacy. We strictly implement our work according to the rules and regulations. For student-related information, we set permissions according to different levels of confidentiality with no one has the permission to read and use. If the privacy of the students and the Group is leaked, the Group will promptly take remedial actions and penalize the responsible individuals accordingly.

Critical data protection and back-up

The Group attaches great importance to data protection and issues the *Corporate Information Security Management Regulation*, which takes strict protection measures for critical data and is committed to creating a secure and stable data environment. In order to ensure the safety and stability of critical data of the Group, critical operation, accounting, personnel and asset information of the Group and its member schools must be handled in the ERP system, and relevant departments of the Group are responsible for the access control. In addition, the Group Information Department takes a variety of security measures for the data center, such as deploying SSL VPN, deploying security group strategy, data backup in two cities, and keeping 90 days of logs according to the national requirements, etc.

4.2.3 Anti-corruption

General

The Group resolutely opposes illegal operations such as bribery, extortion, fraud and money laundering and prohibits any actions that may harm the interests of our customers and the Group. The Group strictly abides by national and regional anti-corruption laws and regulations, including the *PRC Criminal Law*, the *PRC Anti-Money Laundering Law, the PRC Anti-unfair Competition Law*, the *PRC Securities Law*, and the *PRC Criminal Procedure Law and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Embezzlement and Bribery*, etc. We also formulated internal policies, such as *Notice on the Duties of the Printing Department (Compilation) and the Provisions on Employees' Compensation and Penalty, Notice on Prohibition of Accepting Gifts, Gift Money and Flowers and Honesty and Self-discipline Commitment of the Faculty*, in order to regulate the professional behaviors and professional ethics of all employees of the Group, to establish a good atmosphere of integrity and diligence and to prevent frauds.

We have included the rules on integrity and self-discipline as the teaching staff's professional ethics and code of conduct in the relevant human resource policies. Integrity and self-discipline are not only important factors in selection and appointment of middle management for our schools, but also part of year-end evaluation. The compliance of integrity and self-discipline is also an important part of the evaluation, the results of which are correlated to bonuses.

During the reporting period, the Group and our employees did not involve any cases related to bribery, extortion, fraud, or money laundering.

Preventive measures and whistle-blowing procedures, and related implementation and monitoring methods

For bribery, extortion, fraud and money laundering, the Group takes precautionary measures as the main measure and monitoring/reporting as the supplementary measures.

The precautionary measures include:

- The integrity and self-discipline education is included in the employee training plan and regular training at most of our schools. The heads of the departments in relation of party and administration matters and departmental cadres of designed entities shall regularly talk with employees. Meanwhile, senior management shall carry out conversations with employees who show signs of violating the regulations or committed violation.

- Establish and improve internal control for accounting, finance and assets, aims to prevent and resolve issues as early as possible. For general issues, we will warn and educate the relevant persons in timely manner and fully use methods such as inquiry letters, persuading talks and organization processing. For issues which have shown signs or tendency, we will handle them as early as possible and prevent the minor issues from becoming serious mistakes.

The monitoring/reporting measures:

- The whistle-blower can use report mailbox, WeChat, QQ telephone, telegrams, letters, face to face reports, etc., or can entrust others to report. The whistle-blower should, as far as possible, truthfully inform the supervisory authority of the alleged wrongdoer's name, department, and the specific circumstances and evidence of violations. After receiving relevant reports, the relevant school departments will carry out investigations, and after verification, they will propose handling suggestions and report them to the school leaders for approval and enforcement. For the violations of laws, the cases will be referred to the judicial authorities for handling. Those who intentionally fabricate facts by means of reports, falsely accuse others, or create troubles in the name of reports, interfere with the normal work of the supervisory authority, will be severely dealt with in accordance with relevant regulations, and in the case of constituting a crime, they shall be transferred to judicial authority for handling.

4.3 Community Investment

General

Our schools have always adhered to the fundamental principle of "Educating People with Good Morals" to realize the well-rounded and comprehensive education, focusing on the growth of students, strengthening the education of ideals and beliefs of students, and continuously improving the sense of social responsibility and historical mission of students. During the reporting period, our schools have developed and implemented a variety of policies that considered the interests of local communities.

For example, Shandong Quancheng University has formulated and implemented the *Regulations on the Management of Student League and the Regulations on the Activities of Youth Volunteers*, actively serving the local (Penglai City) public organizations such as disease prevention and control center, nursing home, scenic area, etc., with outstanding contributions over the years. Xi'an Railway College formulated and implemented the *Notice on Carrying out the Public Welfare Theme Month*. Guangzhou Songtian University formulated and implemented several documents, such as the *Notice on Promoting Social Work Practice in Rural Areas in Summer* and the *Notice on Carrying out the Voluntary Service Month Activity*, to actively guide students to participate in practice and contribute to the society.

Community contribution

During the reporting period, while our nine schools operated in compliance with laws and integrity, they all actively implemented corporate social responsibility in their respective communities and made great contributions to the development of community public welfare. Below are some of the highlights:

Social Work Practice in Rural Areas in Summer, by Jiangxi University of Technology

More than 229 volunteers were participated, approximately RMB140,000 was invested and goods cost RMB20,000 were donated, and 6 new social work practice bases were established

Voluntary Blood Donation, by Guangdong Baiyun University

We gratefully received a total of 520,000 milliliters blood donations from 1,654 students and teachers

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Voluntary Social Work Practice in Rural Areas, by Guangzhou Songtian University

The school has organized 8 teams to carry out voluntary service in the local community (Zhu Town) to help with the rural development

Voluntary Blood Donation, by Chongqing Translators University

We gratefully received a total of 300,000 milliliters blood donations from 1,347 students and teachers

Clothing donation, by Shandong Quancheng University

The University donated 1,500 pieces of clothing to Western China

Social Work Practice in Rural Areas in Summer, by Songtian Polytechnic College

30 volunteers were selected to participate. The practice has enhanced students' sense of social and family responsibility


广州市白云工商技师学院：
在第45届世界技能大赛工作中做出杰出贡献，予以记大功
广东省人民政府
二〇一九年九月

Outstanding Contribution Award to Worldskills Kazan 2019 from the People's Government of Guangdong Province, by Baiyun Technician College

Volunteering for 2018 Yan-Huang International Marathon, by Zhengzhou Transit School

The marathon is proudly escorted by 140 volunteering students

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5. APPENDIX

ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Level: Full (✓) or None (✗) with remark
A. Environmental		
Aspect A1. Emissions		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	✓, section 3.1
KPI A1.1	The types of emissions and respective emissions data	✓, section 3.1
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	✓, section 3.1
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	✓, section 3.1
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	✓, section 3.1
KPI A1.5	Description of measures to mitigate emissions and results achieved	✓, section 3.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	✓, section 3.1
Aspect A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	✓, section 3.2
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	✓, section 3.2
KPI A2.2	Water consumption in total and intensity	✓, section 3.2
KPI A2.3	Description of energy use efficiency initiatives and results achieved	✓, section 3.2
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	✓, section 3.2
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	✗, not applicable to the Group's business
Aspect A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	✓, section 3.3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	✓, section 3.3
B. Social		
Employment and Labour Practices		
Aspect B1. Employment		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	✓, section 4.1.1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	✓, section 4.1.1
KPI B1.2	Employee turnover rate by gender, age group and geographical region	✓, section 4.1.1
Aspect B2. Health and Safety		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	✓, section 4.1.2
KPI B2.1	Number and rate of work-related fatalities	✓, section 4.1.2
KPI B2.2	Lost days due to work injury	✓, section 4.1.2
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	✓, section 4.1.2

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Level: Full (✓) or None (✗) with remark
Aspect B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	✓, section 4.1.3
KPI B3.1	The percentage of employees trained by gender and employee category	✓, section 4.1.3
KPI B3.2	The average training hours completed per employee by gender and employee category	✓, section 4.1.3
Aspect B4. Labour Standards		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	✓, section 4.1.4
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	✓, section 4.1.4
KPI B4.2	Description of steps taken to eliminate such practices when discovered	✓, section 4.1.4
Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	✓, section 4.2.1
KPI B5.1	Number of suppliers by geographical region	✓, section 4.2.1
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	✓, section 4.2.1
Aspect B6. Product Responsibility		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	✓, section 4.2.2
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	✓, section 4.2.2
KPI B6.2	Number of products and service related complaints received and how they are dealt with	✓, section 4.2.2
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	✓, section 4.2.2
KPI B6.4	Description of quality assurance process and recall procedures	✓, section 4.2.2
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	✓, section 4.2.2
Aspect B7. Anti-corruption		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	✓, section 4.2.3
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	✓, section 4.2.3
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	✓, section 4.2.3
Community		
Aspect B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	✓, section 4.3
KPI B8.1	Focus areas of contribution	✓, section 4.3
KPI B8.2	Resources contributed to the focus area	✓, section 4.3

Corporate Governance Report

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company has applied the principles of the code provisions set out in the CG Code. During the year ended 31 August 2019, the Company has complied with all the code provisions set out in the CG Code.

THE BOARD

The Board has currently four Executive Directors, namely Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and three INEDs, namely Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing. All the Directors have profound knowledge and extensive experience in the business of the Group.

Structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Group and there is a strong independent element on the Board to safeguard the interests of the Shareholders.

Save as Mr. Yu Guo is the father of Dr. Yu Kai and Mr. Xie Ketao is the brother of Ms. Xie Shaohua, there is no other relationship among members of the Board.

The profile of the Directors is set out in the "Directors and Senior Management" section of this annual report.

Responsibilities and Delegation

The Board, which is accountable to Shareholders for the long-term performance of the Company, sets the Group's overall objectives and strategies, monitors and evaluates the operating and financial performance and reviews the corporate governance practices and standard of the Group. The Board delegates the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Directors and members of senior management.

Major issues of the Company which are reserved for the decision of the Board include the approval of interim and annual results of the Group, payment of dividend, approval of any transaction which is discloseable under the Listing Rules, changes in the capital structure of the Company, appointment or removal of Directors, secretary or auditors of the Company.

The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. The Board has also established the Audit Committee, the Nomination Committee and the Remuneration Committee to perform various responsibilities as delegated by the Board. Further details of these Board committees are set out below.

Co-Chairmen and Chief Executive Officer

The Co-Chairmen of the Board are responsible for the management of the Board. The Chief Executive Officer of the Company leads the day-to-day management of the business of the Group. There is a clear and effective division of responsibilities between the Co-Chairmen and the Chief Executive Officer to ensure a balance of power and authority.

Corporate Governance Report

Major responsibilities of the Co-Chairmen include leading and overseeing the functioning of the Board, encouraging Directors to make active contribution and to develop effective communication with the Shareholders.

Major responsibilities of the Chief Executive Officer include implementing the strategies and development plans as established by the Board, managing and coordinating the overall business operation of the Group.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association (the "Articles of Association").

In accordance with the Articles of Association, at each AGM of the Company, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after the appointment and be subject to re-election at such meeting.

All INEDs are appointed for an initial period of three years from 5 December 2017 or until the third AGM of the Company since the Listing Date (whichever is sooner). They are subject to retirement and re-election at AGMs in accordance with the Articles of Association.

Independence of INED

The role of INEDs is to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. INEDs serve actively on the Board and the Board committees to provide their independent, constructive and informed comments.

The Company has received from each of the INEDs an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Function

The Board is primarily responsible for the corporate governance functions of the Company, to develop the policies and practices on corporate governance and the compliance with the legal and regulatory requirements, to monitor the training and continuous professional development of Directors and senior management, to develop the code of conduct and compliance manual applicable to the Directors and employees, and to review the compliance with the CG Code and the disclosure in the Corporate Governance Report.

The Board will continuously evaluate and strive for continual development and improvement in the corporate governance practices of the Group.

Corporate Governance Report

Board Meetings

The Board meets regularly and at least four times a year. Notice of at least 14 days in advance for the regular Board meeting is given, and the agenda together with Board papers are sent to the Directors in a timely manner before the intended date of Board meeting. During the year ended 31 August 2019, five regular Board meetings were held.

Attendance at Meetings

The following table shows the attendance of the Directors at the Board, Board committees and general meetings held during the year ended 31 August 2019:

	Number of Meetings Attended/Held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM held on 25 February 2019
Executive Directors					
Mr. Yu Guo *(Co-chairman)*	5/5	–	–	1/1C	1/1
Mr. Xie Ketao *(Co-chairman)*	5/5	–	–	–	1/1
Dr. Yu Kai *(Chief Executive Officer)*	5/5	–	1/1	–	1/1
Ms. Xie Shaohua	5/5	–	–	–	1/1
INEDs					
Dr. Gerard A. Postiglione	5/5	3/3	1/1C	1/1	1/1
Dr. Rui Meng	4/5	2/3C	1/1	–	1/1
Dr. Wu Kin Bing	5/5	3/3	–	1/1	1/1

C — Chairman of the Board committee

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing various aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are available on the websites of the Company and HKEXnews, and report to the Board on their decisions or recommendations made. During the year ended 31 August 2019, the written terms of reference of the Audit Committee and the Nomination Committee have been updated to align with the amendments to the Listing Rules effective on 1 January 2019.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Corporate Governance Report

Audit Committee

The Audit Committee comprises three members, namely Dr. Rui Meng, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing, all of them are INEDs. The chairman of the Audit Committee is Dr. Rui Meng who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal duties of the Audit Committee include monitoring the integrity of the financial statements, reviewing the continuing connected transaction and the Company's financial control, risk management and internal control systems. The Audit Committee also acts as an important link between the Board and the Company's external auditor.

During the year ended 31 August 2019, three Audit Committee meetings were held. The major work performed by the Audit Committee include the approval of the terms of engagement, fees and scope of services of the external auditor, the review of the audited consolidated financial statements of the Group for the eight months ended 31 August 2018, the unaudited condensed consolidated results of the Group for the six months ended 28 February 2019, the 2018 audit completion report, the 2018/2019 interim review completion report, the continuing connected transactions, the work progress of the internal audit plan, the financial control, risk management and internal control systems of the Group and the adequacy of the accounting, internal audit and financial reporting functions of the Group, the assessment of the independence of the external auditor, the recommendation to the Board on re-appointment of the external auditor and endorsement of the amendments to the terms of reference of the Audit Committee. The Audit Committee had a private session with the external auditor in the absence of management.

Remuneration Committee

The Remuneration Committee comprises three members, namely Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Yu Kai. The chairman of the Remuneration Committee is Dr. Gerard A. Postiglione and majority of the members are INEDs.

The principal duties of the Remuneration Committee are to make recommendations to the Board in determining the policy and structure for the remuneration of Directors and senior management, on the remuneration packages of Executive Directors and senior management, on the remuneration of Non-Executive Directors and to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 August 2019, one Remuneration Committee meeting was held. The major work performed by the Remuneration Committee include the review of the performance condition and approval of the vesting of share options granted under the Pre-IPO Share Option Scheme and the review of the policy and structure of the remuneration of the Directors and senior management, the remuneration package of the Executive Directors and senior management and the director's fee of the INEDs.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Yu Guo, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The chairman of the Nomination Committee is Mr. Yu Guo and majority of the members are INEDs.

The principal duties of the Nomination Committee are to formulate and review the nomination and Board diversity policies, review the size, structure and composition of the Board, assess the independence of INEDs, and to make recommendations to the Board on appointment or re-appointment of Directors and Board succession planning.

The Company has adopted a Board diversity policy to ensure that the Company will consider Board diversity in terms of, among other factors, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, when determining the composition of the Board, although Board appointment will be ultimately based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee monitors the implementation of the Board diversity policy and will review the policy from time to time to ensure its continued effectiveness.

The Company has also adopted a nomination policy which sets out the key selection criteria and nomination procedures. Nomination shall be made in accordance with the nomination policy and take into account the diversity aspects as set out under the Board diversity policy. In assessing the suitability of a candidate, factors including but not limited to the reputation for integrity, accomplishment and experience in the education industry, commitment in respect of sufficient time and relevant interest, diversity in all aspects, etc. will be considered. When the need to select or nominate Director arises, the Nomination Committee shall identify the suitable candidate and make recommendation to the Board for consideration and approval. In case of re-appointment of a retiring Director who, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, make recommendation to the Board for consideration.

During the year ended 31 August 2019, one Nomination Committee meeting was held to review the structure, size and composition of the Board, assess the independence of each INED, recommend to the Board on the re-election of the Directors retiring at the AGM and endorse the amendments to the terms of reference of the Nomination Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration package of the Directors is backed up by formal and transparent policy. Directors are fairly paid and their remunerations are commensurate with their experiences, responsibilities, workloads, performances, as well as Group's performance. No Director is involved in deciding his/her own remuneration. While the Company maintains a competitive remuneration level to attract and retain Directors to run the Company successfully, it strictly enforces the Director remuneration policy and budgets carefully without paying the Directors more than necessary.

Details of the emoluments paid or payable to the Directors for the year ended 31 August 2019 are set out in note 12 to the consolidated financial statements.

The remuneration paid or payable to the senior management (excluding the Directors) by band for the year ended 31 August 2019 is set out below:

Remuneration Bands	Number of Employees
HK$4,500,001 — HK$5,000,000	1
HK$8,500,001 — HK$9,000,000	1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 August 2019.

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Company periodically organises training courses for the Directors, senior management and staff to develop and refresh their knowledge in areas which are relevant to the performance of their daily duties and the growth of the business of the Group under the changing economic environment.

During the year ended 31 August 2019, the Company organised training courses and provided reading materials to the Directors, senior management and/or relevant staff from the administration department. The training received by the Directors during the year is as follows:

Name of Directors	Training on corporate governance, director's duties, environmental, social and governance, and/or regulatory update
Executive Directors	
Mr. Yu Guo *(Co-chairman)*	✓
Mr. Xie Ketao *(Co-chairman)*	✓
Dr. Yu Kai *(Chief Executive Officer)*	✓
Ms. Xie Shaohua	✓
INEDs	
Dr. Gerard A. Postiglione	✓
Dr. Rui Meng	✓
Dr. Wu Kin Bing	✓

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 August 2019.

Deloitte Touche Tohmatsu, the auditor of the Company, has acknowledged its responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 31 August 2019.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

For the year ended 31 August 2019, professional fees paid or payable to Deloitte Touche Tohmatsu, the auditor of the Company, for audit and non-audit services provided to the Group are as follows:

Services	Fees charged *RMB$'000*
Audit services	
Audit services	4,800
Non-audit services	
Interim review	1,800
Agreed-upon procedures relating to convertible bonds issue	900
Contractual arrangement review	150
Preliminary announcement review	100
Total	7,750

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill is the company secretary and chief financial officer of the Company, the profile of Mr. Mok is set out in the "Directors and Senior Management" section of this annual report. Mr. Mok is a full-time employee of the Company and reports to the Co-chairmen and the Chief Executive Officer of the Company on corporate governance issues.

Mr. Mok confirmed that he had taken no less than 15 hours of relevant professional training for the year ended 31 August 2019.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems and reviewing their effectiveness. The Group's internal control system is designed to ensure the schools' operations in compliance with the laws and regulations, the authenticity, fairness and completeness of the financial reports, to safeguard assets against misappropriation and unauthorised disposition and to enhance operational efficiency and risk prevention. Review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage significant risks in the Group's business.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures, such as expansion of the school network into new geographic areas and to enter into cooperative business relationships with third parties to establish new schools, are subject to assessment and approval of the Board.

The Audit Committee is delegated with the responsibility to review the financial control, risk management and internal control systems of the Group, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings. The Audit Committee also reviews the external independent auditor's management letter, any material queries raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group and reports their findings to the Audit Committee and the Board. The Group has established an internal audit team to reinforce the supervision and inspection on the management of operational risks and effectively supervise the compliance management of our schools, while enhancing our capabilities in prevention of financial risks and business risks.

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with. The Group has also established a set of policies and procedures for property purchase and leasing arrangement and maintains insurance coverage which is in line with customary practice in the PRC education industry.

Corporate Governance Report

The Company is committed to improving the effective internal control and risk management systems and strengthening control over internal procedures, so as to ensure that each unit of the Group and the operation and management process are under control, thereby effectively preventing risks and enhancing risk resistance capabilities. The Group's internal audit function gives directions to the schools of the Group, oversees and improves their internal control system on an ongoing basis and sets up a regime for continuous monitoring and improvement. During the reporting period, the internal audit function continually assisted the schools in optimization of the internal control and risk management systems and formulation of internal control management manual for its own reference in implementation of works in relation to internal control. In addition, it has established a three-level inspection mechanism for internal control operations, which ensures the effective operation of the internal control system by way of self-inspection of departments, regular inspection of schools and special inspection of the Group. Internal audit was carried out within the Group to review and evaluate the appropriateness and effectiveness of business activities, internal control and risk management of schools, which in turn facilitating the governance improvement, value increase and target realization of schools. Additional personnel with professional experience and qualifications will be hired where necessary to support the expansion of our business operation. The Company will also engage external professional advisers to provide professional advice and guidance to our Group and to provide internal trainings to ensure our Directors and employees are kept up-to-date on any legal and regulatory developments. The internal audit function had provided trainings to the schools on topics related to the internal control with an aim to increasing their risk awareness. The Company promotes internal control and risk management through budgetary control and ERP system.

The Group's internal control system includes Three Lines of Defence in risk management, a well-established organizational structure with clearly defined lines of authority and an increasingly refined internal corporate management system (ERP system). Adopting the president accountability system under the leadership of the Board, each of our schools is managed on a day-to-day basis by its president, who is assisted by several vice presidents responsible for one or more specific aspects of our schools' operations. The board of directors of each of our respective schools is responsible for the overall management and decisions on matters that are significant to each of our schools. The board of directors, president and vice presidents of our schools are required to manage the operation of the schools within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. They are also required to keep the management of the Company informed of the material development and to report on the implementation of the policies and strategies set by the Company on a regular basis. Each of our school has also designated the relevant personnel who will be responsible for monitoring the ongoing compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures. Our schools have established an emergency response mechanism to cope with major emergencies in an effective manner.

Counsellors are appointed for each of our schools to provide assistance and guidance on students' academic and personal issues as well as ethical education during their study. Counsellors also regularly inspect the student dormitories to ensure an orderly, safe, clean and healthy living environment for our students and help students with social and behavioural issues to take care of their mental wellness. Our schools have also implemented complaint channels and established a task force comprising of the president and heads of school departments with a view to understanding, responding and resolving complaints from students.

Corporate Governance Report

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information.

The Board will conduct a review on the effectiveness of the internal control and risk management systems of the Group at least once in a financial year. Such review shall cover all material controls, including financial, operational and compliance controls and risk management functions. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Board, through the Audit Committee, has conducted a review on the effectiveness of the Group's internal control and risk management systems for the year ended 31 August 2019 and is satisfied that such systems are effective and adequate. It has also reviewed and satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.chinaeducation.hk as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. The memorandum and articles of association of the Company are available on the websites of the Company and HKEXnews. No changes have been made to the memorandum and articles of association of the Company since Listing. To facilitate communication between the Company and the investment community, the Company conducts briefings and meetings with institutional investors and analysts on a regular basis as well as media interviews and roadshows to provide up-to-date and comprehensive information of the Company.

Shareholders are encouraged to attend the AGM and have face-to-face interaction with the Directors. The 2019 AGM of the Company was held on 25 February 2019, the representative of Deloitte Touche Tohmatsu and all of the Directors attended the AGM. All resolutions proposed at the AGM were passed and the poll results were published on the websites of the Company and HKEXnews.

SHAREHOLDERS' RIGHTS

Propose a Person for Election as a Director

Pursuant to Article 113 of the Articles of Associations, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal office of the Company. The period for lodgement of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's principal office in Hong Kong. The Notice must: (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, Shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable.

Convene an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders 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 and sent to the Board or the company secretary at the Company's principal office in Hong Kong, 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 months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

Put Forward Proposals at General Meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraphs to consider the business specified in the requisition.

Put Enquiries to the Board

Shareholders may send any comments or inquiries to the Board by email to sprg_chinaeducation@sprg.com.hk or in writing to the company secretary at the Company's principal office in Hong Kong.

Directors and Senior Management

The Board consists of four Executive Directors and three Independent Non-Executive Directors.

EXECUTIVE DIRECTORS

YU GUO (于果), aged 57, was appointed as a Director in May 2017 and was redesignated as an Executive Director in August 2017. Mr. Yu is the co-chairman of the Board and the chairman of the nomination committee.

Mr. Yu is the founder and the chairman of the board of directors of Jiangxi University of Technology. He is a director of certain subsidiaries and consolidated affiliated entities of the Company.

Mr. Yu has over 25 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Yu include:

Period	Association	Position
March 1998 to March 2003	Ninth National People's Congress (第九屆全國人民代表大會)	Representative
July 2002 to present	Jiangxi Federation of Industry and Commerce (江西省工商業聯合會)	Vice Chairman
March 2003 to March 2008	Tenth National People's Congress (第十屆全國人民代表大會)	Representative
March 2008 to March 2013	Eleventh National People's Congress (第十一屆全國人民代表大會)	Representative
January 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
March 2013 to March 2018	Twelfth Jiangxi People's Congress (第十二屆江西省人民代表大會)	Member of the Standing Committee
March 2018 to present	Thirteenth Jiangxi People's Congress (第十三屆江西省人民代表大會)	Member of the Standing Committee
March 2013 to present	Jiangxi Youth Federation (江西省青年聯合會)	Honorary Chairman

DIRECTORS AND SENIOR MANAGEMENT

Key awards received by Mr. Yu for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
November 1998	National Glorious Industry Career Award (中國光彩事業獎)	China Society for Promotion of the Guangcai Programme (中國光彩事業促進會)
November 2000	China's Top Ten Outstanding Young Persons (中國十大傑出青年)	All-China Youth Federation (中華全國青年聯合會), China Youth Development Foundation (中國青少年發展基金會) and ten other media organisations
September 2004	National Outstanding Education Worker Award (全國優秀教育工作者)	MOE
April 2005	National Outstanding Worker Award (全國先進工作者)	State Council of the PRC
January 2007	National Award for Outstanding Non-Public Economic Establisher of Business in Communism with Chinese Characteristics (全國非公有制經濟人士優秀中國特色社會主義事業建設者)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)

Mr. Yu was a director of Jiangxi Fashion TV Shopping Co., Ltd. (江西風尚電視購物股份有限公司), a company listed on the New OTC Market of the National Equities Exchange and Quotations ("OTC Market") from August 2012 to May 2018 and a director of China Science & Merchants Investment Management Group (中科招商投資管理集團股份有限公司) ("CSM Investment Group"), a company previously listed on OTC Market, from September 2014 to September 2017.

Mr. Yu graduated from the Master's programme in Business and Economics at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in 1998. Mr. Yu completed the China Europe International Business School-Harvard Business School-IESE Business School Global CEO Programme for China in 2006.

Mr. Yu is the father of Dr. Yu Kai, an Executive Director and the chief executive officer of the Company.

Directors and Senior Management

XIE KETAO (謝可滔), aged 55, was appointed as a Director in May 2017 and was redesignated as an Executive Director in August 2017. Mr. Xie is the co-chairman of the Board.

Mr. Xie is the founder of Guangdong Baiyun University and Baiyun Technician College and is the chairman of the board of directors of both schools. He is a director of certain subsidiaries and consolidated affiliated entities of the Company.

Mr. Xie has over 30 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Xie include:

Period	Association	Position
February 2003 to January 2008	Ninth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第九屆廣東省中國人民政治協商會議委員會)	Committee Member
August 2004 to July 2008	Guangzhou Vocational Technical Education Research Committee (廣州市職業技能教學研究會)	Vice Chairman (last position)
January 2008 to January 2013	Tenth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第十屆廣東省中國人民政治協商會議委員會)	Committee Member
May 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
January 2013 to January 2018	Twelfth Guangdong People's Congress (廣東省第十二屆人民代表大會)	Representative

Directors and Senior Management

Key awards received by Mr. Xie for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
May 1999	Sixth Guangzhou Municipal Ten Outstanding Youth (第六屆廣州市十佳青年)	Guangzhou Municipal People's Government (廣州市人民政府)
December 2007	Outstanding Contribution Award to Chairmen in Private Schools (民辦學校董事長突出貢獻獎)	Guangdong Provincial Association for the Education Promotion (廣東省教育促進會)
December 2008	Individual Award for Outstanding Contribution for Guangdong Province Private Education (廣東省民辦教育傑出貢獻人物)	Southern Metropolis Daily (南方都市報)
June 2011	China Private Higher Education Outstanding Individuals (中國民辦高等教育先進個人)	China Association For Private Education (中國民辦教育協會)
September 2015	Guangdong Contemporary Private Education Sponsor Excellent Contribution Award (廣東當代民辦教育舉辦人突出貢獻獎)	Guangdong Society of Education (廣東教育學會), Guangdong Education Foundation (廣東省教育基金會) and Guangdong Provincial Institute of Contemporary Private Education Management (廣東省當代民辦教育管理研究院)

Mr. Xie was a supervisor of CSM Investment Group from September 2014 to September 2017.

Mr. Xie graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999. Mr. Xie has also been a National Ministry of Labour and Social Security (中華人民共和國勞動和社會保障部) accredited Senior Vocational Counsellor (高級職業指導師) since March 2002.

Mr. Xie is the brother of Ms. Xie Shaohua, an Executive Director.

YU KAI (喻愷), aged 34, was appointed as an Executive Director and the chief executive officer of the Company in August 2017 and is a member of the remuneration committee. He has over 10 years of experience in the education industry.

Dr. Yu is a director of certain subsidiaries and consolidated affiliated entities of the Company. He is also a director of Jiangxi University of Technology.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yu served as an educational consultant to the World Bank. He also provided research services to the Degrees Commission of the State Council of the PRC, the MOE Higher Education Department, the MOE Degree Management and Graduate Education Department and the Research Office of the Jiangxi People's Government. Dr. Yu has published 10 books in China, the US, Germany, Switzerland and Singapore and authored over 30 journal articles covering the topics ranging from policy, learning, financing, and investment in education. Dr. Yu served as a reviewer of textbooks for Cambridge University Press.

Key awards received by Dr. Yu include:

Date	Awards	Awarding Authority
June 2010	Shanghai Municipal Pujiang Talent Award (上海市浦江人才)	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) and Shanghai Municipal Science and Technology Commission (上海市科學技術委員會)
December 2010	Outstanding Research and Consultation Report in Philosophy and Social Sciences Award (教育部高校哲學社會科學研究優秀諮詢報告)	MOE Department of Social Sciences (教育部社會科學司)
December 2010	Shanghai Municipal Outstanding Achievement in Philosophy and Social Sciences Award Second Class Award for Papers (上海市哲學社會科學優秀成果獎論文類二等獎)	Shanghai Municipal Award Selection Committee for Outstanding Achievement in Philosophy and Social Sciences (上海市哲學社會科學優秀成果評獎委員會)
September 2011	National Outstanding Achievement in Educational Sciences Research Award Second Class Award (全國教育科學研究優秀成果獎二等獎)	MOE

DIRECTORS AND SENIOR MANAGEMENT

Date	Awards	Awarding Authority
December 2012	Elected to join the New Century Outstanding Talent Support Plan (入選教育部新世紀優秀人才支持計劃)	MOE
December 2014	Jiangxi Provincial Outstanding Achievement in Teaching Award First Class Award (江西省教學成果獎一等獎)	Jiangxi Provincial Department of Education
November 2015	Jiangxi Provincial Outstanding Achievement in Educational Sciences Award First Class Award (江西省教育科學優秀成果獎一等獎)	Jiangxi Provincial Department of Education

Dr. Yu is an Adviser for PhD students and Post-docs at Shanghai Jiao Tong University in the field of Economics and Administration of Education.

Dr. Yu received his Bachelor of Engineering degree in Computer Science (First Class Honours) from the Queen's University of Belfast, his Master of Science degree and Doctor of Philosophy degree in Educational Studies from the University of Oxford. Dr. Yu received his Master of Business Administration degree in Finance from China Europe International Business School. Dr. Yu holds Corporate Director Certificate from Harvard Business School.

Dr. Yu is the son of Mr. Yu Guo, an Executive Director and the co-chairman of the Board. Dr. Yu is a director of Blue Sky BVI and a director of White Clouds BVI, both companies are substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

XIE SHAOHUA (謝少華), aged 56, was appointed as an Executive Director in August 2017.

Ms. Xie is a director of certain subsidiaries and consolidated affiliated entities of the Company. Ms. Xie is the vice chairman of the board of both Guangdong Baiyun University and Baiyun Technician College. Ms. Xie is also the vice principal of Guangdong Baiyun University.

Ms. Xie has more than 25 years of experience in the education industry. Key positions held by Ms. Xie include:

Period	Association	Position
April 2003 to October 2006	Seventh to Ninth Guangzhou Baiyun Committee of the Chinese People's Political Consultative Conference (廣州市白雲區第七一九屆政協委員會)	Member
January 2012 to January 2017	Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference (廣州市第十二屆政協委員會)	Member

Directors and Senior Management

Key awards received by Ms. Xie include:

Date	Awards	Awarding Authority
September 1996	Excellent Educator of Guangzhou City Award (廣州市優秀教師)	Guangzhou Municipal Education Commission (廣州市教育委員會) and Guangzhou Education Foundation (廣州市教育基金會)
March 2008	Guangzhou Municipal Female Employee Excellence Achievement (廣州市女職工建功立業標兵)	Guangzhou Federation of Trade Unions (廣州市總工會)
August 2012	Award for honouring more than 20 years of services in technical education and vocational training in Guangzhou (從事廣州技工教育與職業培訓工作20年以上)	Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)

Ms. Xie received her College Diploma in Chinese Language and Literature from the Guangzhou Amateur University (廣州業餘大學) in 1991 and graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999.

Ms. Xie is the sister of Mr. Xie Ketao, an Executive Director and the co-chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

GERARD A. POSTIGLIONE, aged 68, was appointed as an INED in December 2017. Dr. Postiglione is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee.

Dr. Postiglione has been an Honorary Professor of The University of Hong Kong Faculty of Education since July 2017 and a member of the academic committee at the Center for Higher Education Research, Southern University of Science and Technology (南方科技大學) since August 2018. Dr. Postiglione served as Professor, Chair of Higher Education of The University of Hong Kong Faculty of Education from June 2015 to June 2017, Associate Dean of Research of The University of Hong Kong Faculty of Education from December 2013 to July 2016, was Director of the Wah Ching Centre for Research on Education in China, The University of Hong Kong from July 2002 to March 2005, and from 2008 to 2015, and has been Coordinator of the Consortium for Higher Education Research in Asia, The University of Hong Kong since 2017.

Dr. Postiglione has been a Consultant on higher education of the Asian Development Bank from 2009 to 2011, 2017 to 2018, 2018 to 2019 and currently until 2020. He was a visiting fellow at Yale University from September to December 2003. Dr. Postiglione's academic books include Crossing Borders in East Asian Higher Education, Asian Higher Education, Education and Social Change in China and Mass Higher Education Development in East Asia: Strategy, Quality and Challenges.

Dr. Postiglione received his Bachelor of Science degree in 1972 and his Doctor of Philosophy Degree in 1980, both from the State University of New York.

Directors and Senior Management

RUI MENG (芮萌), aged 52, was appointed as an INED in December 2017. Dr. Rui is the chairman of the audit committee and a member of the remuneration committee.

Dr. Rui has been Professor of Finance and Accounting at China Europe International Business School since January 2012, and has held the title of Parkland Chair in Finance at China Europe International Business School since May 2019. Dr. Rui has been professionally designated as a Certified Financial Analyst (CFA) by the Association for Investment Management and Research since September 2000 and a Financial Risk Manager (FRM) by the Global Association of Risk Professionals since April 2010.

Dr. Rui is currently an independent director of Shanghai Winner Information Technology Co., Inc. (上海匯納信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange. Dr. Rui is also an independent director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange, an independent director of COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Stock Exchange and Shanghai Stock Exchange, an independent non-executive director of Country Garden Services Holdings Company Limited, a company listed on the Stock Exchange, and an independent non-executive director of Landsea Green Properties Co., Ltd., a company listed on the Stock Exchange. Dr. Rui was an independent director of Midea Group Co., Ltd. (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange, from September 2015 to September 2018.

Dr. Rui received a Bachelor of Economics degree in International Economics from the Institute of International Relations in Beijing in 1990 and a Master of Science degree in Economics from Oklahoma State University in 1993. Dr. Rui also received a Master of Business Administration degree in 1996 and a Doctor of Philosophy degree in Business Administration in 1997 from the University of Houston.

WU KIN BING (鄔健冰), aged 67, was appointed as an INED in December 2017. Dr. Wu is a member of the audit committee and a member of the nomination committee.

Dr. Wu was Lead Education Specialist at the World Bank from September 1994 to October 2012. Dr. Wu led in educational policy analysis, lending appraisal, and project supervision in East Asia, South Asia and Latin America and Caribbean Region. She had worked on all subsectors of education, from early childhood development, to primary, secondary and tertiary education. Her World Bank and academic publications have dealt with the finance and efficiency of the education systems and public policies towards education.

Dr. Wu has also been a founding member of the UNICEF USA Northwest Regional Board since January 2014, where she has been responsible for fundraising, education, and advocacy for UNICEF's work for children around the world. Dr. Wu served on the Editorial Board of Harvard Educational Review from 1987 to 1988, and then as Co-Chairperson of the Board from 1988 to 1989.

Dr. Wu received from Indiana University a Bachelor of Arts degree in 1972, a Master of Science degree in 1974 and a Master of Arts degree in 1976. Dr. Wu received a Doctor of Education degree from Harvard University in 1995.

Directors and Senior Management

SENIOR MANAGEMENT

MOK KWAI PUI BILL (莫貴標), aged 58, joined the Group in May 2017 as the chief financial officer and was appointed as the company secretary in August 2017.

Mr. Mok has 30 years' experience in accounting, finance and banking in Hong Kong and the PRC with specific expertise in managing financial and accounting operations, fund raising, investor relations and executing corporate strategy. Before joining the Group, Mr. Mok was the chief financial officer of Fortune Oil PLC from November 2011 to May 2017, a company then listed on the London Stock Exchange and voluntarily delisted in March 2015. Mr. Mok was also the chief financial officer of Far East Consortium International Limited from April 2004 to October 2010, a company listed on the Stock Exchange.

Mr. Mok is an INED of Grand Ming Group Holdings Limited and PF Group Holdings Limited, both companies are listed on the Stock Exchange.

Mr. Mok received his Bachelor of Arts Degree in Business Administration from the University of Washington in the United States in 1984 and a Master Degree in Business Administration from the Seattle University in the United States in 1987. Mr. Mok is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

LI RENYI (李仁毅), aged 34, joined the Group as vice president for strategic investments in May 2017.

Mr. Li has 11 years of experience in investment. Before joining the Group, Mr. Li worked at Prax Capital (普凱投資), a private equity firm, from June 2013 to April 2017 where he held various positions including vice president of investments, senior manager of investments and manager of investments. Mr. Li also worked as an investment manager at Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司), a venture capital firm, from March 2012 to May 2013 and at China Renaissance (華興資本), a financial services provider, from June 2008 to May 2011 where he was financing manager and analyst.

Mr. Li received his Bachelor of Engineering degree in Information Security from Shanghai Jiao Tong University in 2008. Mr. Li received his Master of Business Administration degree in Finance from China Europe International Business School in 2017. Mr. Li has passed the Fund Practitioner Qualification Examinations (基金從業資格考試) held by the Asset Management Association of China (中國證券投資基金業協會) in 2016.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules .

Report of the Directors

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 August 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the operation of private higher and vocational education institutions. Details of the activities of the principal subsidiaries and consolidated affiliated entities are set out in note 42 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

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 on page 136.

A fair review of the business of the Group during the year and its likely future development and outlook, important events affecting the Company that have occurred since the end of the financial year, an analysis of the Group's performance during the year using financial key performance indicators, discussions on the Group's environmental policies and performance, details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in "Co-Chairmen's Statement", "Management Discussion and Analysis", "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report and all such discussions constitute part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" in this report, the following list is a summary of certain principal risks and uncertainties facing by the Group:

- our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees.

- our business is heavily dependent on the market recognition of our brand and reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

- we face competition from existing players and industry consolidation in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

- unauthorised disclosure or manipulation of sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

Report of the Directors

- we may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

- we are subject to uncertainties brought by various laws and regulations which are applicable to private higher education industry in the PRC, in particular the Law for Promoting Private Education of the PRC. Relevant laws and regulations could be changed from time to time to accommodate the development of the education industry in the PRC.

The above is not an exhaustive list. Investors are advised to make their own judgement or consult their own investment advisors before making any investment in the Shares.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliated entities, which are incorporated in the PRC. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Sponsor of each of our schools does not require reasonable returns.

Except for that, we do not have any other dividend policy. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Report of the Directors

DIVIDEND

The Board recommends the payment of a final dividend of HK9.0 cents per ordinary Share for the year ended 31 August 2019 (for the eight months ended 31 August 2018: HK7.4 cents per ordinary Share) by cash to Shareholders whose names appear on the register of members of the Company on Monday, 24 February 2020. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend will be paid on Friday, 6 March 2020. Together with the interim dividend of HK3.5 cents per ordinary Share, the total dividends per ordinary Share for the year ended 31 August 2019 will be HK12.5 cents per ordinary Share (for the eight months ended 31 August 2018: HK7.4 cents per ordinary Share).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 14 February 2020. Notice convening the forthcoming AGM will be published and despatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the Forthcoming AGM

The register of members of the Company will be closed from Tuesday, 11 February 2020 to Friday, 14 February 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 February 2020.

For the Proposed Final Dividend

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM. The register of members of the Company will be closed from Thursday, 20 February 2020 to Monday, 24 February 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address for registration not later than 4:30 p.m. on Wednesday, 19 February 2020.

SHARE CAPITAL

Details of changes in the share capital of the Company during the year ended 31 August 2019 are set out in note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in 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.

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Company during the year ended 31 August 2019 are set out on pages 248 and 249 in note 43 to the consolidated financial statements.

Our reserves available for distribution to the Shareholders consist of share premium and retained profits. Under the Companies Law of the Cayman Islands and subject to compliance with the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividends to the Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 August 2019, the Company's reserve available for distribution to equity holders amounted to approximately RMB2,200.5 million.

DIRECTORS

The Directors during the year ended 31 August 2019 and up to the date of this report were:

Executive Directors

Mr. Yu Guo *(Co-Chairman)*
Mr. Xie Ketao *(Co-Chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

Pursuant to Article 108 of the Articles of Association, Mr. Yu Guo, Dr. Yu Kai and Dr. Wu Kin Bing shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming AGM.

The Company has received from each of the INEDs an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a period of three years after or until the third AGM since the Listing Date (whichever is earlier), and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association). The term of each of the service contracts shall end when the service contract is terminated in accordance with the terms and conditions of the service contract or by either party giving to the other party not less than three months' prior notice in writing.

Each of our INEDs has entered into an appointment letter with the Company for an initial period of three years from 5 December 2017 or until the third AGM since the Listing Date (whichever is sooner) which may be terminated in accordance with the terms and conditions of the appointment letter or by either party serving on the other party a prior written notice of not less than three months.

REPORT OF THE DIRECTORS

Save as aforesaid, no Director proposed for re-election at the forthcoming AGM has 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 CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2019, the interests and short positions of the Directors and the chief executives 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 as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and Short Positions In Shares And Underlying Shares

	Number of Shares/underlying Shares			Approximate % of all Shares
Name of Director	Personal Interests	Other Interests	Total	in Issue[(1)]
Yu Guo ("Mr. Yu")	(L)10,000,000[(2)]	(L)1,510,000,000[(3)(6)]	(L)1,520,000,000	(L)75.24%
		(S)125,000,000[(5)(6)]	(S)125,000,000	(S)6.19%
Xie Ketao ("Mr. Xie")	(L)10,000,000[(2)]	(L)1,510,000,000[(4)(6)]	(L)1,520,000,000	(L)75.24%
		(S)125,000,000[(5)(6)]	(S)125,000,000	(S)6.19%
Yu Kai ("Dr. Yu")	(L)10,000,000[(2)]	(L)750,000,000[(7)]	(L)760,000,000	(L)37.62%
		(S)62,500,000[(5)(7)]	(S)62,500,000	(S)3.09%
Xie Shaohua ("Ms. Xie")	(L)10,000,000[(2)]	–	(L)10,000,000	(L)0.50%

L – long position
S – short position

Notes:

1. The calculation is based on the total number of 2,020,202,000 Shares in issue as at 31 August 2019.

2. These are long position interests in underlying Shares and represent the maximum number of share options which may be vested with the Directors under the Pre-IPO Share Option Scheme of the Company. Details of each of their share options are set out in the section headed "SHARE OPTION SCHEMES AND SHARE AWARD SCHEME" in this report.

3. Of these long position interests in 1,510,000,000 Shares/underlying Shares, Blue Sky BVI is the beneficial owner of 750,000,000 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu is the settlor and a beneficiary of the Blue Sky Trust. For the remaining 760,000,000 Shares/underlying Shares, please refer to note 6 below.

4. Of these long position interests in 1,510,000,000 Shares/underlying Shares, White Clouds BVI is the beneficial owner of 750,000,000 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie is the settlor and a beneficiary of the White Clouds Trust. For the remaining 760,000,000 Shares/underlying Shares, please refer to note 6 below.

Report of the Directors

5. Each of Blue Sky BVI and White Clouds BVI entered into letter agreement authorising stock borrow with Credit Suisse AG, Hong Kong Branch ("Credit Suisse") on 21 March 2019, pursuant to which each of Blue Sky BVI and White Clouds BVI agreed to lend up to 62,500,000 Shares to Credit Suisse in connection with the convertible bonds issued by the Company in March 2019.

6. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in the Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of the Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be). Accordingly, the long position interests in 1,520,000,000 Shares/underlying Shares and the short position interests in 125,000,000 Shares of Mr. Yu and Mr. Xie were duplicated.

7. Dr. Yu is a beneficiary of the Blue Sky Trust. Accordingly, Dr. Yu's long position interests in 750,000,000 Shares and short position interests in 62,500,000 Shares were duplicated with part of the interests of Mr. Yu as disclosed above.

Directors' Interest In Associated Corporation

Name of Director	Nature of Interest	Name of Associated Corporation	Percentage of Shareholding in the Associated Corporation
Mr. Yu	Beneficial owner	Jiangxi University of Technology	100%
	Beneficial owner	Huafang Education	50%
Mr. Xie	Beneficial owner	Guangdong Baiyun University	100%
	Beneficial owner	Huafang Education	50%

Save as disclosed above, as at 31 August 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to the Directors under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme of the Company, at no time during the period was the Company, or its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 August 2019, so far as the Directors are aware, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Total Number of Shares	Approximate % of all Shares in Issue[1]
Blue Sky BVI	Beneficial Owner[2]	(L)750,000,000 (S)62,500,000	(L)37.12% (S)3.09%
	Other interest[4]	(L)770,000,000 (S)62,500,000	(L)38.11% (S)3.09%
		(L)1,520,000,000 (S)125,000,000	(L)75.24% (S)6.18%
White Clouds BVI	Beneficial Owner[3]	(L)750,000,000 (S)62,500,000	(L)37.12% (S)3.09%
	Other interest[4]	(L)770,000,000 (S)62,500,000	(L)38.11% (S)3.09%
		(L)1,520,000,000 (S)125,000,000	(L)75.24% (S)6.18%
Passionate Jade Holding Limited	Interests in controlled corporation[2]	(L)750,000,000 (S)62,500,000	(L)37.12% (S)3.09%
Shimmery Diamond Holding Limited	Interests in controlled corporation[3]	(L)750,000,000 (S)62,500,000	(L)37.12% (S)3.09%
Cantrust (Far East) Limited	Trustee[2][3]	(L)1,500,000,000 (S)125,000,000	(L)74.25% (S)6.18%

L – long position
S – short position

Notes:

1. The calculation is based on the total number of 2,020,202,000 Shares in issue as at 31 August 2019 (rounded down to two decimal places).

2. Blue Sky BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 62,500,000 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu is the settlor and a beneficiary of the Blue Sky Trust.

3. White Clouds BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 62,500,000 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie is the settlor and a beneficiary of the White Clouds Trust.

4. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in the Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of the Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be). Accordingly, the long position interests of Blue Sky BVI and White Clouds BVI in 1,520,000,000 Shares/underlying Shares and the short position interests in 125,000,000 Shares duplicated with the interests of Mr. Yu and Mr. Xie as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES' in this report.

Save as disclosed above, as at 31 August 2019, the Directors were not aware of any other persons (other than the Directors and the chief executives of the Company) who had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivising eligible participants for their contribution to the Group.

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was adopted and effective on 27 November 2017. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as no share options would be granted under the Pre-IPO Share Option Scheme after the Listing.

Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants

Under the Pre-IPO Share Option Scheme, the Board may determine any directors and employees of any member of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up share options to subscribe for the Shares.

Maximum Number Of Shares Available For Issue

The overall limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 45,500,000 Shares, which represents approximately 2.25% of the total issued Share as at the date of this annual report.

Report of the Directors

Maximum Entitlement Of Each Participant

Under the Pre-IPO Share Option Scheme, the Board shall be entitled to make an offer to any participant for the grant of an share option for the subscription of such number of Shares as the Board may determine.

Vesting And Exercising Period

The Board may in its absolute discretion makes an offer to a selected participant for the grant of an share option to subscribe for such number of Shares and on such terms as determined by the Board. The terms of the offer may include but are not limited to, any minimum period(s) for which an share option must be held and/or any minimum performance target(s) that must be achieved, before the share option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

An share option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee which period shall not expire later than 10 years from the Listing Date.

Amount Payable On Application Or Acceptance Of Share Option

An share option may be accepted by a participant within ten business days from the date of the offer of grant of the share option. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an share option.

Exercise Price

The price for the subscription of Shares in relation to each share option granted under the Pre-IPO Share Option Scheme shall be such price as may be determined by the Board. An share option may be exercised in whole or in part by the grantee and the subscription price of the Shares shall be fully paid by the grantee to the Company upon exercise of the share option.

Life Of The Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted and effective on 27 November 2017 and valid up to 27 November 2017 (the "Pre-IPO Share Option Scheme Period"). After the expiry of the Pre-IPO Share Option Scheme Period, no further share options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto.

REPORT OF THE DIRECTORS

Movements in Share Options Granted Under The Pre-IPO Share Option Scheme

Movements in the share options granted under the Pre-IPO Share Option Scheme during the year are as follows:

			Number of share options			
	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	At 1 September 2018[(1)]	Granted	Exercised, lapsed or cancelled	At 31 August 2019[(1)]
Directors						
Yu Guo	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2019	15/12/2019 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	2,000,000
Xie Ketao	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2019	15/12/2019 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	2,000,000
Yu Kai	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2019	15/12/2019 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	2,000,000

REPORT OF THE DIRECTORS

	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options			
			At 1 September 2018[1]	Granted	Exercised, lapsed or cancelled	At 31 August 2019[1]
Xie Shaohua	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2019	15/12/2019 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	2,000,000
	15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	2,000,000
Employees (in aggregate)	15/12/2018	15/12/2018 – 14/12/2027	1,100,000	–	–	1,100,000
	15/12/2019	15/12/2019 – 14/12/2027	1,100,000	–	–	1,100,000
	15/12/2020	15/12/2020 – 14/12/2027	1,100,000	–	–	1,100,000
	15/12/2021	15/12/2021 – 14/12/2027	1,100,000	–	–	1,100,000
	15/12/2022	15/12/2022 – 14/12/2027	1,100,000	–	–	1,100,000
Total			45,500,000	–	–	45,500,000

Notes:

1. These figures (except those relating to the vested share options) represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest with each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.

2. The above share options were granted on 14 December 2017, the date immediately preceding the Listing Date, and the exercise price of the share options is HK$6.45 per underlying Share.

Save and except as disclosed above, no other share options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

REPORT OF THE DIRECTORS

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme adopted by the resolutions in writing of the Shareholders passed on 29 November 2017.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted share options.

Maximum Number Of Shares Available For Issue

The total number of Shares which may be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the Shares in issue on the Listing Date (the "Post-IPO Share Option Scheme Mandate Limit") and represents approximately 9.90% of the total issued Share as at the date of this annual report. Share options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Post-IPO Share Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Post-IPO Share Option Scheme Limit"). No share options may be granted under any schemes of the Company if this will result in the Post-IPO Share Option Scheme Limit being exceeded.

The Post-IPO Share Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting. However, the refreshed Post-IPO Share Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval.

The Company may also grant share options in excess of the Post-IPO Share Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

Maximum Entitlement Of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the share options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of share options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all share options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders.

Where any grant of share options to a substantial shareholder or an INED of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of share options must also be first approved by the Shareholders in a general meeting.

Vesting And Exercising Period

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the share options may be exercised. However, the Board may at its sole discretion specify, as part of the terms and conditions of any share option, such performance conditions that must be satisfied before the share option can be exercised.

The period during which an share option may be exercised is determined and notified by the Board to each grantee at the time of making an offer for the grant of the share option and such period shall not expire later than ten years from the date of grant of the share option.

Amount Payable On Application Or Acceptance Of Share Option

An share option may be accepted by a participant within 20 business days from the date of the offer of grant of the share option. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an share option.

Exercise Price

The amount payable for each Share to be subscribed for under an share option shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

Life Of The Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing from the Listing Date (after which, no further share options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto.

Movements in Share Options Granted Under The Post-IPO Share Option Scheme

Movements in the share options granted under the Post-IPO Share Option Scheme during the year are as follows:

			Number of share options			
	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	At 1 September 2018	Granted[1]	Exercised, lapsed or cancelled	At 31 August 2019[1]
Employees (in aggregate)	08/03/2020	08/03/2020 – 07/03/2029	–	435,000	–	435,000
	08/03/2021	08/03/2021 – 07/03/2029	–	652,500	–	652,500
	08/03/2022	08/03/2022 – 07/03/2029	–	870,000	–	870,000
	08/03/2023	08/03/2023 – 07/03/2029	–	1,087,500	–	1,087,500
	08/03/2024	08/03/2024 – 07/03/2029	–	1,305,000	–	1,305,000
Total			–	4,350,000	–	4,350,000

Notes:

1. These figures represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest with each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.

2. All the above share options were granted on 8 March 2019, and the exercise price of the share options is HK$12.48 per underlying Share. The closing price of the Shares immediately before the share options granted on 8 March 2019 was HK$12.70.

Save and except as disclosed above, no share options have been granted or agreed to be granted by the Company under the Post-IPO Share Option Scheme during the year.

SHARE AWARD SCHEME

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by the resolutions in writing of our Shareholders on 29 November 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The issuance of new Shares pursuant to the Share Award Scheme is subject to the application by the Company and the granting by the Listing Committee of the Stock Exchange for the listing of and permission to deal in such new Shares.

Purpose

The purpose of the Share Award Scheme is to align the interests of the eligible participants of the scheme with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain the eligible participants to make contributions to the long-term growth and profits of the Group.

Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group.

Maximum Number Of Shares To Be Granted

An award (the "Award") granted under the Share Award Scheme gives a selected participant a conditional right, when the Shares are vested, to obtain the Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted to the date the Award is vested. The Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participant even though the Shares have not yet vested.

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant.

Report of the Directors

The maximum aggregate number of Shares underlying all grants made under the Share Award Scheme (excluding Shares which have been forfeited in accordance with the Share Award Scheme) is 40,000,000 Shares, being 2% of issued Shares of the Company as of the Listing Date (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit") and represents approximately 1.98% of the total issued Share as at the date of this annual report.

Maximum Entitlement Of Each Participant

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Share Award Scheme.

Each grant of an Award to any Director or the chief executive officer shall be subject to the prior approval of the INEDs (excluding any INED who is a proposed recipient of the grant of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Award to any connected persons of the Company.

Vesting

The Board may from time to time determine such vesting criteria and conditions or periods for the Awards to be vested under the scheme.

Life Of The Share Award Scheme

The Share Award Scheme shall be valid and effective for the period of ten years commencing from the Listing Date.

Awards Granted Under The Share Award Scheme

No awards have been granted or agreed to be granted by the Company since the conditional adoption of the Share Award Scheme on 29 November 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2019.

BORROWINGS

As at 31 August 2019, the Group has bank and other borrowings of approximately RMB2,122.8 million (31 August 2018: approximately RMB237 million). Details of which were disclosed in note 29 to the consolidated financial statements.

Report of the Directors

ISSUE OF CONVERTIBLE BONDS DUE 2024

On 21 March 2019, the Company and Credit Suisse (Hong Kong) Limited entered into a subscription agreement (the "Subscription Agreement"), pursuant to which Credit Suisse (Hong Kong) Limited agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds to be issued by the Company due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355 million at initial conversion price of HK$14.69 per ordinary Share. The convertible bonds were issued to more than six holders and they are all independent investors. The issue of the convertible bonds was completed on 28 March 2019.

We intend to use the net proceeds of approximately HK$2,331 million for construction and development of the Group's schools in the PRC, acquisitions of schools in the PRC and the Group's overseas development. As at 31 August 2019, none of the net proceeds had been utilised.

We believe that the raising of funds by the issue of the convertible bonds is a suitable opportunity for the Company to enhance its working capital as the issue of the convertible bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders while satisfying the needs of the Group's continual business development.

Based on the initial conversion price of HK$14.69 per ordinary Share, the number of new Shares to be issued upon full conversion of the convertible bonds will be 160,313,138 Shares with an aggregate nominal value of HK$1,603.13 and market price of approximately HK$1,812 million (based on the closing price of HK$11.30 on 21 March 2019, the date of the subscription agreement). The net price of each convertible Share will be approximately HK$14.54.

As at 31 August 2019, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption of the convertible bonds was made by the Company.

Further details of the convertible bonds are set out in the announcements of the Company dated 22 March 2019 and 28 March 2019 and in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and Share Award Scheme as set out in the section headed "SHARE OPTION SCHEMES AND SHARE AWARD SCHEME" above in this report and the Subscription Agreement, no equity-linked agreements were entered into by the Company during or subsisted at the end of the financial year.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the financial year.

Report of the Directors

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the year ended 31 August 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, save as disclosed in the section headed "Connected Transactions" in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers are primarily our students. For the year ended 31 August 2019, the percentage of revenue attributable to the Group's five largest customers combined were less than 30% of our revenue.

Our suppliers primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the year ended 31 August 2019, the percentage of purchases attributable to the Group's five largest suppliers combined were less than 30% of our cost of revenue.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions — Contractual Arrangements

Reasons for entering into the Contractual Arrangements

Currently PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign ownership. The Company operates the business through the consolidated affiliated entities in the PRC. In order to comply with the PRC laws and regulations while availing ourselves to international capital markets and maintaining effective control over all of our operations, the Company through its wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities.

The Company does not hold any equity interests in the consolidated affiliated entities which are held directly or indirectly by Mr. Yu and Mr. Xie. However, through the Contractual Arrangements, the Company effectively controls these consolidated affiliated entities and is able to derive substantially all of their economic benefits. The Contractual Arrangements enable the Company to (i) receive substantially all the economic benefits from the consolidated affiliated entities in consideration for the services provided by WFOE; (ii) exercise effective control over the consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the sponsor interests in our PRC operating schools when and to the extent permitted by the PRC laws.

REPORT OF THE DIRECTORS

Listing Rules Implications

Mr. Yu and Mr. Xie are the Executive Directors and substantial shareholders of the Company, and therefore each of them is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirements of Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. The specific waiver granted by the Stock Exchange is subject to various conditions as disclosed in the "Connected Transactions" section of the Company's prospectus and which include, among others, disclosure in our annual reports of the Contractual Arrangements in place during each financial period, engagement of the Company's auditor to report on the transactions carried out pursuant to the Contractual Arrangements in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and issue of letter in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and annual review by the INEDs of the Contractual Arrangements and their confirmation in our annual report for the relevant year.

Contractual Arrangements In Place

Business Cooperation Agreements

Pursuant to (i) the business cooperation agreement entered into by and among WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) the business cooperation agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) the business cooperation agreement entered into by and among WFOE, Baiyun Technician College, Huafang Education, Lihe Education, Mr. Yu and Mr. Xie dated 14 August 2017 (the "Business Cooperation Agreements"), WFOE has the exclusive right to provide each of the relevant consolidated affiliated entities technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return, our relevant PRC operating schools and other consolidated affiliated entities shall make payments accordingly.

Report of the Directors

In line with the Group's business expansion, substantially similar business cooperation agreements have been entered into in relation to Zhengzhou Transit School, Xi'an Railway College, Guangzhou Songtian University and Songtian Polytechnic College (together, the "Newly Acquired Schools"), as set forth below, which are intended to help the Group exercise its control of and derive its economic benefits from these Newly Acquired Schools: (i) the business cooperation agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019; (ii) the business cooperation agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019; and (iii) the business cooperation agreement entered into by and among WFOE, Guangzhou Songtian University, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019.

Exclusive Technical Services And Management Consultancy Agreements

Pursuant to (i) the exclusive technical services and management consultancy agreement entered into by and between WFOE and Jiangxi University of Technology dated 30 June 2017, (ii) the exclusive technical services and management consultancy agreement entered into by and between WFOE and Guangdong Baiyun University dated 30 June 2017 and (iii) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Lihe Education, Huafang Education and Baiyun Technician College dated 14 August 2017 (the "Exclusive Technical Services and Management Consultancy Agreements"), WFOE has the exclusive right to provide, or designate any third party to provide technical services to each of our relevant PRC operating schools and the relevant consolidated affiliated entities. Furthermore, WFOE agreed to provide exclusive management consultancy services to our relevant PRC operating schools and the relevant consolidated affiliated entities.

In line with the Group's business expansion, substantially similar exclusive technical services and management consultancy agreements have been entered into with respect to the Newly Acquired Schools, as set forth below, which are intended to help the Group exercise its control of and derive its economic benefits from these Newly Acquired Schools: (i) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education and Huafang Education dated 27 February 2019; (ii) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education and Huafang Education dated 27 February 2019; and (iii) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Guangzhou Songtian University, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company and Huafang Education dated 27 February 2019.

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Exclusive Call Option Agreements

Under (i) the exclusive call option agreement entered into by and among WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) the exclusive call option agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) the exclusive call option agreement entered into by and among WFOE, Baiyun Technician College, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 (the "Exclusive Call Option Agreements"), Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities have irrevocably granted WFOE or its designated purchaser the right to purchase all or part of the interests in our relevant PRC operating schools and the relevant consolidated affiliated entities (as the case may be). The purchase price payable by WFOE in respect of the transfer of such sponsor interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE or its designated purchaser shall have the right to purchase such proportion of the sponsor interest in our relevant PRC operating schools or the equity interests in the relevant consolidated affiliated entities as it decides at any time.

In line with the Group's business expansion, substantially similar exclusive call option agreements have been entered into with respect to the Newly Acquired Schools, as set forth below, which are intended to help the Group exercise its control of and derive its economic benefits from these Newly Acquired Schools: (i) the exclusive call option agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019; (ii) the exclusive call option agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019; and (iii) the exclusive call option agreement entered into by and among WFOE, Guangzhou Songtian University, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019.

School Sponsors' and Directors' Rights Entrustment Agreements And Shareholders' Rights Entrustment Agreements

Pursuant to (i) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Mr. Yu and each director of Jiangxi University of Technology dated 30 June 2017, (ii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Mr. Xie and each director of Guangdong Baiyun University dated 30 June 2017 and (iii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Lihe Education and each director of Baiyun Technician College dated 14 August 2017 (the "School Sponsors' and Directors' Rights Entrustment Agreements"), the relevant registered school sponsors have irrevocably authorised and entrusted WFOE to exercise all its rights as school sponsor of each of our relevant PRC operating schools to the extent permitted by the PRC laws.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, each of the directors of each relevant school (the "Appointees") has irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of our relevant PRC operating schools as appointed by the relevant registered school sponsors and to the extent permitted by the PRC laws.

Pursuant to (i) the shareholders' rights entrustment agreement entered into by and among WFOE, Huafang Education, Mr. Yu and Mr. Xie dated 14 August 2017 and (ii) the shareholders' rights entrustment agreement entered into by and among WFOE, Lihe Education and Huafang Education dated 14 August 2017 (the "Shareholders' Rights Entrustment Agreements"), Mr. Yu, Mr. Xie and/or Huafang Education have irrevocably authorised and entrusted WFOE to exercise all his or its rights as shareholders of Huafang Education and/or Lihe Education to the extent permitted by the PRC laws.

In line with the Group's business expansion, substantially similar school sponsors' and directors' rights entrustment agreements have been entered into in relation to the Newly Acquired Schools, as set forth below, which are intended to help the Group exercise its control of and derive its economic benefits from these Newly Acquired Schools: (i) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Shuren Education and each director of Zhengzhou Transit School appointed by the Group dated 27 February 2019; (ii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Shaanxi Xitie Education and each director of Xi'an Railway College appointed by the Group dated 27 February 2019; and (iii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Songtian Company and each director of Guangzhou Songtian University and Songtian Polytechnic College appointed by the Group dated 27 February 2019.

Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by the registered school sponsors in favour of WFOE, each of the registered school sponsors authorised and appointed WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our relevant PRC operating schools. WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the School Sponsors' Powers of Attorney shall constitute a part and incorporate terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favour of WFOE, each of the Appointees authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our relevant PRC operating schools. WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the Directors' Powers of Attorney shall constitute a part of and embody the terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Pursuant to the Shareholders' Powers of Attorney executed by each of Mr. Yu, Mr. Xie and Huafang Education in favour of WFOE, each of Mr. Yu, Mr. Xie and Huafang Education authorised and appointed WFOE, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of Huafang Education and Lihe Education. Each of the Shareholders' Power of Attorney shall constitute a part of and embody the terms of the relevant Shareholders' Rights Entrustment Agreement.

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With respect to each of the Newly Acquired Schools, substantially similar school sponsors' powers of attorney, directors' powers of attorney and shareholders' powers of attorney have been executed by the relevant registered school sponsors, directors and shareholders, which shall each constitute a part of the corresponding school sponsors', directors' and shareholder's rights entrustment agreements.

Receivables Pledge Agreements

Pursuant to (i) the receivables pledge agreement entered into by and among (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017 and (ii) the receivables pledge agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 (the "Receivables Pledge Agreements"), each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University unconditionally and irrevocably pledged and granted first priority security interests over all of his or its interest in (i) receivables from the schools' boarding and tuition fees, (ii) rent from the school's properties, (iii) receivables from services provided by the school and (iv) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be), together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Yu and Mr. Xie or each of Jiangxi University of Technology and Guangdong Baiyun University and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Yu and Mr. Xie and/or each of Jiangxi University of Technology and Guangdong Baiyun University under the Contractual Arrangements.

Pursuant to the Receivables Pledge Agreements, without the prior written consent of WFOE, Jiangxi University of Technology and Guangdong Baiyun University shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables.

Account Supervision Agreements

Pursuant to the account supervision agreements entered into by and among (i) WFOE, Jiangxi University of Technology, Mr. Yu and Nanchang Agriculture Bank Holdings Company Limited Qingshanhu Branch (南昌農村商業銀行股份有限公司青山湖支行) ("Jiangxi Bank") dated 15 August 2017, and (ii) WFOE, Guangdong Baiyun University, Mr. Xie and China Construction Bank Holdings Company Limited Guangzhou Baiyun Branch (中國建設銀行股份有限公司廣州白雲支行) ("Guangdong Bank") dated 28 August 2017 (the "Account Supervision Agreements"): (a) Mr. Yu and Jiangxi University of Technology shall each set up a bank account at Jiangxi Bank; and (b) Guangdong Baiyun University and Mr. Xie shall each set up a bank account at Guangdong Bank (together, the "Designated Accounts"), for the purpose of safeguarding the WFOE's interests under the Receivables Pledge Agreements. Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall only use the Designated Accounts in the ordinary course of business except otherwise used with WFOE's prior consent. WFOE shall have the right to supervise the daily operation of the Designated Accounts.

REPORT OF THE DIRECTORS

Each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall deposit all of his or its proceeds from receivables or the sale or transfer of sponsor interest (as the case may be) subject to the Receivables Pledge Agreements into his or its Designated Account. Under the Account Supervision Agreements, the daily operation of the Designated Accounts shall be under the supervision of Jiangxi Bank and Guangdong Bank (as the case may be) on behalf of WFOE.

Equity Pledge Agreement

There are no equity pledge arrangements in relation to Jiangxi University of Technology and Guangdong Baiyun University. Nevertheless, there is an equity pledge agreement in relation to Baiyun Technician College, which was entered into by and among WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 and has been supplemented by a supplemental agreement (together, the "Equity Pledge Agreements"). The same supplemental agreement has been entered into with respect to the Newly Acquired Schools by and among WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 27 February 2019. Pursuant to the Equity Pledge Agreements, Mr. Yu, Mr. Xie and Huafang Education shall unconditionally and irrevocably pledge and grant first priority security interests over all of his or its equity interest in Lihe Education and Huafang Education, as the case may be, together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and for payment of all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of among others, Mr. Yu, Mr. Xie, the relevant consolidated affiliated entities, Baiyun Technician College, Zhengzhou Transit School, Xi'an Railway College, Guangzhou Songtian University and/or Songtian Polytechnic College and all expenses incurred by WFOE as a result of enforcement of the obligations of among others, Mr. Yu, Mr. Xie, the relevant consolidated affiliated entities, Baiyun Technician College, Zhengzhou Transit School, Xi'an Railway College, Guangzhou Songtian University and/or Songtian Polytechnic College under the Contractual Arrangements.

Pursuant to the Equity Pledge Agreement, without the prior written consent of WFOE, Mr. Yu, Mr. Xie, and Huafang Education shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest.

Confirmation from INEDs

Our INEDs have reviewed the Contractual Arrangements and confirmed that during the year ended 31 August 2019 (i) the transactions carried out have been entered into in accordance with the relevant provisions of the Contractual Arrangements and 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 holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, (iii) apart from the disclosure above, no contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities, and (iv) the transactions contemplated under the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Report of the Directors

Confirmation from the Company's Independent Auditor

Deloitte Touche Tohmatsu, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu has provided a letter to the Board, confirming that the transactions contemplating under the Contractual Arrangements:

(a) have been approved by the Board;

(b) have been entered into in accordance with the relevant Contractual Arrangements;

(c) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

During the year ended 31 August 2019, no related party transactions disclosed in note 41 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

Risks relating to the Contractual Arrangements

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations.

The Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as direct ownership. The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition. The sponsor interests in Jiangxi University of Technology held by Mr. Yu and in Guangdong Baiyun University held by Mr. Xie are not capable of being pledged in favour of our WFOE under the PRC laws. Our Contractual Arrangements with respect to these universities contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

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Our exercise of the option to acquire the sponsor interests or equity interests of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs. Any failure by our consolidated affiliated entities or their respective school sponsors/shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders. If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our consolidated affiliated entities, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

The Board will review the Contractual Arrangements at least once a year to ensure the effective implementation of the Contractual Arrangements and compliance with the relevant terms.

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 31 May 2018, the Company and certain of its wholly-owned subsidiaries as borrowers (the "Borrowers") entered into a loan agreement and related financing documents (the "Loan Agreement") with International Finance Corporation ("IFC"), a member of the World Bank Group, as lender (the "Lender") in relation to a long-term loan facility up to US$200,000,000 (the "Loan") and with a term of up to seven years. The Loan Agreement imposes, among other things, specific performance obligations on the controlling shareholders of the Company, namely Mr. Yu Guo and Mr. Xie Ketao (collectively referred to as the "Controlling Shareholders").

Pursuant to the Loan Agreement, so long as any of the Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain:

(i) at all times, effective control of the Company; and

(ii) directly or indirectly, at all times (a) on or before 15 December 2018, at least 60%; and (b) after 15 December 2018, at least 50% of the beneficial ownership of the issued Shares.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the Loan Agreement. Nevertheless, it will not be an event of default in respect of the above shareholding requirement to the extent that the failure to comply is not a result of a direct or indirect transfer of the Shares by the Controlling Shareholders.

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In addition, it is also an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 20% or more of the voting share or equity in such entities) of any of them. Nevertheless, if the Controlling Shareholders collectively (whether directly or indirectly) remain as the single largest shareholder of such entity, it would not be a change of control in the context of the above requirement.

If an event of default under the Loan Agreement occurs and is continuing, the Lender may, by notice to the Borrowers, require the Borrowers to immediately repay the Loan (or such part of the Loan) and any other payments pursuant to the Loan Agreement.

GUARANTEE REGARDING THE FINANCIAL PERFORMANCE OF A COMPANY OR BUSINESS ACQUIRED

As disclosed in the Company's prospectus dated 5 December 2017, Mr. Xie agreed to provide a profit guarantee in relation to the financial performance of Baiyun Technician College for the calendar year ended 31 December 2018. The actual performance of Baiyun Technician College for the calendar year ended 31 December 2018 had met the profit guarantee.

On 13 March 2018, the Company announced its acquisitions of Zhengzhou Transit School and Xi'an Railway College. The vendors of Zhengzhou Transit School and Xi'an Railway College agreed to provide guarantees in relation to the financial performance of Zhengzhou Transit School for each of the three calendar years ending 31 December 2020 and the financial performance of Xi'an Railway College for each of the two calendar years ending 31 December 2019 respectively. The actual performance of each of Zhengzhou Transit School and Xi'an Railway College for the calendar year ended 31 December 2018 had met the above guarantees.

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

On 30 June 2019, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and Ministry of Commerce of the PRC (中華人民共和國商務部) jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019) (《外商投資准入特別管理措施(負面清單)》(2019年版), the "Negative List"), which became effective on 30 July 2019. Pursuant to the Negative List, higher education in the PRC is a "restricted" industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-Foreign cooperation, meaning that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, which was promulgated by the State Council on 1 March 2003, taking effect as from 1 September 1 2003, amended on 18 July 2013, and further amended on 2 March 2019, the "Sino-Foreign Regulation"). In addition, the Negative List also provides that the domestic party

Report of the Directors

shall play a dominant role in the Sino-Foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national, and (b) the representative of the domestic party shall account for no less than 50% of the total members of the board of directors, the executive council or the joint administration committee of the Sino-Foreign cooperative educational institution. Pursuant to the Negative List, vocational education in the PRC is the "permitted" industry. However, the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (the "Sino-Foreign Vocational Skills Training Measures") explicitly restrict vocational education to Sino-Foreign cooperation, meaning that foreign investors may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Regulations on Operating Sino-Foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》, issued by the MOE on 2 June 2004 and became effective on 1 July 2004) (the "Implementing Rules"), the foreign investor in a Sino-Foreign Joint Venture Private Higher Education School must be a foreign educational institution with relevant qualification and high quality of education (the "Higher Education Qualification Requirement"). Similarly, pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-Foreign Joint Venture Private Vocational Education School must be a foreign education institution with relevant qualification and high quality of education (the "Vocational Education Qualification Requirement") (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (the "Implementation Opinions"), the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company's PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and has implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education operations overseas. In 2017 the Company established a wholly-owned subsidiary in the State of California, the United States, for the operation and management of our education business in the State of California. The Company also engaged an independent education consultant with extensive experience and background in private post-secondary education to advise on and assist the Company in the establishment of our institution in the State of California. As at the date of this report, we have submitted licensing application to the Bureau for Private Post-secondary Education in California and the licensing application is still in process. We will continue to disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports.

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LAND USE RIGHT CERTIFICATE, BUILDING OWNERSHIP CERTIFICATES AND FIRE CONTROL ASSESSMENT REQUIREMENTS

As disclosed in the section headed "Business — Properties — Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College" in the Company's prospectus dated 5 December 2017, land use right certificate for a parcel of land has not been obtained (the "Land Issue"), and building ownership certificates for certain buildings have not been obtained and the relevant fire control assessment requirements have not been complied with (the "Building and Fire Control Issues"). We have been in discussion with the relevant parties and in the process of applying for re-compliance of the relevant certificates, permits and fire control assessment procedures (the "Rectification"). Such rectification would involve protracted discussions with various government authorities and time-consuming government administrative processes. As at the date of this report, the application is in progress and we have not obtained any formal approvals from the relevant government authorities for the submissions that we made in relation to the Rectification.

We had commissioned qualified independent third parties to undertake a seismic resistance assessment and fire safety assessment on the buildings that do not have building ownership certificates. According to the assessment reports, no material safety issues were identified and the relevant buildings had passed the assessments; buildings can be operated normally as long as they maintain their existing safety conditions.

Furthermore, as disclosed in the prospectus, we acquired the land use right certificate for the first phase of the site of Zhongluotan Land with a site area of approximately 750 mu which would be developed into a new campus of Guangdong Baiyun University. The new campus would have ample capacity to accommodate the expansion of the school and to facilitate the relocation of the existing operations of the buildings (the "Old Buildings") affected by the Land Issue, and the Building and Fire Control Issues. Guangdong Baiyun University's new campus commenced operation in the 2019/2020 academic year and the operations in some of the Old Buildings have been relocated to the new campus and we expect to relocate more in the future. We will continue to disclose our progress in the rectification and the relocation of the existing operations of the Old Buildings in our annual and interim reports.

In view of the mitigating actions that have been taken by the Group, the Directors considered that the Land Issue, and the Building and Fire Control Issues of the Old Buildings would not have a material adverse effect on the operation of the schools.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or any of their respective associates has engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

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EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 31 August 2019, the Group had 8,718 employees (31 August 2018: 6,307), a 38.2% increase mainly due to acquisition of four schools. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Schools participate in social insurance (pension, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees.

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

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

Recruitment

We follow the PRC Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as provincial and local labour laws and regulations (of where the operating schools locate and operate) in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

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Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and smoother transitions and integrations.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, having regard to their relevant experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration. Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company, the Company continues to meet the prescribed public float under the Listing Rules.

REPORT OF THE DIRECTORS

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group issued 520,202,000 new Shares (after partially exercising the over-allotment option in January 2018) at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 31 August 2019, the Company has utilised the net proceeds of approximately RMB2,696.9 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 31 August 2019:

Purpose	Percentage to total amount	Net proceeds amount*	Utilised amount	Unutilised amount
		RMB (million)	*RMB (million)*	*RMB (million)*
Acquisition of or cooperation with other universities both domestically and abroad	59.50%	1,621.8	1,621.8	–
New campus development	26.90%	733.2	733.2	–
Repayment of certain portion of bank loans	8.00%	218.1	218.1	–
Working capital supplement	2.40%	65.4	65.4	–
Establishing teacher and staff training centre	1.10%	30.0	10.1	19.9
Research and development	1.10%	30.0	21.1	8.9
Provision of scholarships	0.50%	13.6	13.6	–
Maintenance, renovation and upgrading of existing schools	0.50%	13.6	13.6	–
	100%	2,725.7	2,696.9	28.8

* *Net proceeds (including those from partial exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing.*

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Report of the Directors

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors or the officers of the Company for the time being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their respective offices. Such provision was in force during the year and remained in force as of the date of this report.

COMPLIANCE WITH 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.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

On 23 September 2019, the Company through its subsidiary entered into an acquisition agreement with independent third parties for acquisition of Aspen Higher Education Pty Ltd, which holds a call option that could be exercised to acquire all the issued shares in King's Own Institute, at a consideration of AUD128,000,000. The acquisition was completed on 16 October 2019. Both Aspen Higher Education Pty Ltd and King's Own Institute have become wholly-owned subsidiaries of the Company. Details of the acquisition please refer to the Company's announcements dated 23 September 2019 and 16 October 2019.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 August 2019 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Yu Guo and **Xie Ketao**
Co-Chairmen

Hong Kong, 26 November 2019

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA EDUCATION GROUP HOLDINGS LIMITED
中國教育集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Education Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 136 to 249, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Acquisitions of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life	
We identified the acquisitions of businesses during the year ended 31 August 2019 and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 August 2019 as a key audit matter due to the complexity and significant estimates involved in the assessment process by the management of the Group. As disclosed in note 37 to the consolidated financial statements, the Group acquired 廣州邦瑞教育投資有限公司 (Guangzhou Bangrui Education Investment Company Limited) ("Bangrui Education"), 山東大眾文化產業投資有限公司 (Shandong Dazhong Cultural Industry Investment Limited) ("Shandong Dazhong Cultural") and 四川外國語大學重慶南方翻譯學院 (Chongqing Nanfang Translators College of Sichuan International Studies University) ("Chongqing Translators University") during the year ended 31 August 2019. The Group has recognised goodwill and intangible assets with indefinite useful life in an aggregate of RMB649,352,000 and RMB746,460,000, respectively as at the dates of acquisitions. As at 31 August 2019, the Group's goodwill and intangible assets with indefinite useful life have carrying amounts of RMB1,565,905,000 and RMB1,684,945,000, respectively. With the use of independent valuers, the valuations of intangible assets, representing brand names, on the acquisition dates, are performed based on key assumptions and estimation used by the management including discount rates, growth rates and useful lives of the intangible assets in respect of the acquisitions made during the reporting period.	Our procedures in relation to the acquisitions of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 August 2019 included: • Checking the arithmetical accuracy of the calculations underlying the purchase price allocations ("PPA"); • Understanding the nature of the intangible assets being acquired and inquiring the management of the Group for the factors that goodwill is arisen; • Evaluating the competence, capabilities and objectivity of the independent valuers engaged by the management in assessing the PPA and the discount rates applied in calculating the value in use for impairment assessments at 31 August 2019;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Acquisitions of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life (Continued)	
For the purpose of assessing impairment of goodwill and intangible assets with indefinite useful life at 31 August 2019, respective recoverable amounts have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the relevant subsidiaries' past performances and management's expectations for the market development, where the key assumptions and estimates included the growth rates and discount rates used in the value in use calculations. Based on the management's assessment, no impairment loss in relation to goodwill and intangible assets with indefinite useful life has been recognised for the year ended 31 August 2019.	• Involving our internal valuation expert to review the valuations performed by the independent valuers in respect of the PPA and the discount rates applied in calculating the value in use for certain impairment assessments as at 31 August 2019; • Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessments and the PPA, by checking historical budgets against historical results and management's expectations for the market development and other sources of external information; • Testing source data on a sample basis to supporting evidences, such as approved budgets and available market data; and • Evaluating the appropriateness of the disclosures in respect of the acquisitions of Bangrui Education, Shandong Dazhong Cultural and Chongqing Translators University and impairment assessments of goodwill and intangible assets with indefinite useful life in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of convertible bonds	
We identified carrying amount of convertible bonds, which is measured at Level 3 of the fair value hierarchy, as a key audit matter because the carrying amount of the convertible bonds is material to the Group and the determination of such fair value involves significant judgements and estimation. As disclosed in note 31 to the consolidated financial statements, the Group issued convertible bonds with the aggregate principal amount of HK$2,355,000,000 (equivalent to RMB2,007,190,000) during the year ended 31 August 2019. The convertible bonds are classified as financial liability designated as at fair value through profit or loss. As at 31 August 2019, the carrying amount of convertible bonds is RMB2,143,783,000. Management determined the fair value of the convertible bonds with reference to the valuation of independent valuers. Details of valuation techniques, significant assumptions and key inputs used in the valuation are disclosed in note 31 to the consolidated financial statements. The valuation is dependent on certain significant assumptions and key inputs that involve managements judgements, including discount rate and expected volatility of share prices of the Company's listed shares.	Our procedures in relation to fair value measurement of convertible bonds included: • Understanding and assessing management process, control design and operations over valuation process of convertible bonds; • Evaluating the competence, capabilities and objectivity of the independent valuers engaged by the management; • Involving our internal valuation experts to review and assess the valuation assumptions used and the appropriateness of the data inputs used; and • Assessing the appropriateness of disclosure relating to fair value measurements of convertible bonds.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2019

	Notes	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Revenue	6	1,954,874	932,910
Cost of revenue		(833,401)	(360,238)
Gross profit		1,121,473	572,672
Other income	7	80,554	54,085
Investment income	8a	33,519	14,923
Other gains and losses	8b	(57,694)	(43,616)
Selling expenses		(52,796)	(18,235)
Administrative expenses		(352,985)	(167,520)
Finance costs	9	(103,771)	(24,381)
Profit before taxation		668,300	387,928
Taxation	10	18,938	13,154
Profit and total comprehensive income for the year/period	11	687,238	401,082
Profit and total comprehensive income for the year/period attributable to:			
— owners of the Company		592,617	357,588
— non-controlling interests		94,621	43,494
		687,238	401,082
Earnings per share	14		
Basic (RMB cents)		29.33	17.70
Diluted (RMB cents)		29.16	17.62

Consolidated Statement of Financial Position

At 31 August 2019

	Notes	At 31 August 2019 RMB'000	At 31 August 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,850,771**	3,258,673
Prepaid lease payments	16	**1,051,059**	63,292
Goodwill	17	**1,565,905**	916,553
Intangible assets	17	**1,708,157**	994,162
Contract costs	21	**98,972**	42,699
Prepayments for investments	20	**73,837**	1,246,815
Deposits paid for prepaid lease payments	19	**1,181**	113,486
Deposits paid for acquisition of property, plant and equipment		**55,586**	27,895
Deferred tax asset	30	**27,342**	11,010
		10,432,810	6,674,585
CURRENT ASSETS			
Inventories		**540**	381
Trade receivables, deposits, prepayments and other receivables	22	**570,868**	130,226
Financial assets at fair value through profit or loss	23	**660,283**	61,805
Contract costs	21	**52,675**	16,269
Prepaid lease payments	16	**24,998**	1,506
Restricted bank deposits	24	**100,300**	110,000
Bank balances and cash	24	**3,496,587**	1,738,455
		4,906,251	2,058,642
CURRENT LIABILITIES			
Deferred income	25	**38,364**	23,651
Trade and bills payables	26	**23,465**	30,925
Other payables and accrued expenses	27	**1,506,243**	515,502
Provisions	27	**238,292**	19,578
Income tax payable		**20,546**	12,717
Contract liabilities	28	**1,617,328**	1,037,964
Bank and other borrowings	29	**284,700**	107,000
		3,728,938	1,747,337
NET CURRENT ASSETS		**1,177,313**	311,305
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,610,123**	6,985,890

Consolidated Statement of Financial Position

At 31 August 2019

	Notes	At 31 August 2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	25	**31,573**	34,237
Other payables	27	**22,943**	100,265
Bank and other borrowings	29	**1,838,127**	130,000
Deferred tax liability	30	**565,460**	259,218
Convertible bonds	31	**2,143,783**	–
		4,601,886	523,720
		7,008,237	6,462,170
CAPITAL AND RESERVES			
Share capital	32	**17**	17
Reserves		**6,594,526**	6,143,080
Equity attributable to owners of the Company		**6,594,543**	6,143,097
Non-controlling interests		**413,694**	319,073
		7,008,237	6,462,170

The consolidated financial statements on pages 136 to 249 were approved and authorised for issue by the Board of Directors on 26 November 2019 and are signed on its behalf by:

Mr. Yu Guo
DIRECTOR

Mr. Xie Ketao
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	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	17	2,664,032	181,679	(32,309)	3,077	1,149,841	1,672,706	5,639,043	–	5,639,043
Profit and total comprehensive income for the period	–	–	–	–	–	–	357,588	357,588	43,494	401,082
Transfer	–	–	–	–	–	37,733	(37,733)	–	–	–
Acquisitions of businesses *(note 37)*	–	–	–	–	–	–	–	–	275,579	275,579
Recognition of equity-settled share-based payments	–	–	–	–	40,679	–	–	40,679	–	40,679
Issuance of new shares *(note 32)*	–	105,787	–	–	–	–	–	105,787	–	105,787
At 31 August 2018	17	2,769,819	181,679	(32,309)	43,756	1,187,574	1,992,561	6,143,097	319,073	6,462,170
Profit and total comprehensive income for the year	–	–	–	–	–	–	592,617	592,617	94,621	687,238
Dividends recognised as distribution *(note 13)*	–	(190,034)	–	–	–	–	–	(190,034)	–	(190,034)
Transfer	–	–	–	–	–	77,160	(77,160)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	48,863	–	–	48,863	–	48,863
At 31 August 2019	17	2,579,785	181,679	(32,309)	92,619	1,264,734	2,508,018	6,594,543	413,694	7,008,237

Notes:

i. Amounts represent the transfer of the combined paid-in capital of the subsidiaries comprising the Group to the merger reserve upon the Company became the holding company of the Group upon the reorganisation in 2017.

ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests in prior years; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), controlling equity holders and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition in prior years; (iii) the deemed contribution from equity holders which represents the differences between the carrying amount of the lower-than-market interest rate advances to Mr. Yu and Mr. Xie and the amount received for the settlement in prior years and (iv) capital contribution from Mr. Yu through a company controlled by him in prior years.

Consolidated Statement of Changes in Equity

For the year ended 31 August 2019

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 August 2019

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	668,300	387,928
Adjustments for:		
Share-based payment expenses	48,863	40,679
Depreciation for property, plant and equipment	187,898	100,036
Amortisation of prepaid lease payments	16,056	1,796
Amortisation of intangible assets	32,465	17,700
Finance costs	103,771	24,381
Impairment loss, net of reversal	9,453	5,355
Fair value change on financial assets at fair value through profit or loss	(18,492)	(2,314)
Fair value change on convertible bonds	(1,484)	–
Asset related government grants	(9,279)	(4,443)
Interest income from banks	(33,519)	(14,923)
Loss on disposal of property, plant and equipment	2,330	711
Foreign exchange loss (gain), net	91,951	(22,430)
Operating cash flows before movements in working capital	1,098,313	534,476
Increase in inventories	(7)	(127)
Increase in contract costs	(92,679)	(58,968)
(Increase) decrease in trade receivables, deposits, prepayments and other receivables	(146,878)	33,328
(Decrease) increase in deferred income	(1,284)	11,411
Decrease in trade and bills payables	(16,636)	(126,070)
Increase (decrease) in other payables and accrued expenses	109,914	(81,009)
(Decrease) increase in provisions	(93,250)	19,578
Increase in contract liabilities	284,634	74,294
Cash generated from operations	1,142,127	406,913
Income tax paid	(825)	(2,604)
NET CASH FROM OPERATING ACTIVITIES	1,141,302	404,309

Consolidated Statement of Cash Flows

For the year ended 31 August 2019

	Notes	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
INVESTING ACTIVITIES			
Purchase of structured deposits		(986,081)	(107,613)
Payments/deposits paid for acquisition of property, plant and equipment		(593,271)	(102,052)
Settlement of consideration payables		(548,122)	–
Net cash outflow from acquisitions of businesses	37	(517,273)	(243,965)
Purchase of money market funds		(275,364)	–
Placement of prepayments for investments	20	(73,837)	(1,246,815)
Payment for prepaid lease payments		(27,052)	–
Placement of restricted bank deposits		(300)	(100,000)
Redemption of structured deposits		681,411	106,117
Interest income from banks and money market funds		33,567	14,923
Government grants received		22,612	12,290
Withdrawal of restricted bank deposits		10,000	10,000
Repayments from non-controlling interest		5,000	–
Proceeds from disposal of property, plant and equipment		1,113	879
NET CASH USED IN INVESTING ACTIVITIES		(2,267,597)	(1,656,236)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(475,404)	(70,000)
Dividend paid		(190,034)	–
Repayment of other borrowings		(107,000)	(275,310)
Interest paid		(32,122)	(9,116)
Repayments to non-controlling interests		(29,447)	–
Payment of transaction costs attributable to other borrowing		(19,514)	–
Repayments to related parties		–	(268,964)
Issue costs paid		–	(4,899)
Issue of convertible bonds		2,007,190	–
New other borrowings raised		900,605	77,310
New bank borrowings raised		755,672	170,000
Proceeds from issuance of new shares		–	105,787
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,809,946	(275,192)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,683,651	(1,527,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		1,738,455	3,243,144
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		74,481	22,430
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH		3,496,587	1,738,455

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

1. GENERAL

China Education Group Holdings Limited (the "Company") was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie (Mr. Yu and Mr. Xie collectively as the "Controlling Equity Holders"), who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 December 2017 (the "Listing"). The address of the registered office of the Company is the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 1504, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the operation of private higher and vocational education institutions.

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities under Contractual Arrangements (as detailed and defined in note 42) in the PRC, certain of which were acquired by the Group during the year ended 31 August 2019 and eight months ended 31 August 2018 as detailed in note 37.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 3 August 2018, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered a period of eight months from 1 January 2018 to 31 August 2018 are therefore not entirely comparable with those of the current accounting period.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs in issue but not yet effective

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

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

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

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

Except as mentioned below, the directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

IFRS 16 "Leases" ("IFRS 16")

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" ("IAS 17") and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. IFRS 16 also includes requirements relating to subleases and leases modification.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows.

Upon application of IFRS 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 payment will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 August 2019, the Group has non-cancellable operating lease commitments of approximately RMB60,459,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

IFRS 16 "Leases" ("IFRS 16") (Continued)

In addition, the Group currently considers refundable rental deposits paid of RMB2,265,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC- Int 4 "Determining whether an Arrangement contains a Lease" ("IFRIC -Int 4") and not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC- Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application, if any, to opening retained profits without restating comparative information.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

As disclosed in note 10, the detailed Implementation Rules of Law for Promoting Private Education has not yet been announced, the schools in PRC (the "PRC Schools") of the Group have not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the PRC Schools could follow previous PRC Enterprise Income Tax ("EIT") exemption treatment for the tuition related income when facts and circumstances change or new information become available.

The directors of the Company would reassess any judgements and estimates if the facts and circumstances change or new information becomes available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

The New Framework:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

(i) has power over the investee;

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

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

Business combination

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Indemnification assets

Indemnification assets are recognised at acquisition dates upon business combination as assets and on the same basis as the indemnified items which are recognised as liabilities of the acquired subsidiaries, and are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability. Indemnification assets are only derecognised when collected, disposed or when rights to it are lost.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contract with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations, representing tuition, boarding and ancillary services, are transferred to the students.

A performance obligation represents a good and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contract with customers (Continued)

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

Contract liabilities represent the Group's obligation to transfer goods or services to the students for which the Group has received tuition fees, boarding fees and fees for ancillary services from the students.

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (commissions to agents for successful referral of students) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Lease

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

The Group as lessee

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 property is accounted 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.

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 and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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.

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

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/period. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are 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 assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives and contract costs 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

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.

Except for financial assets at FVTPL, all other financial assets including trade receivables, deposits and other receivables, restricted bank deposits and bank balances and cash are subsequently measured at amortised costs.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. 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. 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 assets is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables, restricted bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group recognises lifetime ECL for trade receivables arising from revenue from contracts with customers. The ECL on trade receivables from students are assessed collectively using a provision matrix with appropriate groupings while ECL on receivables from education bureaus are assessed individually.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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 the restricted bank deposits and most of the bank balances has not increased significantly since initial recognition as the restricted bank deposits and most of the bank balances are determined to have low credit risk at the reporting date. The restricted bank deposits and most of the bank deposits are considered to have low credit risk as they are deposited with the financial institutions which have an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

Irrespective of the above, The Group considers that default has occurred when a financial assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, or in the case of trade receivables, when the student drops out from the tuition programme, whichever occurs sooner. 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 (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.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade receivables are assessed as a separate group. Other financial assets including other receivables, restricted bank deposits and bank balances are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities subsequently measured at amortised cost

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Convertible bonds

Convertible bonds which contains debt and derivative components are designated as at financial liabilities at FVTPL. The net gain or loss recognised in profit or loss excludes interest accrued on the convertible bonds and is included in the "other gains and losses" line item, while the accrued interest is included in "finance costs" line item.

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations, that the management of the Group 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.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities (as detailed and defined in note 42) 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 these entities. The management of the Group assessed whether or not the Group has control over these entities based on whether the Group has the power over these entities, has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities. After assessment, the management of the Group concluded that the Group has control over the these entities as a result of the Contractual Arrangements (as defined in note 42) and other measures and accordingly, the assets, liabilities and their operating results of these entities are included in the consolidated financial statements throughout the period/year or since the respective dates of incorporation/establishment/acquisition, whichever is the shorter period.

Nevertheless, the Contractual Arrangements (as defined in note 42) and other measures may not be as effective as direct legal ownership in providing the Group with direct control over these entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the operating results, assets and liabilities of these entities. The management of the Group, based on the advice of its legal counsel, consider that the Contractual Arrangements (as detailed and defined in note 42) are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgments (Continued)

(b) *Intangible assets with indefinite useful lives*

The management consider that the brand names, as set out in note 17, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brand names are tested for impairment annually.

Key sources of estimation uncertainty

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

(c) *Fair value measurement of convertible bonds*

Convertible bonds amounting to RMB2,143,783,000 as at 31 August 2019 (2018: nil) are measured at fair values with fair values being determined based on unobservable inputs, including expected volatility of share price and discount rate, using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of convertible bonds. Further disclosures of the convertible bonds are set out in note 36(c).

(d) *Impairment assessment of goodwill and intangible assets with indefinite useful life*

Determine whether goodwill and brand names with indefinite useful life are impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and brand names have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and brand names using suitable discount rates. Key assumptions and estimates include the discount rates and growth rates used in the value in use calculations. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 August 2019, the carrying amounts of goodwill and brand names were RMB1,565,905,000 and RMB1,684,945,000 (2018: RMB916,553,000 and RMB938,485,000), respectively. Details of the calculation of recoverable amounts are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(e) *Useful life and impairment of property, plant and equipment*

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. The management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. At 31 August 2019, the carrying amount of property, plant and equipment was RMB5,850,771,000 (2018: RMB3,258,673,000). Any changes in these estimates may have a material impact on the results of the Group.

(f) *Income taxes*

Management estimation is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT as disclosed in note 10. In addition, the Group provides deferred tax liabilities arising from business combinations. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made. As at 31 August 2019, a deferred tax asset of RMB27,342,000 (31 August 2018: RMB11,010,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

6. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services in the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher education and vocational education as detailed in note 42. Higher education institutions mainly deliver bachelor's degree programmes, junior college diploma programmes and continuing education programmes. Vocational education institutions mainly deliver vocational diploma programmes and technician diploma programmes. Each category of institution constitutes an operating segment and reportable segment.

In prior years, each category of institution constituted an operating segment. The services provided and type of customers were similar in each operating segment, and each operating segment was subject to similar regulatory environment. Accordingly, the segment information was aggregated as a single reportable segment.

In the current year, upon acquisitions of certain higher education institutions during the year ended 31 August 2019 as set out in note 37, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments to two reportable segments, namely, higher education institutions segment and vocational education institutions segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Total *RMB'000*
Year ended 31 August 2019			
Revenue	1,277,755	677,119	1,954,874
Segment result	600,546	334,819	935,365
Investment income			33,519
Other gains and losses			(57,694)
Finance costs			(103,771)
Unallocated corporate income and expenses			(139,119)
Profit before taxation			668,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Total *RMB'000*
Eight months ended 31 August 2018 *(Note)*			
Revenue	607,994	324,916	932,910
Segment result	298,987	182,645	481,632
Investment income			14,923
Other gains and losses			(43,616)
Finance costs			(24,381)
Unallocated corporate income and expenses			(40,630)
Profit before taxation			387,928

Other segment information

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 August 2019				
Depreciation of property, plant and equipment	141,422	44,883	1,593	187,898
Amortisation of intangible assets	–	32,465	–	32,465
Amortisation of prepaid lease payments	14,058	1,998	–	16,056

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Eight months ended 31 August 2018 *(Note)*				
Depreciation of property, plant and equipment	77,262	22,350	424	100,036
Amortisation of intangible assets	–	17,700	–	17,700
Amortisation of prepaid lease payments	881	915	–	1,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of investment income, other gains and losses, finance costs and central administrative expenses. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Note: Prior year segment disclosure has been represented to conform with the current year's presentation.

Revenue from major services

The following is an analysis of the Group's revenue by types of services:

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Total *RMB'000*
Year ended 31 August 2019			
Tuition fees recognised over time	1,169,670	604,376	1,774,046
Boarding fees recognised over time	88,455	65,026	153,481
Ancillary services fees recognised over time	19,630	7,717	27,347
	1,277,755	677,119	1,954,874

	Higher education institutions *RMB'000*	Vocational education institutions *RMB'000*	Total *RMB'000*
Eight months ended 31 August 2018			
Tuition fees recognised over time	553,884	290,818	844,702
Boarding fees recognised over time	43,164	32,867	76,031
Ancillary services fees recognised over time	10,946	1,231	12,177
	607,994	324,916	932,910

The Group's contracts with students for higher education and vocational education programmes are normally with duration of 1 year renewed up to total duration of 3–5 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition and boarding fees are fixed, determined and paid by the students before the start of each school year, while the ancillary services fees are charged based on students' usage at a fixed rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major services (Continued)

Geographical information

During the reporting period, the Group operates in the PRC. All of the Group's revenue and the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the year ended 31 August 2019 and the eight months ended 31 August 2018.

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

The contracts for tuition fees, boarding fees and fees for ancillary services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OTHER INCOME

	Year ended 31 August 2019 *RMB'000*	Eight months ended 31 August 2018 *RMB'000*
Management fee income	33,626	12,090
Academic administration income	16,858	14,132
Government grants *(Note)*	13,474	16,647
Internet service income	5,489	840
Utilities income	4,286	1,795
Staff quarter income	3,062	1,834
Others	3,759	6,747
	80,554	54,085

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment and conducting educational programmes for the year/period and one-off congratulatory subsidies on the Listing of the Company on the Stock Exchange during the eight months ended 31 August 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

8a. INVESTMENT INCOME

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Interest income from banks	**33,519**	14,923

8b. OTHER GAINS AND LOSSES

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Foreign exchange loss, net	**(65,887)**	(39,864)
Impairment loss, net of reversal		
— trade receivables *(note 22)*	**(5,216)**	(5,355)
— other receivables *(note 22)*	**(4,237)**	–
Loss on disposal of property, plant and equipment, net	**(2,330)**	(711)
Fair value change on financial assets at FVTPL	**18,492**	2,314
Fair value change on convertible bonds *(note 31)*	**1,484**	–
	(57,694)	(43,616)

9. FINANCE COSTS

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Imputed interest on deferred cash considerations	**40,619**	15,947
Interest expenses on bank and other borrowings	**51,595**	9,116
Interest expenses on convertible bonds	**18,009**	–
Less: amounts capitalised in the cost of property,plant and equipment	**(6,452)**	(682)
	103,771	24,381

Borrowing costs capitalised during the year/period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.32% per annum (for the eight months ended 31 August 2018: 5.40% per annum), to expenditure on property, plant and equipment (construction in progress).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

10. TAXATION

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Current tax — EIT	(9,467)	(5,065)
Overprovision in prior years/periods — EIT	1,042	2,659
Deferred tax *(note 30)*	27,363	15,560
	18,938	13,154

The taxation 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	Eight months ended 31 August 2018 RMB'000
Profit before taxation	668,300	387,928
Tax at PRC EIT rate of 25%	167,075	96,982
Tax effect of income not taxable for tax purposes	(508,762)	(239,299)
Tax effect of expenses not deductible for tax purposes	316,533	134,691
Overprovision in respect of prior years/periods	(1,042)	(2,659)
Effect of difference in tax rates applicable to subsidiaries of the Group	7,258	(2,869)
Tax credit for the year/period	(18,938)	(13,154)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for the year/period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

10. TAXATION (Continued)

Pursuant to the Enterprise Income Tax law and Implementation Regulations of the Law of the PRC (the "EIT Law of PRC"), the statutory tax rate of PRC subsidiaries is 25% for both of current year and prior period, except for Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司) ("Huajiao Education") which has been granted concessionary tax rate of 15% for the 3 calendar years ending 31 December 2019 from tax authority of Ganzhou, the PRC, and Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司) ("Lihe Education") which is eligible for a lower tax rate of 20% as a small profit enterprise.

According to the relevant provisions of Implementation Rules of the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/the schools are elected to be not-for-profit schools. Given that the detailed Implementation Rules of Law for Promoting Private Education has not yet been announced, the PRC Schools of the Group, namely 江西科技學院 ("Jiangxi University of Technology"), 廣東白雲學院 ("Guangdong Baiyun University"), Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)) ("Baiyun Technician College"), Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校) ("Zhengzhou Transit School"), Xi'an Railway Technician College (西安鐵道技師學院) ("Xi'an Railway College"), Guangzhou University Songtian College (廣州大學松田學院) ("Guangzhou Songtian University"), Guangzhou Songtian Polytechnic College (廣州松田職業學院) ("Songtian Polytechnic College"), Jinan University Quancheng College(濟南大學泉城學院) ("Shandong Quancheng University") and Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院) ("Chongqing Translators University") have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous EIT exemption treatment for the tuition related income. During the year ended 31 August 2019, the non-taxable tuition related income amounted to approximately RMB1,927,527,000 (for the eight months ended 31 August 2018: RMB921,969,000), and the related non-deductible expense amounted to approximately RMB1,127,987,000 (for the eight months ended 31 August 2018: RMB499,655,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Profit for the year/period has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	492,054	244,003
— retirement benefit scheme contributions	87,350	39,482
— share-based payments	48,863	40,679
Total staff costs	628,267	324,164
Depreciation of property, plant and equipment	187,898	100,036
Amortisation of prepaid lease payments	16,056	1,796
Amortisation of intangible assets	32,465	17,700
Auditor's remuneration	4,800	4,260
Minimum operating lease rental expense in respect of rented premises	32,104	11,066

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities) for the year/period are as follows:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 August 2019					
Executive directors:					
Mr. Yu	982	–	–	83	1,065
Mr. Xie	982	–	–	129	1,111
Yu Kai ("Dr. Yu") *(Note)*	2,365	–	–	130	2,495
Xie Shaohua ("Ms. Xie")	2,194	–	–	9	2,203
Independent non-executive directors:					
Gerard A. Postiglione	246	–	–	–	246
Rui Meng	246	–	–	–	246
Wu Kin Bing	246	–	–	–	246
	7,261	–	–	351	7,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Eight months ended 31 August 2018					
Executive directors:					
Mr. Yu	869	13	–	20	902
Mr. Xie	860	–	–	37	897
Dr. Yu	1,452	34	–	81	1,567
Ms. Xie	1,267	–	–	–	1,267
Independent non-executive directors:					
Gerard A. Postiglione	154	–	–	–	154
Rui Meng	154	–	–	–	154
Wu Kin Bing	154	–	–	–	154
	4,910	47	–	138	5,095

In addition to the Directors' emoluments disclosed above, the estimated fair values of the share options granted under the Pre-IPO Share Option Scheme (as defined and detailed in note 34(a)) which was adopted and effective on 27 November 2017 to Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie amounting to RMB9,957,000, RMB9,957,000, RMB9,957,000 and RMB9,957,000 (for the eight months ended 31 August 2018: RMB9,022,000, RMB9,022,000, RMB9,022,000 and RMB9,022,000), respectively, are recognised as equity-settled share-based payments for the year ended 31 August 2019. The estimated fair value of the share options granted was calculated by the Binominal model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

Details of the Pre-IPO Share Option Scheme (as defined and detailed in note 34(a)) are set out in note 34. Including the equity-settled share-based payments, total remunerations of Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie for the year ended 31 August 2019 amounted to RMB11,022,000, RMB11,068,000, RMB12,452,000 and RMB12,160,000 (for the eight months 31 August 2018: RMB9,924,000, RMB9,919,000, RMB10,589,000 and RMB10,289,000), respectively.

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs and for their services as directors of the Company and the Group for the year/period. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note: Dr. Yu, son of Mr. Yu, is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as an employee of the Group.

Employees

The five highest paid individuals of the Group included 4 directors for the year ended 31 August 2019 (for the eight months ended 31 August 2018: 4 directors) whose emoluments are included in the disclosures above. The emoluments of the remaining 1 individual for the year ended 31 August 2019 (for the eight months ended 31 August 2018: 1 individual) are as follows:

	Year ended 31 August 2019 ***RMB'000***	Eight months ended 31 August 2018 *RMB'000*
Salaries and other benefits	**3,661**	2,484
Discretionary bonus	**303**	–
Retirement benefit scheme contributions	**17**	10
Equity-settled share-based payments	**3,731**	3,342
	7,712	5,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees (Continued)

The number of the highest paid individual, other than directors of the Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 August 2019 Number of employee	Eight months ended 31 August 2018 Number of employee
Hong Kong Dollar ("HK$") 7,000,001 to HK$7,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–

During the year/period, no emoluments was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emoluments during the year/period.

During the year ended 31 August 2019, certain non-director and non-chief executive employees were granted share options, in respect of their services to the Group under the Post-IPO Share Option Scheme of the Company. Details of the share option scheme are set out in note 34 to the Group's consolidated financial statements.

13. DIVIDENDS

During the year ended 31 August 2019, final dividends of HK7.4 cents per ordinary share in respect of the eight months ended 31 August 2018 and interim dividends of HK3.5 cents per ordinary share in respect of the year ended 31 August 2019 was declared to the owners of the Company (for the eight months ended 31 August 2018: nil). The aggregate amount of the dividends declared, during the year ended 31 August 2019 amounted to HK$220,202,000 in aggregate (approximately RMB190,034,000) (for the eight months ended 31 August 2018: nil), which was paid on 15 March and 6 June 2019, respectively.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2019 of HK9.0 cents per ordinary share (for the eight months ended 31 August 2018: HK7.4 cents per ordinary share), in an aggregate amount of HK$181,818,000 (for the eight months ended 31 August 2018: HK$149,495,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

14. EARNINGS PER SHARE

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

	Year ended 31 August 2019 *RMB'000*	Eight months ended 31 August 2018 *RMB'000*
Profit for the purpose of calculating basic and diluted earnings per share	**592,617**	357,588

	Year ended 31 August 2019 *'000*	Eight months ended 31 August 2018 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,020,202**	2,019,870
Effect of dilutive potential ordinary shares:		
Over-allotment options	**–**	814
Share options granted under Pre-IPO Share Option Scheme	**11,817**	8,249
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,032,019**	2,028,933

The computation of diluted earnings per share for the year ended 31 August 2019 does not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as defined in note 34 and the conversion of convertible bonds as detailed in note 31 as the potential ordinary shares are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2018	2,477,476	363,720	35,383	484,420	63,793	3,424,792
Additions	3,135	4,401	363	22,012	47,333	77,244
Acquisitions of businesses *(note 37)*	602,172	149	3,858	29,797	8,519	644,495
Transfer	2,665	5,173	–	–	(7,838)	–
Disposals	–	–	(718)	(4,780)	–	(5,498)
At 31 August 2018	3,085,448	373,443	38,886	531,449	111,807	4,141,033
Additions	4,895	18,477	1,779	70,018	712,808	807,977
Acquisitions of businesses *(note 37)*	1,762,295	1,742	962	75,443	135,020	1,975,462
Transfer	30,196	3,879	–	–	(34,075)	–
Disposals	(2,347)	(2,590)	(1,248)	(12,048)	–	(18,233)
At 31 August 2019	4,880,487	394,951	40,379	664,862	925,560	6,906,239
DEPRECIATION						
At 1 January 2018	360,871	95,507	28,702	301,152	–	786,232
Provided for the period	35,222	23,349	2,341	39,124	–	100,036
Eliminated on disposals	–	–	(516)	(3,392)	–	(3,908)
At 31 August 2018	396,093	118,856	30,527	336,884	–	882,360
Provided for the year	75,782	33,008	2,138	76,970	–	187,898
Eliminated on disposals	(276)	(1,976)	(720)	(11,818)	–	(14,790)
At 31 August 2019	471,599	149,888	31,945	402,036	–	1,055,468
CARRYING VALUES						
At 31 August 2019	4,408,888	245,063	8,434	262,826	925,560	5,850,771
At 31 August 2018	2,689,355	254,587	8,359	194,565	111,807	3,258,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	Over the shorter of 50 years or the terms of the leases
Leasehold improvements	Over the shorter of 10 years or the terms of the leases
Motor vehicles	4–5 years
Furniture, fixtures and office equipment	4–5 years

At 31 August 2019, the Group is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB1,073,091,000 (2018: RMB861,965,000) which are located in the PRC. In the opinion of the management of the Group, the absence of formal title does not impair the value of the relevant leasehold land and buildings. In the opinion of the management of the Group, the formal title of these leasehold land and buildings will be granted to the Group in due course.

16. PREPAID LEASE PAYMENTS

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

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Non-current assets	**1,051,059**	63,292
Current assets	**24,998**	1,506
	1,076,057	64,798

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

At 31 August 2019, the carrying value of the prepaid lease payments of RMB24,812,000 (2018: RMB25,543,000) is allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill *RMB'000* *(Note i)*	Brand names *RMB'000* *(Note ii)*	Student rosters *RMB'000* *(Note iii)*	Total *RMB'000*
COST				
At 1 January 2018	325,629	200,396	46,599	246,995
Acquisitions of businesses *(note 37)*	590,924	738,089	34,226	772,315
At 31 August 2018	916,553	938,485	80,825	1,019,310
Acquisitions of businesses *(note 37)*	649,352	746,460	–	746,460
At 31 August 2019	1,565,905	1,684,945	80,825	1,765,770
AMORTISATION				
At 1 January 2018	–	–	7,448	7,448
Charge for the period	–	–	17,700	17,700
At 31 August 2018	–	–	25,148	25,148
Charge for the year	–	–	32,465	32,465
At 31 August 2019	–	–	57,613	57,613
CARRYING VALUES				
At 31 August 2019	1,565,905	1,684,945	23,212	1,708,157
At 31 August 2018	916,553	938,485	55,677	994,162

Notes:

i. Particulars regarding impairment testing on goodwill are disclosed in note 18.

ii. Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 18.

iii. Student roster has finite estimated useful lives and it is amortised based on expected usage of student roster.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

18. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand names with indefinite useful lives set out in note 17 have been allocated to five individual CGUs and a group of CGUs, comprising of four higher education and three vocational education operations. The carrying amounts of goodwill and brand names (net of accumulated impairment losses, if any) as at 31 August 2019 allocated to these units are as follows:

	Goodwill At 31 August		Brand names with indefinite useful life At 31 August	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Higher Education				
Guangzhou Songtian University and Songtian Polytechnic College	**366,573**	–	**409,685**	–
Shandong Quancheng University	**110,776**	–	**114,872**	–
Chongqing Translators University	**172,003**	–	**221,903**	–
Vocational Education				
Baiyun Technician College	**325,629**	325,629	**200,396**	200,396
Zhengzhou Transit School	**336,042**	336,042	**381,643**	381,643
Xi'an Railway College	**254,882**	254,882	**356,446**	356,446
	1,565,905	916,553	**1,684,945**	938,485

During the year ended 31 August 2019 and eight months ended 31 August 2018, the management of the Group determines that there is no impairment of any of its CGUs or group of CGUs containing goodwill and brand names with indefinite useful lives.

18. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The basis of the recoverable amounts of the above CGUs and group of CGUs and their major underlying assumptions are summarised below:

Baiyun Technician College

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.66% (2018: 16.24%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2018: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 18.33% (2018: 17.86%) while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount up to RMB67,075,000 (2018: RMB43,583,000) ; if the discount rate changed to 16.78% (2018: 16.87%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

Zhengzhou Transit School

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.22% (2018: 15.40%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2018: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 17.84% (2018: 16.94%) while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount up to RMB88,124,000 (2018: nil); if the discount rate changed to 16.37% (2018: 16.97%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

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18. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Xi'an Railway College

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.22% (2018: 16.17%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2018: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 17.84% (2018: 17.79%) while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount up to RMB41,163,000 (2018: nil); if the discount rate changed to 17.14% while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount (2018: any reasonable possible change in the discount rate would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount); save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

Guangzhou Songtian University and Songtian Polytechnic College

The recoverable amount of this group of units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.22%. The group of CGUs' cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the group of units' past performance and the management's expectations for the market development.

If the discount rate changed to 17.84% while other parameters remain constant, the aggregate carrying amount of this group of CGUs would exceed its corresponding recoverable amount up to RMB172,709,000; if the discount rate changed to 16.24% while other parameters remain constant, the recoverable amount of this group of CGUs would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this group of CGUs to materially exceed the recoverable amount of this group of CGUs.

18. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Shandong Quancheng University

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.22%. The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 17.84% while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount up to RMB61,397,000; if the discount rate changed to 16.71% while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

Chongqing Translators University

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 15.35%. The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 16.89% while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount up to RMB160,744,000; if the discount rate changed to 15.41% while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

The amount represented the deposits paid to local government authorities for prepaid lease payments located in the PRC.

20. PREPAYMENTS FOR INVESTMENTS

On 25 December 2018, the Group entered into agreements with independent third parties for the acquisitions of an aggregate of 96.7% equity interest in Yantai Haijun Property Limited (煙台海郡置業有限公司) ("Yantai Haijun"), a limited liability company established under the laws of the PRC, at a consideration of RMB246,000,000. Yantai Haijun primarily owns land and properties adjacent to Shandong Quancheng University. The land and properties are expected to be used for Shandong Quancheng University's campus expansion. At the end of the reporting period, the aggregate prepayments of the aforementioned acquisition amounted to RMB73,837,000. The transaction is subsequently completed in November 2019.

The amount of prepayment for acquisition of business as at 31 August 2018 was for the acquisition of Guangzhou Bangrui Education Investment Company Limited (廣州邦瑞教育投資有限公司) ("Bangrui Education") which has been completed during the year ended 31 August 2019 as detailed in note 37(a)(i).

21. CONTRACT COSTS

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Non-current assets	**98,972**	42,699
Current assets	**52,675**	16,269
	151,647	58,968

Contract costs capitalised as at 31 August 2019 and 2018 relate to the incremental commission fees paid to agents for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related tuition services recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 August 2019 was RMB31,529,000 (for the eight months ended 31 August 2018: RMB2,233,000). There was no impairment in relation to the costs capitalised during the year ended 31 August 2019 (for the eight months ended 31 August 2018: nil).

The contract costs are amortised over the duration of the tuition programmes ranging from 3 to 5 years (2018: 3 to 5 years).

22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 August	
	2019 RMB'000	2018 RMB'000
Trade receivables *(Note i)*	19,332	16,938
Less: allowance for credit losses	(9,181)	(3,965)
	10,151	12,973
Receivables from educational bureaus	17,782	13,583
Staff advances	22,122	14,530
Management fee income receivables	5,043	7,104
Other receivables	37,020	16,007
Deposits	11,593	10,481
Prepayments and prepayments on behalf of students	22,060	30,970
Amounts due from non-controlling interests *(Note ii)*	–	5,000
Indemnification assets *(Note iii)*	238,292	19,578
Amount due from Yantai Haijun *(Note iv)*	171,130	–
Amounts due from a vendor of acquired schools *(Note v)*	35,675	–
	570,868	130,226

Notes:

i. The students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September except for adult education which normally commences in January, February or March. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collaterals or other credit enhancements over its trade receivable balances.

ii. The amounts as at 31 August 2018 were non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully repaid during the year ended 31 August 2019.

iii. Indemnification assets are recognised upon business combination as assets of the Group and on the same basis as the indemnified items, representing provisions for certain non-compliances, which are recognised as liabilities of the acquisition targets as detailed in note 27(v), and are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability.

iv. The amount represents interest free-loan to Yantai Haijun acquired through acquisition of Shandong Quancheng University and is interest free, unsecured and repayable on demand.

v. The amounts represent payments made by the Group for settlement of litigation of acquired schools that are recoverable from the vendor pursuant to the acquisition agreement. The amounts are interest free, unsecured and management of the Group expects that the amounts would be settled together with deferred consideration payable to the vendor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
0–90 days	**561**	271
91–120 days	**–**	442
121–365 days	**19,667**	25,271
Over 365 days	**7,705**	572
	27,933	26,556

Allowance for credit losses

The movement in the allowance for credit losses in respect of trade receivables and other receivables during the year ended 31 August 2019 is as follows:

	Trade receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	–
Impairment loss recognised during the period *(note 8b)*	5,355	–	5,355
Written off during the period	(1,390)	–	(1,390)
At 31 August 2018	3,965	–	3,965
Impairment loss recognised during the year *(note 8b)*	5,216	4,237	9,453
At 31 August 2019	9,181	4,237	13,418

The credit risk management policy and ECL assessment process of the Group is detailed in note 36(b).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Equity securities listed in the PRC held for trading *(Note i)*	**2,760**	3,157
Structured deposits *(Notes i and ii)*	**373,729**	58,648
Money market funds *(Note i)*	**283,794**	–
	660,283	61,805

Notes:

i. Details of the fair value measurement for the financial assets at FVTPL are set out in note 36(c).

ii. As at 31 August 2019 and 2018, the structured deposits were issued by banks in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, as follows:

	At 31 August	
	2019	2018
Structured deposits	**2.50% to 4.20%**	3.50% to 4.00%

At 31 August 2019 and 2018, the structured deposits are redeemable at any time with prior notice.

Except for the money market funds of carrying amount of RMB283,794,000 as at 31 August 2019 (2018: nil) which is denominated at United States Dollars ("US$"), all of the financial assets at FVTPL are denominated in RMB which is the same as the functional currencies of the relevant group entities.

24. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSITS

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less. As at 31 August 2019, the Group's bank deposits carried weighted-average interest rates of 0.80% per annum (2018: 0.62% per annum).

Restricted bank deposits represent (i) deposit amounting to RMB100,000,000 (2018: RMB100,000,000) as collateral provided to a PRC court in connection to a litigation case of 增城松田實業有限公司 (Zengcheng Songtian Enterprise Company Limited), a consolidated affiliated entity of the Group, and (ii) deposits amounting to RMB300,000 as securities for construction contracts (2018: nil). As at 31 August 2019, no amount (31 August 2018: RMB10,000,000) was secured against bills payables issued to suppliers of the Group. The restricted bank deposits carried weighted average interest rates of 1.35% per annum (2018: 1.26% per annum).

25. DEFERRED INCOME

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Government grants		
— current portion	**38,364**	23,651
— non-current portion	**31,573**	34,237
	69,937	57,888

Note: The amounts represent subsidies receipt in advance from government mainly for procurement of laboratory apparatus and equipment and conducting educational programmes.

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26. TRADE AND BILLS PAYABLES

The credit period granted by suppliers and bills payables on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of each reporting period.

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
0–30 days	**6,540**	25,347
31–90 days	**6,082**	756
91–365 days	**6,808**	2,548
Over 365 days	**4,035**	2,274
	23,465	30,925

27. OTHER PAYABLES AND ACCRUED EXPENSES/PROVISIONS

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Discretionary government subsidies receipt in advance *(Note i)*	**55,174**	45,135
Receipt on behalf of ancillary services providers	**205,887**	176,094
Construction cost payable for school premises *(Note ii)*	**236,921**	976
Retention money payables	**24,206**	17,462
Accrued staff benefits and payroll	**68,643**	37,821
Accrual operating expenses	**47,638**	22,840
Other payables and accruals	**86,927**	18,111
Deferred cash considerations *(Note iii)*	**787,204**	253,848
Amounts due to non-controlling interests *(Note iv)*	**–**	29,447
Other tax payables	**16,586**	14,033
	1,529,186	615,767
Current	**1,506,243**	515,502
Non-current	**22,943**	100,265
	1,529,186	615,767
Provisions *(Note v)*	**238,292**	19,578

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

27. OTHER PAYABLES AND ACCRUED EXPENSES/PROVISIONS (Continued)

Notes:

i. The amounts represent scholarships received from the government to be distributed to students and teachers of the schools.

ii. Included in retention money payables in respect of construction of school premises is amount of RMB6,995,000 which are payable beyond twelve months after the end of the reporting period and is included as non-current liabilities as at 31 August 2019 (2018: nil).

iii. The amounts represent consideration payables for the acquisitions of Zhengzhou Transit School, Xi'an Railway College, Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University and Chongqing Translators University set out in note 37. Amount of approximately RMB771,256,000 (2018: RMB153,583,000) which is repayable within twelve months after the end of the reporting period in accordance with acquisition agreements as set out in note 37 were included in other payables as current liabilities. An amount of RMB15,948,000 (2018: RMB100,265,000) is included as non-current liabilities as at 31 August 2019 which were repayable beyond twelve months after the end of the reporting period. Including in the balance is an amount of RMB126,229,000 (2018: RMB253,848,000) classified as financial liabilities at FVTPL while the remaining balances are measured at amortised cost.

iv. The amounts were non-trade in nature, unsecured, interest free and fully repaid during the year ended 31 August 2019.

v. The amount of provisions assumed through acquisitions of businesses, representing i) provisions for compliance matters, mainly on social insurance benefit, housing provident fund, lack of building ownership certificates for certain school premises and idle lands, and ii) provisions for legal cases, is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The aforementioned compliance matters and legal cases are indemnified by respective vendors. Indemnification assets of approximately RMB238,292,000 (2018: RMB19,578,000) are recognised upon acquisitions of businesses as detailed in note 22(iii).

	Compliance matters *RMB'000*	Legal cases *RMB'000*	Total *RMB'000*
At 1 September 2018	19,578	–	19,578
Acquired on acquisitions of businesses	117,967	193,997	311,964
Settlements during the year	–	(93,205)	(93,205)
At 31 August 2019	137,545	100,747	238,292

28. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Tuition fees	**1,489,294**	942,037
Boarding fees	**105,844**	84,072
Ancillary services	**22,190**	11,855
	1,617,328	1,037,964

Revenue amounting to RMB1,037,964,000 (for the eight months ended 31 August 2018: RMB714,555,000) recognised during the year ended 31 August 2019 relates to carried-forward contract liabilities. No revenue recognised during the year ended 31 August 2019 relates to performance obligation that were satisfied in prior periods (for the eight months ended 31 August 2018: nil).

Typical payment terms which impact on the amount of contract liabilities recognised related to tuition fees, boarding fees and services fee for ancillary services are as follows:

When the Group receives the prepayments before commencement of school terms, tuition courses or provision of ancillary services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the prepayments. The Group typically receives the amounts in full before relevant services commence.

The significant increase in contract liabilities in the current reporting period was mainly due to the acquisitions of businesses resulting increases in contract liabilities of RMB294,730,000 (2018: RMB249,115,000) as detailed in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

29. BANK AND OTHER BORROWINGS

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Bank borrowings	**1,195,372**	130,000
Other borrowings	**927,455**	107,000
Total borrowings	**2,122,827**	237,000
Secured	**329,700**	–
Unsecured	**1,793,127**	237,000
	2,122,827	237,000
The carrying amounts of the above borrowings are repayable*:		
Within one year	**284,700**	107,000
Within a period of more than one year but not exceeding two years	**440,288**	130,000
Within a period of more than two years but not exceeding five years	**1,067,511**	–
Within a period of more than five years	**330,328**	–
	2,122,827	237,000
Less: Amounts due within one year shown under current liabilities	**(284,700)**	(107,000)
Amounts shown under non-current liabilities	**1,838,127**	130,000
Variable-rate borrowings	**1,340,127**	130,000
Fixed-rate borrowings	**782,700**	107,000
	2,122,827	237,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The variable-rate bank and other borrowings carried interest with reference to the Benchmark Borrowing Rate of The People's Bank or London Inter-bank Offered Rate. The range of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings are as follows.

	At 31 August	
	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**5.70% to 9.00%**	4.35% to 4.75%
Variable-rate borrowings	**4.77% to 6.18%**	6.18%

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29. BANK AND OTHER BORROWINGS (Continued)

The other borrowings represent loans from an independent financial institution (2018: independent third parties).

At 31 August 2019, bank borrowings amounting RMB329,700,000 acquired upon acquisitions of businesses were guaranteed by the vendors of respective schools at no cost (2018: nil).

Except for other borrowings of carrying amount of RMB927,455,000 as at 31 August 2019 (2018: nil) which is denominated at US$, all of the borrowings are denominated in RMB which is the same as the functional currencies of the relevant group entities.

30. DEFERRED TAXATION

The following are the deferred tax (asset) liability recognised and movement thereon during the current year/period:

	Tax losses *RMB'000*	Fair value adjustments of intangible assets, Prepaid lease payment and property, plant and equipment on business combination *RMB'000*	Total *RMB'000*
At 1 January 2018	–	59,887	59,887
Acquisitions of businesses *(note 37)*	–	203,881	203,881
Credit to profit or loss *(note 10)*	(11,010)	(4,550)	(15,560)
At 31 August 2018	(11,010)	259,218	248,208
Acquisitions of businesses *(note 37)*	–	317,273	317,273
Credit to profit or loss *(note 10)*	(16,332)	(11,031)	(27,363)
At 31 August 2019	(27,342)	565,460	538,118

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 August 2019, no deferred taxation regarding such withholding tax has been provided as the PRC subsidiaries have accumulated losses and have no retained profits available for distribution (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. CONVERTIBLE BONDS

	RMB'000
At 1 January 2018 and 31 August 2018	–
Issue during the year	2,007,190
Change in fair value credited to profit or loss	(1,484)
Foreign exchange loss charged to profit or loss	120,068
Interest expenses on convertible bonds	18,009
At 31 August 2019	2,143,783

On 28 March 2019, the Company completed the issue of convertible bonds (the "2019 Convertible Bonds") with the aggregate principal amount of HK$2,355,000,000 (equivalent to approximately RMB2,007,190,000), at the interest rate of 2% per annum with maturity date on 28 March 2024.

The bonds entitled the holders to convert into ordinary shares of the Company on or after 8 May 2019 to the close of business on the seventh day prior to the maturity date at an initial conversion price of HK$14.69 per share, but would be subject to adjustment of anti-dilution protection. If the bonds had not been converted, they would be redeemed at 100% of its principal amount on maturity date. The Company would, at the option of the bondholders, redeem all or some of the bondholder's bonds on 28 March 2022, at 100% of the principal amount of the bonds. The bond may also be redeemed all, but not some only, by the Company on giving not less than 30 nor more than 60 days' notice to the bondholders at the principal amount together with unpaid interest (i) at any time after 18 April 2022 but prior to the maturity date provided that the closing price of the shares, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect; (ii) if at any time that 90% of the bonds had been converted and/or redeemed and/or cancelled; or (iii) for taxation reasons.

The Group designated the convertible bonds (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately. In subsequent periods, such convertible bonds are remeasured at fair value. The change in fair value that is attributed to change in credit risk is recognised in other comprehensive income with the remaining fair value change recognised in profit or loss.

The fair values of the convertible bonds were determined by independent qualified valuers based on the Binomial model for the year ended 31 August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. CONVERTIBLE BONDS (Continued)

The following key assumptions were applied:

	At 31 August 2019
Discount rate	15,47%
Share price (per share)	HK$11.66
Conversion price (per share)	HK$14.69
Risk-free interest rate	1.22%
Time to maturity	4.6 years
Expected volatility of share price	47.37%
Expected dividend yield	1.18%

32. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company up to 31 August 2019 are as follows:

	Number of shares	Share capital	Shown in the consolidated financial statements *RMB'000*
Ordinary shares			
Authorised			
At 1 January 2018, 31 August 2018 and 31 August 2019	50,000,000,000	HK$500,000	
Issued and fully paid			
At 1 January 2018	2,000,000,000	HK$20,000	17
Issue of new shares upon exercise of the over-allotment options *(Note)*	20,202,000	HK$202	–
At 31 August 2018 and 2019	2,020,202,000	HK$20,202	17

Note: On 5 January 2018, the Company allotted and issued 20,202,000 ordinary shares of par value HK$0.00001 each at the price of HK$6.45 per share pursuant to the exercise of over-allotment options by BNP Paribas Securities (Asia) Limited.

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33. RETIREMENT BENEFIT PLANS

Effective from 14 August 2017, the Group has joined the MPF Scheme for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year are disclosed in note 11.

34. SHARE-BASED PAYMENTS

(a) Share option schemes of the Company

The Company has adopted two share option schemes, namely pre initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and post initial public offering share option scheme (the "Post-IPO Share Option Scheme").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 27 November 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire no later than 10 years from the date of the Listing. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company, up to a total of 45,500,000 share on such terms as determined by the directors of the Company. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

Pursuant to the Pre-IPO Share Option Scheme, on every anniversary of the Listing (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee at its discretion. In determining whether the performance condition is satisfied, the remuneration committee will assess the overall financial position and operating conditions of the Group on each vesting date, with a focus on growth, reputation, closing price of the Company's shares on the Stock Exchange, return to Shareholders, dividend paid and industry ranking. In particular, the remuneration committee will also benchmark the Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange.

An option may be exercised in accordance with the terms of the Pre-IPO Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee which period shall not expire later than 10 years from the date of Listing.

The price for the subscription of ordinary shares in relation to each option granted under the Pre-IPO Option Scheme shall be such price as may be determined by the directors of the Company. An option may be exercised in whole or in part by the grantee and the subscription price of the ordinary shares shall be fully paid by the grantee to the Company upon exercise of the option.

On every anniversary of the Listing (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee at its discretion.

At 31 August 2019, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 45,500,000 (2018: 45,500,000), representing 2.25% (2018: 2.25%) of the Shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements

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34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

Details of specific categories of options are as follows:

	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price HK$	Fair value at grant date RMB
Pre-IPO Share Option	14 December 2017	9,100,000	15 December 2017–14 December 2018	15 December 2018–14 December 2027	6.45	26,529,000
	14 December 2017	9,100,000	15 December 2017–14 December 2019	15 December 2019–14 December 2027	6.45	27,151,000
	14 December 2017	9,100,000	15 December 2017–14 December 2020	15 December 2020–14 December 2027	6.45	27,902,000
	14 December 2017	9,100,000	15 December 2017–14 December 2021	15 December 2021–14 December 2027	6.45	28,630,000
	14 December 2017	9,100,000	15 December 2017–14 December 2022	15 December 2022–14 December 2027	6.45	29,287,000

The following table discloses movements of the Company's Pre-IPO Share Options held by the directors of the Company and employees during the year/period:

Option type	Outstanding at 1 September 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 August 2019
Directors					
Mr. Yu	10,000,000	–	–	–	10,000,000
Mr. Xie	10,000,000	–	–	–	10,000,000
Dr. Yu	10,000,000	–	–	–	10,000,000
Ms. Xie	10,000,000	–	–	–	10,000,000
Directors in aggregate	40,000,000	–	–	–	40,000,000
Employees in aggregate	5,500,000	–	–	–	5,500,000
Total	45,500,000	–	–	–	45,500,000
Weighted average exercise price	HK$6.45	–	–	–	HK$6.45
Exercisable at the end of the year					9,100,000

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34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

Option type	Outstanding at 1 January 2018	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 31 August 2018
Directors					
Mr. Yu	10,000,000	–	–	–	10,000,000
Mr. Xie	10,000,000	–	–	–	10,000,000
Dr. Yu	10,000,000	–	–	–	10,000,000
Ms. Xie	10,000,000	–	–	–	10,000,000
Directors in aggregate	40,000,000	–	–	–	40,000,000
Employees in aggregate	5,500,000	–	–	–	5,500,000
Total	45,500,000	–	–	–	45,500,000
Weighted average exercise price	HK$6.45	–	–	–	HK$6.45
Exercisable at the end of the period					–

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to a resolution passed on 29 November 2017 for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company consider, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and will expire no later than 10 years from the date of the Listing. Under the Post-IPO Share Option Scheme, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the ordinary shares in issue on the date of Listing. The overall limit on the number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the ordinary shares in issue from time to time (the "Post-IPO Option Scheme Limit"). Post-IPO Option Scheme Limit may be refreshed at any time by obtaining prior approval of the shareholders of the Company in general meeting. However, Post-IPO Option Scheme Limit cannot exceed 10% of the ordinary shares in issue as at the date of such approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

Unless approved by the shareholders of the Company, the total number of ordinary shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of ordinary shares in issue (the "Individual Limit"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of shareholders of the Company.

Where any grant of options to a substantial shareholder or independent non-executive directors of the Company (or any of their respective associates) would result in the number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the ordinary shares in issue; and (ii) having an aggregate value, based on the closing price of the ordinary shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options must also be first approved by the shareholders of the Company in a general meeting.

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the directors of the Company may at its sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

The period during which an option may be exercised is determined and notified by the directors of the Company to each grantee at the time of making an offer for the grant of the option and such period shall not expire later than ten years from the date of grant of the option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

The exercise price shall be determined by the directors of the Company, but shall be not less than the greater of (i) the closing price of an ordinary share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the ordinary shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

At 31 August 2019, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO Share Option Scheme was 4,350,000 (2018: nil), representing 0.22% (2018: nil) of the Shares of the Company in issue at that date.

Details of specific categories of options are as follows:

	Date of grant	Number of options granted	Vesting period	Exercise period	Exercise price *HK$*	Fair value at grant date *RMB*
Post-IPO Share Option	8 March 2019	435,000	8 March 2019–7 March 2020	8 March 2020–7 March 2029	12.48	2,185,000
	8 March 2019	652,500	8 March 2019–7 March 2021	8 March 2021–7 March 2029	12.48	3,403,000
	8 March 2019	870,000	8 March 2019–7 March 2022	8 March 2022–7 March 2029	12.48	4,698,000
	8 March 2019	1,087,500	8 March 2019–7 March 2023	8 March 2023–7 March 2029	12.48	6,042,000
	8 March 2019	1,305,000	8 March 2019–7 March 2024	8 March 2024–7 March 2029	12.48	7,414,000

The vesting of share option will be conditional on the grantees on the respective vesting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

The following table discloses movements of the Company's Post-IPO Share Options held by the employees during the year:

Option type	Outstanding at 1 September 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 August 2019
Employees in aggregate	–	4,350,000	–	–	4,350,000
Weighted average exercise price	–	HK$12.48	–	–	HK$12.48
Exercisable at the end of the year					–

During the year ended 31 August 2019, 4,350,000 share options were granted on 8 March 2019. The estimated fair value of the share options granted on that date was RMB23,742,000.

These fair values at grant date were calculated using the Binomial model. The inputs into the model were as follows:

	Granted on 8 March 2019
Weighted average share price	HK$12.48
Exercise price	HK$12.48
Expected volatility	51.57%
Expected life	10 years
Risk-free interest rate	1.71%
Expected dividend yield	1.01%

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

The Group recognised a total expense of RMB48,863,000 (for the eight months ended 31 August 2018: RMB40,679,000) in relation to share options granted under Pre. and Post-IPO Share Option Scheme by the Company during the year ended 31 August 2019.

(b) Share award scheme of the Company

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 29 November 2017. The objective of the Share Award Scheme is for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and will expire no later than 10 years from the date of the Listing.

A share award includes all cash income from dividends in respect of those ordinary shares from the date the share award is granted to the date the share award is vested. The directors of the Company at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participant even though the ordinary shares have not yet vested.

Save that the directors of the Company at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant.

The maximum aggregate number of ordinary shares underlying all grants made pursuant to the Share Award Scheme (excluding ordinary shares which have been forfeited in accordance with the Share Award Scheme) is conditionally set at 40,000,000, being 2% of issued shares of the Company as of the date of the Listing (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit"). The Share Award Scheme Limit is subject to further shareholders' approval as disclosed above.

34. SHARE-BASED PAYMENTS (Continued)

(b) Share award scheme of the Company (Continued)

The directors of the Company may from time to time determine such vesting criteria and conditions or periods for the awards to be vested under the Share Award Scheme.

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested ordinary shares that may be granted to a selected participant under the Share Award Scheme.

Each grant of an award to any director of the Company or the chief executive officer shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive directors who is a proposed recipient of the grant of share award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of shares to connected persons of the Company.

No share award has been granted since the adoption of the Share Award Scheme.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continues as a going concern while maximising the return to equity holders 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 net debt, which includes bank and other borrowings disclosed in note 29 and convertible bonds disclosed in note 31, net of cash and cash equivalent, structured deposits and money market funds, and equity attributable to the owners of the Group, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividend, new share issues as well as the issue of new debts as well as the repayment of the existing debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 August 2019 RMB'000	2018 RMB'000
Financial assets		
Mandatory measured at FVTPL		
— Held-for-trading investments	2,760	3,157
— Others	657,523	58,648
Amortised cost	3,907,403	1,928,133
	4,567,686	1,989,938
Financial liabilities		
Amortised cost	3,416,382	552,108
At FVTPL	2,270,012	253,848
	5,686,394	805,956

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, restricted bank deposits, bank balances and cash, financial assets at FVTPL, trade and bills payables, other payables, bank and other borrowings and convertible bonds. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

Currency risk

The Group has certain foreign currency bank balances, other payables, convertible bonds and other borrowings denominated in HK$ and US$, currencies other than the functional currency of the group entities ("foreign currencies"), which expose the Group to foreign currency risk.

36. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in foreign currencies are as follows:

	Assets At 31 August		Liabilities At 31 August	
	2019 **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
HK$	**1,118,926**	180,951	**2,143,783**	469
US$	**859,252**	424,615	**927,455**	–

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against RMB.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities. 5% (2018: 5%) represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, The sensitivity analysis adjusts their translation at the year/period end for a 5% (2018: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where the relevant foreign currency strengthens 5% (2018: 5%) against RMB. For a 5% (2018: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit.

	At 31 August	
	2019 **RMB'000**	2018 RMB'000
HK$ impact	**(38,432)**	6,768
US$ impact	**(2,558)**	15,923

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the year/period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate deposits, bank and other borrowings and convertible bonds. The Group is exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets and liabilities, mainly bank balances and bank and other borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank and other borrowings and bank balances at the end of the reporting period and assumed that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease for bank balances and 50 basis point increase or decrease for variable-rate bank and other borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower for bank balances and bank and other borrowings, respectively, and all other variables were held constant, the Group's post-tax profit for the year/period would decrease/increase by approximately RMB6,428,000 (during the eight months ended 31 August 2018: increase/decrease by RMB229,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and bank and other borrowings with variable rate.

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

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Group will consider hedging the risk exposure should the need arise. The price risk on structured deposits is limited because maturity period of these investments is short.

36. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting period. If the prices of the respective equity investments had been 5% higher/lower, the Group's post-tax profit for the year/period would have increase/decrease by approximately RMB104,000 (for the eight months ended 31 August 2018: increase/decrease by RMB118,000) as a result of the changes in fair value of equity instruments classified as financial assets at FVTPL.

Credit risk and impairment assessment

As at 31 August 2019 and 2018, 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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk on trade receivables and deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records, reasons for extended repayment period and past experience. In addition, the Group performs impairment assessment under ECL model on the trade receivables from students based on provision matrix, while assesses the ECL of receivables from educational bureaus individually. In this regard, the directors of the Company believe there is no material credit risk inherent in the Group's outstanding balances of trade receivables and deposits and other receivables.

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. Trade receivables consist of a large number of students.

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Impairment assessment on trade receivables and receivables from educational bureaus

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables not credit-impaired. Trade receivables from students are considered to be credit-impaired when the students drop out from the tuition programmes and are assessed individually for lifetime ECL provision.

Management assessed the expected loss on trade receivables from students grouped based on the ageing of the trade receivables, taking into account the historical default experience and forward-looking information, as appropriate.

The Group assessed the loss allowances for receivables from educational bureaus with gross carrying amount of RMB17,782,000 (2018: RMB13,583,000) on lifetime ECL basis individually. In determining the ECL for receivables from educational bureaus, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables from educational bureaus are insignificant.

In addition, the directors of the Company are of the opinion that there has no default occurred for (i) trade receivables aged over 90 days for students that are not dropped out from schools as the tuition fees and boarding fees will be fully received upon the graduation of the students by reference to past experience, and (ii) receivables from educational bureaus overdue over 90 days are not default as payment from educational bureaus may take long administrative process based on historical experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Provision matrix — trade receivables (from students)' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for students in relation to its private higher education and vocational education because these customers consist of a large number of students with common risk characteristics that are representative of the students' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix within lifetime ECL (not-credit impaired).

	Estimated average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0–90 days past due	–	561	–
121–365 days past due	20.0	2,356	471
More than 365 days past due	53.1	16,415	8,710
At 31 August 2019		19,332	9,181

	Estimated average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0–90 days past due	–	271	–
91–120 days past due	–	442	–
121–365 days past due	15.1	13,763	2,075
More than 365 days past due	76.8	2,462	1,890
At 31 August 2018		16,938	3,965

The estimated average loss rates are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about trade receivables is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Impairment assessment on deposits and other receivables/restricted bank deposits/ bank balances

The Group assessed the loss allowances for deposits and other receivables, restricted bank deposits and bank balances with gross carrying amount of RMB286,820,000, RMB100,300,000 and RMB3,496,587,000 (2018: RMB53,122,000, RMB110,000,000 and RMB1,738,455,000), respectively on 12m ECL basis. The management of the Group considers the restricted bank deposits and most of the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers these restricted bank deposits and bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

In determining the ECL for deposits and other receivables and those bank balances deposited at financial institutions other than graded in the top credit rating agencies, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding bank deposits is insignificant.

At 31 August 2019, the Group provided allowance for credit loss of RMB9,181,000 on not-credit impaired trade receivables based on the provision matrix (2018: RMB3,965,000) and RMB4,237,000 on other receivables on 12m ECL individually (2018: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Impairment assessment on deposits and other receivables/restricted bank deposits/ bank balances (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables (from students) under the simplified approach.

	Lifetime ECL (not credit-impaired *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	–
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	3,965	1,390	5,355
— Write-offs	–	(1,390)	(1,390)
At 31 August 2018	3,965	–	3,965
Changes due to financial instruments recognised as at 1 September:			
— Impairment losses recognised	4,745	–	4,745
New financial assets originated	471	–	471
At 31 August 2019	9,181	–	9,181

Changes in the loss allowance for trade receivables are mainly due to:

	At 31 August	
	2019 Increase in Lifetime ECL (not credit-impaired) *RMB'000*	2018 Increase in Lifetime ECL (not credit-impaired) *RMB'000*
Provided by applying provision matrix (not-credit impaired)	**5,216**	3,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The Group writes off a trade receivable when there is information indicating that the student is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade receivable is over two years past due, whichever occurs earlier. None of trade receivables that have been written off is subject to enforcement activities.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank and other borrowings as a significant source of liquidity.

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

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities								
Trade and bills payables	-	23,465	-	-	-	-	23,465	23,465
Other payables	-	602,120	-	-	6,995	-	609,115	609,115
Deferred cash considerations	-	-	-	783,450	20,000	-	803,450	787,204
Bank borrowings								
— fixed-rate	7.30	4,603	9,525	295,729	315,963	317,565	943,385	782,700
— variable-rate	5.61	1,892	11,135	24,860	417,855	-	455,742	412,672
Other borrowing								
— variable-rate	4.77	-	-	-	929,073	164,478	1,093,551	927,455
Convertible bonds	2.00	21,273	-	21,273	2,297,504	-	2,340,050	2,143,783
At 31 August 2019		653,353	20,660	1,125,312	3,987,390	482,043	6,268,758	5,686,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities								
Trade and bills payables	–	30,925	–	–	–	–	30,925	30,925
Other payables	–	284,183	–	–	–	–	284,183	284,183
Deferred cash considerations	–	–	–	162,440	140,000	–	302,440	253,848
Other borrowings								
— fixed-rate	4.72	7,421	805	100,409	–	–	108,635	107,000
Bank borrowing								
— variable-rate	6.18	669	1,360	6,088	150,713	–	158,830	130,000
At 31 August 2018		323,198	2,165	268,937	290,713	–	885,013	805,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liability are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at FVTPL (Equity securities listed in the PRC)	At 31 August 2019: RMB2,760,000 (2018: RMB3,157,000)	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL (Money market funds)	At 31 August 2019: RMB283,794,000 (2018: nil)	Level 1	Quoted price from a financial institution	N/A	N/A
Financial assets at FVTPL (Structured deposits)	At 31 August 2019: RMB373,729,000 (2018: RMB58,648,000)	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties	Estimated return and discount rate	The higher the estimated return, the higher the fair value, vice versa *(Note i)* The higher the discount rate, the lower the fair value, vice versa *(Note ii)*
Financial liabilities					
Financial liabilities designated as at FVTPL (Convertible bonds)	At 31 August 2019: RMB2,143,783,000 (2018: nil)	Level 3	Binomial model, the key input are — underlying share price, conversion price, risk-free interest rate, time to maturity, expected volatility of share price, discount rate, and expected dividend yield	Expected volatility of share price and discount rate taking into account the historical share price of the Company for the period of time close to the expected time to exercise	The higher the volatility, the higher the fair value, vice versa *(Note iii)* The higher the discount rate, the lower the fair value, vice versa *(Note iv)*
Financial liabilities at FVTPL(Deferred cash consideration for business acquisition)	At 31 August 2019: RMB126,229,000 (2018: RMB253,848,000)	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of the acquired businesses	Expected cash outflow and discount rate	The higher the cash outflow, the higher the fair value, vice versa The higher the discount rate, the lower the fair value, vice versa *(Note v)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

i. As at 31 August 2019, if the estimated return was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would increase/decrease by RMB148,000/RMB148,000 (2018: RMB184,000/RMB186,000), respectively.

ii. As at 31 August 2019, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would decrease/increase by RMB48,600/RMB48,700 (2018: RMB123,000/RMB125,000), respectively.

iii. As at 31 August 2019, if the expected volatility of share price was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds would increase/decrease by RMB22,197,000/RMB22,460,000 (2018: nil), respectively.

iv. As at 31 August 2019, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds would decrease/increase by RMB16,687,001/RMB17,336,000 (2018: nil), respectively.

v. As at 31 August 2019, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of deferred cash consideration for business acquisition would decrease/increase by RMB675,000/RMB684,000 (2018: RMB1,496,000/RMB2,027,000), respectively.

There were no transfers into or out of Level 3 during the year/period.

Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 Measurements of the financial assets/(liabilities) during the year/period:

	Structured deposits *RMB'000*	Convertible bonds *RMB'000*	Deferred cash consideration *RMB'000*	Total *RMB'000*
At 1 January 2018	50,500	–	–	50,500
Acquired through acquisitions of businesses *(note 37)*	4,093	–	(237,901)	(233,808)
Purchase of structured deposits	107,613	–	–	107,613
Redemption of structured deposits	(106,117)	–	–	(106,117)
Finance costs	–	–	(15,947)	(15,947)
Net gain on structured deposits	2,559	–	–	2,559
At 31 August 2018	58,648	–	(253,848)	(195,200)
Issue of convertible bonds	–	(2,007,190)	–	(2,007,190)
Settlement of deferred consideration	–	–	160,980	160,980
Fair value gain	–	1,484	–	1,484
Exchange difference	–	(120,068)	–	(120,068)
Interest expenses on convertible bonds	–	(18,009)	–	(18,009)
Finance costs	–	–	(33,361)	(33,361)
Purchase of structured deposits	986,081	–	–	986,081
Redemption of structured deposits	(681,411)	–	–	(681,411)
Net gain on structured deposits	10,411	–	–	10,411
At 31 August 2019	373,729	(2,143,783)	(126,229)	(1,896,283)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 Measurements (Continued)

Of the total gain or losses for the year/period included in profit or loss, RMB994,000 and RMB1,484,000 (for the eight months ended 31 August 2018: RMB405,000 and nil) relates to structured deposits and convertible bonds held at the end of the reporting periods. Such fair value gains or losses are included in 'other gains and losses' except for interest expenses on convertible bonds that is included in 'finance costs' line items.

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance team of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company when needed to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Fair value of financial instruments that are recorded at amortised cost

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 their fair values at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES

(a) Acquisitions during the year ended 31 August 2019

(i) Guangzhou Songtian University and Songtian Polytechnic College acquisition

On 14 June 2018, Youxin Education Consulting (Guangzhou) Company Limited (有信教育諮詢(廣州)有限公司) ("Youxin Education"), a consolidated affiliated entity of the Company, entered into a series of agreements (collectively referred to as the "Songtian Acquisition Agreements") with an independent third party ("Songtian Vendor") for the acquisition of 100% equity interest in Bangrui Education, a limited liability company established under the laws of the PRC, which indirectly owned the co-sponsor interest of Guangzhou Songtian University and the sponsor interest of Songtian Polytechnic College (Bangrui Education and its subsidiaries together as "Songtian Target Group") at a total cash consideration of RMB1,704,401,000, of which RMB537,900,000 is paid/payable to Songtian Vendor and RMB1,166,501,000 is for the purposes of settling liabilities, mainly representing debts, of Songtian Target Group. The acquisition was completed on 21 September 2018.

Consideration transferred

	RMB'000
Cash consideration transferred	1,420,999
Deferred consideration	273,609
	1,694,608

All considerations are expected to be settled before 31 December 2019 according to the Songtian Acquisition Agreements.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	507,982
Prepaid lease payment	550,762
Intangible assets	409,685
Trade receivable, deposits, prepayments and other receivables	16,621
Amount due from a subsidiary of the Company	64,202
Bank balances and cash	328,302
Trade and bills payables	(3,793)
Other payables and accrued expenses	(32,482)
Provisions	(233,660)
Contract liabilities	(227,647)
Deferred tax liabilities	(221,394)
	1,158,578

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(i) Guangzhou Songtian University and Songtian Polytechnic College acquisition (Continued)

The fair values of intangible assets (representing brand name) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimation used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of trade and other receivables and deposits (including amount due from a subsidiary of the Company) at the date of acquisition amounted to RMB79,623,000, while the gross contractual amounts of those trade receivables, deposits and other receivables amounted to RMB83,551,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,694,608
Less: recognised amount of identifiable net assets acquired (100%)	(1,158,578)
Less: indemnification assets acquired	(169,457)
Goodwill arising on acquisition	366,573

Goodwill arose in the acquisition of Songtian Target Group because the consideration paid for the acquisition effectively included amounts in relation to better geographic arrangement and networking effect as benefits of expected synergies, better revenue growth prospect, future market development, and the assembled workforce of Songtian Target Group. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition

	RMB'000
Consideration paid in cash	1,420,999
Less: cash and cash equivalent balances acquired	(328,302)
Less: prepayment for acquisition of businesses in prior period	(1,246,815)
	(154,118)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(ii) Shandong Quancheng University acquisition

On 14 January 2019, Renjing Education Consulting (Ganzhou) Company Limited (仁敬教育諮詢(贛州)有限公司) ("Renjing Education"), a consolidated affiliated entity, entered into a series of agreements (collectively referred to as the "Quancheng Acquisition Agreements") with independent third parties for the acquisitions of aggregate 50.91% equity interest of Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司) ("Shandong Dazhong Cultural"), a limited liability company established under the laws of the PRC, for the purpose of acquiring co-sponsor interest of Shandong Quancheng University, an independent college in Penglai city, and sponsor interest of Shandong Cultural Industry Vocational College (山東文化產業職業學院), a higher education school licensed by the Ministry of Education of the PRC, and equity interests of Shandong Fangyuan Property Management Limited (山東方圓物業管理有限公司)("Shandong Fangyuan"), a wholly-owned subsidiary of Shandong Dazhong Cultural, which provides property management for Shandong Quancheng University (Shandong Dazhong Cultural, Shandong Quancheng University, Shandong Cultural Industry Vocational College and Shandong Fangyuan collectively referred to the "Shandong Target Group"), the aggregate cash consideration of the aforementioned acquisition is RMB231,386,000 and the Group would further contribute additional contribution of RMB21,027,000 to the Shandong Target Group primarily for settling an amount due from Shandong Target Group to one of the vendors. On 20 March 2019, Renjing Education and an independent third party entered into a series of agreements, pursuant to which the Renjing Education agreed to acquire the remaining 49.09% state-owned equity interest of Shandong Dazhong Cultural at a cash consideration of approximately RMB223,114,000. The Group has obtained control over Shandong Target Group on 20 March 2019, upon satisfaction of criteria set out in respective acquisition agreements.

Consideration transferred

	RMB'000
Cash consideration transferred	248,277
Deferred cash consideration	227,250
	475,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(ii) Shandong Quancheng University acquisition (Continued)

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	541,529
Prepaid lease payment	68,976
Intangible assets	114,872
Inventories	152
Trade receivables, deposits, prepayments and other receivables	172,423
Bank balances and cash	7,950
Trade payables	(3,079)
Other payables and accrued expenses	(252,558)
Provisions	(18,847)
Income tax payable	(229)
Contract liabilities	(46,073)
Bank borrowings	(59,800)
Amount due to a subsidiary of the Group	(145,000)
Deferred tax liabilities	(34,412)
	345,904

The fair values of intangible assets (representing brand name) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables at the date of acquisition amounted to RMB172,096,000, while the gross contractual amounts of those trade receivables, deposits and other receivables amounted to RMB172,197,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(ii) Shandong Quancheng University acquisition (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	475,527
Less: recognised amount of identifiable net assets acquired (100%)	(345,904)
Less: Indemnification assets acquired	(18,847)
Goodwill arising on acquisition	110,776

Goodwill arose on the acquisition of Shandong Target Group because the acquisition included the assembled workforce of Shandong Quancheng University and synergy from alignment with the Group's specialty in higher education. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	248,277
Less: cash and cash equivalent balances acquired	(7,950)
	240,327

(iii) Chongqing Translators University acquisition

On 25 June 2019, Lexian Education Consulting (Ganzhou) Company Limited (樂賢教育諮詢(贛州)有限公司) ("Lexian Education"), a consolidated affiliated entity, entered into an acquisition agreement with an independent third party ("Chongqing Vendor") for the purpose of acquiring 100% sponsorship interest in Chongqing Translators University at cash consideration of RMB1,010,000,000. The Group has obtained control over Chongqing Translators University on 24 July 2019 as effected by a series of contractual arrangement agreements entered into among the Group, Chongqing Vendor and Chongqing Translators University that substantially transferred the control and beneficial interest of Chongqing Translators University to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(iii) *Chongqing Translators University acquisition* (Continued)

Consideration transferred

	RMB'000
Cash consideration transferred	470,000
Deferred cash consideration	540,000
	1,010,000

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	925,951
Prepaid lease payment	268,220
Intangible assets	221,903
Amount due from a subsidiary of the Company	293,000
Trade receivables, deposits, prepayments and other receivables	16,412
Bank balances and cash	38,936
Trade payables	(2,304)
Other payables and accrued expenses	(116,340)
Provisions	(59,457)
Contract liabilities	(21,010)
Bank borrowings	(725,304)
Deferred tax liability	(61,467)
	778,540

The fair values of intangible assets (representing brand name) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables (including amount due from a subsidiary of the Company) at the date of acquisition amounted to RMB309,378,000, while the gross contractual amounts of those trade receivables, deposits and other receivables amounted to RMB310,368,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

(iii) ***Chongqing Translators University acquisition*** (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,010,000
Less: recognised amount of identifiable net assets acquired (100%)	(778,540)
Less: indemnification assets acquired	(59,457)
Goodwill arising on acquisition	172,003

Goodwill arose on the acquisition of Chongqing Translators University because the acquisition included the assembled workforce of Chongqing Translators University and synergy from alignment with the Group's specialty in higher education. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	470,000
Less: cash and cash equivalent balances acquired	(38,936)
	431,064

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(a) Acquisitions during the year ended 31 August 2019 (Continued)

Included in the profit for the year ended 31 August 2019 was RMB90,921,000 attributable to the additional business generated by Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University and Chongqing Translators University. Revenue for the year ended 31 August 2019 included RMB295,912,000 generated from Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University and Chongqing Translators University.

Had the acquisitions of Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University and Chongqing Translators University been effected at 1 September 2018, the total amount of revenue of the Group for the year ended 31 August 2019 would have been RMB2,205,923,000, and the amount of the profit for the year would have been RMB680,476,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at 1 September 2018, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group had Guangzhou Songtian University, Songtian Polytechnic College, Shandong Quancheng University and Chongqing Translators University been acquired at 1 September 2018, the directors of the Company have calculated depreciation of property, plant and equipment on the basis of the fair values arising in the initial accounting for the business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018

(i) Zhengzhou acquisition

On 13 March 2018, Junshi Education Consulting (Ganzhou) Company Ltd. (君時教育諮詢(贛州)有限公司) ("Junshi Education"), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Zhengzhou Acquisition Agreements") with an individual (the "Zhengzhou Vendor") for the acquisition of 80% equity interest in Shuren Education Management Company Limited (樹仁教育管理有限公司) ("Shuren Education"), a limited liability company established under the laws of the PRC and owned the sponsor interest of Zhengzhou Transit School (Shuren Education and its subsidiary together as "Zhengzhou Target Group"), at the consideration of RMB855,000,000 (the "Zhengzhou Consideration"). Zhengzhou Consideration comprises RMB120,000,000 ("Zhengzhou Equity Consideration") payable to Zhengzhou Vendor for the transfer of the 80% equity interest in Shuren Education and RMB735,000,000 for injection into Shuren Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Zhengzhou Acquisition Agreements, the Zhengzhou Equity Consideration shall be paid by the Group to Zhengzhou Vendor by four installments and Zhengzhou Vendor had agreed to provide a profit guarantee in relation to the financial performance of Zhengzhou Transit School for each of the three calendar years ending 31 December 2020. The payment of the second, the third and the fourth installments of the Zhengzhou Equity Consideration of RMB20,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Zhengzhou Transit School ("Zhengzhou Actual PBT") for each of the three calendar years ending 31 December 2020 is less than RMB45,000,000, RMB80,000,000 and RMB90,000,000 ("Zhengzhou Guaranteed PBT") for each of the calendar year ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively:

RMB20,000,000 x (1–(Zhengzhou Actual PBT/Zhengzhou Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Zhengzhou Equity Consideration is not expected to be reduced.

Consideration transferred

	RMB'000
Cash paid to Zhengzhou Vendor	60,000
Deferred cash consideration to Zhengzhou Vendor	44,593
Cash paid for capital injection into Zhengzhou Target Group	380,000
Deferred capital injection into Zhengzhou Target Group	337,797
	822,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

(i) ***Zhengzhou acquisition*** (Continued)

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	384,780
Prepaid lease payment	9,449
Intangible assets	389,384
Deposits paid for prepaid lease payments	73,683
Amount due from a subsidiary of the Company	337,797
Deposits, prepayments and other receivables	15,207
Structured deposits	4,093
Bank balances and cash	385,895
Restricted bank deposits	20,000
Trade, bills, other payable and provisions	(250,919)
Amounts due to related parties	(228,964)
Income tax payable	(294)
Contract liabilities	(117,394)
Bank borrowings	(30,000)
Other borrowings	(305,000)
Deferred tax liability	(100,207)
	587,510

The fair values of intangible assets (representing brand name amounting RMB381,643,000 and student roster amounting RMB7,741,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of deposits and other receivables (including amount due from a subsidiary of the Company) at the date of acquisition amounted to RMB349,774,000, while the gross contractual amounts of those deposits and other receivables amounted to RMB366,980,000.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

(i) ***Zhengzhou acquisition*** (Continued)

Non-controlling interest

The non-controlling interest (20%) in Zhengzhou Target Group recognised at the acquisition date was measured by reference to the proportionate share of the amount of fair values of net assets of Zhengzhou Target Group and amounted to RMB117,502,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	822,390
Plus: non-controlling interests	117,502
Less: recognised amount of identifiable net assets acquired (100%)	(587,510)
Less: indemnification assets acquired	(16,340)
Goodwill arising on acquisition	336,042

Goodwill arose in the acquisition of Zhengzhou Target Group because the acquisition included the assembled workforce of Zhengzhou Transit School and synergy from alignment with the Group's specialty in vocational education. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	440,000
Less: cash and cash equivalent balances acquired	(385,895)
	54,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

(ii) Xi'an acquisition

On 13 March 2018, Shangzhi Education Consulting (Ganzhou) Company Ltd. (上智教育諮詢(贛州)有限公司) ("Shangzhi Education"), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (the "Xi'an Acquisition Agreements") with all the shareholders (the "Xi'an Vendors") of Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司) ("Ganzhou Xitie Education") for the acquisition of 62% equity interest in Ganzhou Xitie Education, a limited liability company established under the laws of the PRC and indirectly owns the sponsor interest of Xi'an Railway College (Ganzhou Xitie Education and its subsidiaries together as "Xi'an Target Group"), at the consideration of RMB576,600,000 (the "Xi'an Consideration"). Xi'an Consideration comprises RMB472,170,000 ("Xi'an Equity Consideration") payable to Xi'an Vendors for the transfer of the 62% equity interest in Ganzhou Xitie Education and RMB104,430,000 for injection into Ganzhou Xitie Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Xi'an Acquisition Agreements, the Xi'an Equity Consideration shall be paid by the Group to Xi'an Vendors by four installments and Xi'an Vendors had agreed to provide guarantee in relation to the future student enrollment or the financial performance of Xi'an Railway College. The payment of the second installment of the Xi'an Equity Consideration of RMB42,480,000 shall be made on the condition that the number of new students of Xi'an Railway College at the end of 30 October 2018 (the spring and fall semesters of the academic year) has attained the agreed target. The payment of the third and the fourth installments of the Xi'an Equity Consideration of RMB100,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Xi'an Railway College ("Xi'an Actual PBT") for each of the calendar year ending 31 December 2018 and 31 December 2019 is less than RMB74,000,000 and RMB100,000,000 ("Xi'an Guaranteed PBT") for the calendar year ending 31 December 2018 and 31 December 2019 respectively:

RMB100,000,000 x (1–(Xi'an Actual PBT/Xi'an Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Xi'an Equity Consideration is not expected to be reduced.

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

(ii) ***Xi'an acquisition*** (Continued)

Consideration transferred

	RMB'000
Cash paid to Xi'an Vendors	229,690
Deferred cash consideration to Xi'an Vendors	193,308
Cash paid for capital injection into Xi'an Target Group	30,310
Deferred capital injection into Xi'an Target Group	62,727
	516,035

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	259,715
Intangible assets	382,931
Amount due from a subsidiary of the Company	62,727
Trade receivables, deposits, prepayments and other receivables	57,561
Bank balances and cash	70,140
Amounts due from related parties	5,000
Trade, other payables and provisions	(146,280)
Amounts due to related parties	(40,000)
Income tax payable	(407)
Contract liabilities	(131,721)
Deferred tax liability	(103,674)
	415,992

The fair values of intangible assets (representing brand name amounting RMB356,446,000 and student roster amounting RMB26,485,000) were based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management including discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables (including amount due from a subsidiary of the Company and amount due from related parties) at the date of acquisition amounted to RMB114,294,000, while the gross contractual amounts of those trade receivables, deposits and other receivables amounted to RMB125,687,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

(ii) *Xi'an acquisition* (Continued)

Non-controlling interest

The non-controlling interest (38%) in Xi'an Target Group recognised at the acquisition date was measured by reference to the proportionate share of the fair values of net assets of Xi'an Target Group and amounted to RMB158,077,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	516,035
Plus: non-controlling interests	158,077
Less: recognised amount of identifiable net assets acquired (100%)	(415,992)
Less: indemnification assets acquired	(3,238)
Goodwill arising on acquisition	254,882

Goodwill arose on the acquisition of Xi'an Target Group because the acquisition included the assembled workforce of Xi'an Railway College and synergy from alignment with the Group's specialty in vocational education. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	260,000
Less: cash and cash equivalent balances acquired	(70,140)
	189,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

37. ACQUISITIONS OF BUSINESSES (Continued)

(b) Acquisitions during the eight months ended 31 August 2018 (Continued)

Included in the profit for the eight months ended 31 August 2018 is RMB138,324,000 attributable to the additional business generated by Zhengzhou Target Group and Xi'an Target Group. Revenue for the eight months ended 31 August 2018 includes RMB205,598,000 is attributable to the additional businesses generated by Zhengzhou Target Group and Xi'an Target Group.

Had the acquisition of Zhengzhou Target Group and Xi'an Target Group been effected at the 1 January 2018, the total amount of revenue of the Group for the eight months ended 31 August 2018 would have been RMB1,019,817,000, and the amount of the profit for the period would have been RMB427,470,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at 1 January 2018, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group had Zhengzhou Target Group and Xi'an Target Group been acquired at 1 January 2018, the directors of the Company have calculated depreciation of property, plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

38. OPERATING LEASES

The Group as lessee

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

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**16,637**	22,570
In the second to fifth year inclusive	**18,259**	63,647
Over five years	**25,563**	28,485
	60,459	114,702

Operating lease payments represent rentals payable by the Group for certain of its academic and dormitory premises. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

39. CAPITAL COMMITMENTS

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	**341,784**	296,376
— prepaid lease payments	**28,550**	29,150
	370,334	325,526

As disclosed in note 20, the Group has entered into agreements with independent third parties for the acquisition of 96.7% equity interest in Yantai Haijun at a consideration of RMB246,000,000 during the current reporting period. Yantai Haijun primarily owns land and properties adjacent to Shandong Quancheng University. The land and properties are expected to be used for Shandong Quancheng University's campus expansion. As at 31 August 2019 and up to the date of this report, RMB73,838,000 has been paid by the Group as prepayment for investments, with the remaining RMB172,162,000 to be settled following the progress of the acquisition.

In addition, on 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理中教(深圳)教育產業投資(有限合伙) (the "China Education Fund"). The Group will make an initial contribution of RMB250,000,000 to the China Education Fund. No contribution has been made up to 31 August 2019. Subsequent to the end of the reporting period, the Group made capital contribution amounting to RMB30,303,000 to China Education Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

40. 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.

	Deferred cash considerations *RMB'000*	Dividends payable *RMB'000*	Accrued issue costs *RMB'000*	Bank borrowings *RMB'000*	Other borrowings *RMB'000*	Interest payable (including in other payables) *RMB'000*	Convertible bonds *RMB'000*	Amounts due to related parties *RMB'000*	Amount due to non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	4,899	–	–	–	–	–	–	4,899
Financing cash flows *(Note i)*	–	–	(4,899)	95,435	(202,551)	–	–	(268,964)	–	(380,979)
Acquisitions of businesses	237,901	–	–	30,000	305,000	–	–	268,964	29,447	871,312
Capitalisation of finance cost	–	–	–	682	–	–	–	–	–	682
Finance cost recognised	15,947	–	–	3,883	4,551	–	–	–	–	24,381
At 31 August 2018	253,848	–	–	130,000	107,000	–	–	–	29,447	520,295
Financing cash flows *(Note i)*	–	(190,034)	–	273,816	774,091	(25,670)	2,007,190	–	(29,447)	2,809,946
Acquisitions of businesses	1,040,859	–	–	785,104	–	–	–	–	–	1,825,963
Capitalisation of finance cost	–	–	–	6,452	–	–	–	–	–	6,452
Dividends recognised as distribution	–	190,034	–	–	–	–	–	–	–	190,034
Exchange difference	–	–	–	–	46,364	–	120,068	–	–	166,432
Settlement of deferred consideration	(548,122)	–	–	–	–	–	–	–	–	(548,122)
Fair value gain	–	–	–	–	–	–	(1,484)	–	–	(1,484)
Finance cost recognised	40,619	–	–	–	–	45,143	18,009	–	–	103,771
At 31 August 2019	787,204	–	–	1,195,372	927,455	19,473	2,143,783	–	–	5,073,287

Note:

i The cash flows for bank and other borrowings represent the addition of and repayment of borrowings and interest paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

41. RELATED PARTIES DISCLOSURES

(a) Related parties balances

As at 31 August 2019, amounts due to non-controlling interests of certain group entities of RMB126,229,000 (2018: RMB253,848,000) was included in other payables as deferred cash consideration payables, which are unsecured and interest-free, RMB15,948,000 (2018: RMB100,265,000) of which was repayable beyond one year and remaining balances were repayable within one year.

Balances with related parties are set out in notes 22 and 27.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year/period are as follows:

	Year ended 31 August 2019 RMB'000	Eight months ended 31 August 2018 RMB'000
Short-term benefits	13,928	8,082
Post-employment benefits	464	211
Equity-settled share-based payments	44,957	40,679
	59,349	48,972

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2019	2018	Principal activities
Directly owned					
China Education Group Holdings (BVI) Limited	17 May 2017 The British Virgin Islands ("BVI")	US$100	100%	100%	Investment holding
Indirectly owned					
China Education Group (Hong Kong) Limited	25 May 2017 Hong Kong	HK$100	100%	100%	Investment holding
Huajiao Education *(Note i)*	13 June 2017 The PRC	HK$1,500,000,000	100%	100%	Provision of educational consultancy services
University of Science and Technology	10 July 2017 The United States	US$100	100%	100%	Provision of higher education in the California, the United States
Indirectly owned and controlled through contractual arrangement *(Note iv)*					
Jiangxi University of Technology *(Note iii)*	26 July 1999 The PRC	RMB51,680,000	100%	100%	Operation of private higher education institution
Guangdong Baiyun University *(Note iii)*	12 March 1999 The PRC	RMB130,000,000	100%	100%	Operation of private higher education institution
Baiyun Technician College *(Note iii)*	9 April 1996 The PRC	RMB60,000,000	100%	100%	Provision of vocational education for technical workers and technicians in the PRC
華方教育投資集團(贛州)有限公司 formerly known as (贛州市華方教育諮詢有限公司) (Huafang Education Investment Group (Ganzhou) Company Limited, formerly knowns as Ganzhou Huafang Education Consulting Company Limited)("Huafang Education") *(Note ii)*	2 August 2017 The PRC	RMB60,000,000	100%	100%	Provision of education consulting services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2019	2018	Principal activities
Indirectly owned and controlled through contractual arrangement *(Note iv)* (Continued)					
Lihe Education *(Note ii)*	26 July 2017 The PRC	RMB60,000,000	100%	100%	Provision of education consulting services
Lishang Education Consulting (Ganzhou) Company Limited	22 December 2017 The PRC	RMB4,800,000	100%	100%	Provision of education consulting services
Youxin Education *(Note ii)*	4 June 2018 The PRC	RMB50,000,000	100%	100%	Provision of education consulting services
Bangrui Education *(Note ii)*	9 January 2017 The PRC	RMB50,000,000	100%	–	Investment holding
Zengcheng Songtian Enterprise Company Limited	20 January 1994 The PRC	RMB20,000,000	100%	–	Investment holding
Guangzhou Songtian University *(Note iii)*	14 June 2007 The PRC	RMB20,000,000	100%	–	Operation of private higher education institution
Songtian Polytechnic College *(Note iii)*	6 September 2007 The PRC	RMB20,000,000	100%	–	Operation of private higher education institution
Junshi Education *(Note ii)*	22 December 2017 The PRC	RMB50,000,000	100%	100%	Provision of education consulting services
Shuren Education *(Note ii and v)*	6 December 2017 The PRC	RMB150,000,000	80%	80%	Investment Holding
Zhengzhou Transit School *(Note iii and v)*	25 October 2010 The PRC	RMB100,000,000	80%	80%	Provision of vocational education for technical workers and technicians in the PRC
Shangzhi Education *(Note ii)*	21 December 2017 The PRC	RMB200,000,000	100%	100%	Provision of education consulting services

Notes to the Consolidated Financial Statements

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2019	2018	Principal activities
Indirectly owned and controlled through contractual arrangement *(Note iv)* (Continued)					
Ganzhou Xitie Education *(Note ii and vi)*	5 March 2018 The PRC	RMB6,450,000	62%	62%	Provision of education consulting services
Shaanxi Xitie Education Investment Company Limited (陝西西鐵教育投資有限公司) *(Note ii and vi)*	12 August 2011 The PRC	RMB6,450,000	62%	62%	Investment Holding
Xi'an Railway College *(Note iii and vi)*	24 July 2007 The PRC	RMB50,000,000	62%	62%	Provision of vocational education for technical workers and technicians in the PRC
Huajiao Education Investing Management (Ganzhou) Company Limited *(Note ii)*	21 December 2017 The PRC	RMB20,000,000	100%	100%	Investment holding
Renjing Education Consulting (Ganzhou) Company Limited	18 April 2018 The PRC	RMB100,000,000	100%	100%	Investment holding
Shandong Quancheng University *(Note iii)*	23 August 2005 The PRC	RMB18,244,300	100%	–	Operation of private higher education institution
Lexian Education Consulting (Ganzhou) Company Limited	18 April 2018 The PRC	RMB200,000,000	100%	100%	Investment holding
Chongqing Translators University *(Note iii)*	25 July 2003 The PRC	RMB80,000,000	100%	–	Operation of private higher education institution

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(i) This subsidiary is a wholly foreign owned enterprise established in the PRC.

(ii) These subsidiaries are limited liability companies established in the PRC.

(iii) These subsidiaries are schools established in the PRC.

(iv) Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Company does not have any equity interest in these entities (collectively the "Consolidated Affiliated Entities"). However, as a result of the contractual arrangements entered by a wholly-owned subsidiary of the Company, Huajiao Education, with Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College, Huafang Education, Lihe Education, Zhengzhou Transit School, Xi'an Railway College, Guangzhou Songtian University, Songtian Polytechnic College, Chongqing Translators University, the Controlling Equity Holders and other relevant parties (collectively the "Contractual Arrangements"), the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and their financial positions and results are included in the consolidated financial statements for the year ended 31 August 2019 and eight months ended 31 August 2018.

The following balances and amounts of the Consolidated Affiliated Entities were included in the consolidated financial statements:

	Year ended 31 August 2019 *RMB'000*	Eight months ended 31 August 2018 *RMB'000*
Revenue	1,954,874	932,910
Profit before taxation	820,922	443,313

	At 31 August 2019 *RMB'000*	At 31 August 2018 *RMB'000*
Non-current assets	10,426,865	6,670,573
Current assets	5,074,109	2,368,984
Current liabilities	4,960,312	4,731,340
Non-current liabilities	1,530,649	523,720

(v) These entities are collectively known as "Zhengzhou Education Group".

(vi) These entities are collectively known as "Xi'an Education Group'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year/period or at the end of the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At 31 August		Accumulated non-controlling interests At 31 August	
		2019	2018	**2019**	2018
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Zhengzhou Education Group	The PRC	**20%**	20%	**148,787**	127,578
Xi'an Education Group	The PRC	**38%**	38%	**264,907**	191,495
				413,694	319,073

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Zhengzhou Education Group At 31 August		Xi'an Education Group At 31 August	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets	**198,297**	215,111	**347,742**	185,392
Non-current assets	**877,884**	873,083	**707,724**	671,547
Current liabilities	**(222,067)**	(337,809)	**(254,762)**	(251,023)
Non-current liabilities	**(110,177)**	(112,495)	**(103,581)**	(101,982)
Equity attributable to owners of the Company	**595,150**	510,312	**432,216**	312,439
Non-controlling interests	**148,787**	127,578	**264,907**	191,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Zhengzhou Education Group		Xi'an Education Group	
	Year ended 31 August 2019 *RMB'000*	Eight months ended 31 August 2018 *RMB'000*	**Year ended 31 August 2019** *RMB'000*	Eight months ended 31 August 2018 *RMB'000*
Revenue	**196,888**	95,078	**299,317**	110,520
Dividend paid to non-controlling interests	**–**	–	**–**	–
Net cash inflow from operating activities	**65,746**	38,689	**136,213**	48,312
Net cash (outflow) inflow from investing activities	**(56,368)**	9,787	**(108,833)**	(5,634)
Net cash (outflow) inflow from financing activities	**(100,000)**	(335,000)	**5,000**	–
Net cash (outflow) inflow	**(90,622)**	(286,524)	**32,380**	42,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 August	
	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**181**	215
Investment in a subsidiary	**2,283,205**	2,089,891
Amount due from a subsidiary	**2,814,715**	–
	5,098,101	2,090,106
CURRENT ASSETS		
Amount due from a subsidiary	**249,750**	167,697
Other receivables	**1,671**	6,763
Bank balances and cash	**38,512**	423,970
	289,933	598,430
CURRENT LIABILITIES		
Other payables	**10,370**	1,101
Amounts due to subsidiaries	**13,339**	12,706
	23,709	13,807
NET CURRENT ASSETS	**266,224**	584,623
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,364,325**	2,674,729
NON-CURRENT LIABILITIES		
Other borrowing	**927,455**	–
Convertible bonds	**2,143,783**	–
	3,071,238	–
NET ASSETS	**2,293,087**	2,674,729
CAPITAL AND RESERVES		
Share capital	**17**	17
Reserves	**2,293,070**	2,674,712
	2,293,087	2,674,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium	Share options reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	2,664,032	3,077	(51,283)	2,615,826
Loss and total comprehensive expense	–	–	(87,580)	(87,580)
Recognition of equity-settled share-based payments	–	40,679	–	40,679
Issuance of new shares	105,787	–	–	105,787
At 31 August 2018	2,769,819	43,756	(138,863)	2,674,712
Loss and total comprehensive expense	–	–	(240,471)	(240,471)
Dividends recognised as distribution	(190,034)	–	–	(190,034)
Recognition of equity-settled share-based payments	–	48,863	–	48,863
At 31 August 2019	2,579,785	92,619	(379,334)	2,293,070

44. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into acquisition agreement with independent third parties for acquisition of Aspen Higher Education Pty Ltd ("Aspen") at a consideration of Australian Dollar 128,000,000 (equivalent to RMB614,157,000). Aspen holds a call option to acquire Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute) ("KOI"). The acquisition was completed on 16 October 2019. Aspen and KOI have become wholly-owned subsidiaries of the Company. The financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date are being estimated as the preparation of initial accounting for this business combination, for example, valuation of assets acquired and liabilities assumed, is in progress at the time these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 23 September 2019 and 16 October 2019.

45. RECLASSIFICATION AND COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been reclassified to conform to the presentation in the current year.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Eight months ended 31 August 2018 RMB'000	Year ended 31 August 2019 RMB'000
Continuing operations					
Revenue	846,016	861,289	949,171	932,910	**1,954,874**
Cost of revenue	(415,897)	(404,577)	(389,448)	(360,238)	**(833,401)**
Gross profit	430,119	456,712	559,723	572,672	**1,121,473**
Profit before taxation	364,407	425,300	423,195	387,928	**668,300**
Profit for the year/period from continuing operation	361,901	423,351	421,465	401,082	**687,238**
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	(13,642)	(10,836)	7,407	–	**–**
Profit for the year/period	348,259	412,515	428,872	401,082	**687,238**
Adjusted net profit *(Note i)*	348,259	412,515	482,742	497,572	**841,123**

Profitability Margins	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Eight months ended 31 August 2018	Year ended 31 August 2019
Gross profit margin	50.8%	53.0%	59.0%	61.4%	**57.4%**
Adjusted net profit margin	41.2%	47.9%	50.9%	53.3%	**43.0%**

Note i: Adjusted net profit was derived from the profit for the year/period after adjusting for foreign exchange loss, share-based payments, imputed interest on deferred cash considerations, fair value gain on convertible bonds and listing expenses.

OPERATIONAL DATA

	At the end of school year 2015/2016	At the end of school year 2016/2017	Year ended 31 December 2017/2018	Eight months ended 31 August 2018	Year ended 31 August 2019
Total student enrollment	63,367	75,255	76,204	121,315	**170,098**
Total number of schools	2	3	3	5	**9**
Estimated total capacity for students	55,355	71,177	70,027	123,620	**183,032**
Overall utilisation rate	98.2%	91.5%	92.6%	86.4%	**80.8%**

Financial Summary

ASSETS AND LIABILITIES

	At 31 December			At 31 August	At 31 August
	2015	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	RMB'000	*RMB'000*
Non-current assets	2,525,329	2,537,163	3,301,583	6,674,585	10,432,810
Current assets	915,078	1,328,923	3,370,369	2,058,642	4,906,251
Current liabilities	1,033,843	1,069,885	947,117	1,747,337	3,728,938
Net current (liabilities)/ assets	(118,765)	259,038	2,423,252	311,305	1,177,313
Total assets less current liabilities	2,406,564	2,796,201	5,724,835	6,985,890	11,610,123
Equity attributable to owners of the Company	2,121,016	2,527,339	5,639,043	6,143,097	6,594,543
Non-controlling interests	–	–	–	319,073	413,694
Total equity	2,121,016	2,527,339	5,639,043	6,462,170	7,008,237
Non-current liabilities	285,548	268,862	85,792	523,720	4,601,886
Total equity and non-current liabilities	2,406,564	2,796,201	5,724,835	6,985,890	11,610,123

	At 31 December			At 31 August	At 31 August
	2015	2016	2017	2018	2019
Selected Major Items	*RMB'000*	*RMB'000*	*RMB'000*	RMB'000	*RMB'000*
Property, plant and equipment	2,230,679	2,415,697	2,638,560	3,258,673	5,850,771
Bank balances and cash	373,854	247,133	3,243,144	1,738,455	3,496,587
Bank borrowings	460,645	453,076	–	130,000	1,195,372
Other borrowings	–	–	–	107,000	927,455
Convertible bonds	–	–	–	–	2,143,783
Contract liabilities	–	–	–	1,037,964	1,617,328
Deferred income	622,190	620,930	753,185	57,888	69,937

	At 31 December			At 31 August	At 31 August
	2015	2016	2017	2018	2019
Liquidity	*RMB'000*	*RMB'000*	*RMB'000*	RMB'000	*RMB'000*
Gearing ratio *(Note ii)*	21.7%	17.9%	0.0%	3.7%	60.9%

Note ii: The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year/period.

GLOSSARY

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AGM"	the annual general meeting of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC operating schools
"Bangrui Education"	Guangzhou Bangrui Education Investment Company Limited (廣州邦瑞教育投資有限公司), one of the consolidated affiliated entities
"Blue Sky BVI"	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chongqing Translators University"	Chongqing Nanfang Translators College of Sichuan International Studies University (四川外國語大學重慶南方翻譯學院), one of our PRC operating schools
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

GLOSSARY

"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Ganzhou Xitie Education"	Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司), one of the consolidated affiliated entities
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC operating schools
"Guangzhou Songtian University"	Guangzhou University Songtian College (廣州大學松田學院), one of our PRC operating schools
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huafang Education"	Huafang Education Investment Group (Ganzhou) Company Limited (華方教育投資集團(贛州)有限公司) (formerly known as Ganzhou Huafang Education Consulting Company Limited (贛州市華方教育諮詢有限公司)), one of our consolidated affiliated entities
"Huajiao Education" or "WFOE"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"independent third party(ies)"	any entity(ies) or person(s) who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules

GLOSSARY

"INED"	independent non-executive directors
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC operating schools
"Junshi Education"	Junshi Education Consulting (Ganzhou) Company Limited (君時教育諮詢(贛州)有限公司), one of the consolidated affiliated entities
"King's Own Institute" or "KOI"	Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute), a company incorporated in New South Wales, Australia
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), one of our consolidated affiliated entities
"Lishang Education"	Lishang Education Consulting (Ganzhou) Company Limited (禮尚教育諮詢(贛州)有限公司), one of the consolidated affiliated entities
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

GLOSSARY

"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi Xitie Education"	Shaanxi Xitie Education Investment Company Limited (陝西西鐵教育投資有限公司), a company established in the PRC with limited liability and one of the consolidated affiliated entities
"Shandong Dazhong Cultural"	Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司), a limited liability company established under the laws of the PRC and one of our consolidated affiliated entities
"Shandong Quancheng University"	University of Jinan Quancheng College (濟南大學泉城學院), one of our PRC operating schools
"Shangzhi Education"	Shangzhi Education Consulting (Ganzhou) Company Limited (上智教育諮詢(贛州)有限公司), one of the consolidated affiliated entities
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Shuren Education"	Shuren Education Management Company Limited (樹仁教育管理有限公司), a company established in the PRC with limited liability and one of the consolidated affiliated entities
"Songtian Company"	Zengcheng Songtian Enterprise Company Limited (增城市松田實業有限公司), a limited liability company established in the PRC and one of our consolidated affiliated entities
"Songtian Polytechnic College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC operating schools
"Songtian Group"	Songtian Company, Songtian Polytechnic College and Guangzhou Songtian University
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance

GLOSSARY

"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	United States dollars, the lawful currency of the United States
"VP Shenzhen"	Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited
"White Clouds BVI"	White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder of the Company
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC operating schools
"Youxin Education"	Youxin Education Consulting (Guangzhou) Company Limited (有信教育諮詢(廣州)有限公司), a company established in the PRC with limited liability and one of the consolidated affiliated entities
"Zhengzhou Transit School"	Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC operating schools
"%"	per cent

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.