



Wisdom Education International Holdings Company Limited 睿見教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code : 6068

INTERIM REPORT 2021





以誠心服務社會

以愛心培育人才

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Li Suwen (*Chairperson of the Board*)
Mr. Liu Xuebin
Mr. Li Jiuchang
Mr. Wang Yongchun

Independent Non-executive Directors

Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Tam King Ching Kenny
Mr. Huang Weiguo

AUDIT COMMITTEE

Mr. Tam King Ching Kenny (*Chairman*)
Prof. Sun Kai Lit Cliff *BBS, J.P.*
Mr. Huang Weiguo

REMUNERATION COMMITTEE

Prof. Sun Kai Lit Cliff *BBS, J.P.* (*Chairman*)
Mr. Liu Xuebin
Mr. Huang Weiguo

NOMINATION COMMITTEE

Mr. Huang Weiguo (*Chairman*)
Mr. Tam King Ching Kenny
Ms. Li Suwen

COMPANY SECRETARY

Ms. Leung Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. Liu Xuebin
Ms. Leung Suet Lun

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong law
Allen & Overy

As to PRC law
Commerce & Finance Law Offices

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Dongguan Rural Commercial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
CMB Wing Lung Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 68 Guangming Da Dao
Dongcheng District
Dongguan
The PRC



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3302, 33/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

6068

COMPANY WEBSITE

www.wisdomeducationintl.com

INVESTOR RELATIONS

Mr. Derek Lau

Email: ir@wisdomeducationintl.com

Operational and Financial Highlights

Operational Information	Six months ended		Change	Percentage Change
	28 February 2021 (unaudited)	29 February 2020 (unaudited)		
Total number of students enrolled	73,931	60,116	+13,815	+23.0%
Total student capacity	82,500	70,000	+12,500	+17.9%
Overall school utilization	84.5%	85.9%	-1.4pp	-1.6%
Total number of teachers	4,815	3,818	+997	+26.1%

Selected Financial Information RMB'000 (unless otherwise stated)	Six months ended		Change	Percentage Change
	28 February 2021 (unaudited)	29 February 2020 (unaudited)		
Revenue	1,090,804	932,172	+158,632	+17.0%
Gross profit	508,135	435,625	+72,510	+16.6%
Gross profit margin	46.6%	46.7%	-0.1pp	-0.2%
Core net profit (Note 1)	376,265	288,267	+87,998	+30.5%
Interim dividend per share (HK\$)	0.080	0.062	+0.018	+29.0%

Note 1: Core net profit is defined as the profit for the period of the Group after adjusting for those items which are not indicative of the Group's operating performance. This is not an International Financial Reporting Standards ("IFRSs") measure. For details, please refer to the following reconciliation and the section headed "Financial Review" in this report.

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Profit for the period	323,207	258,411
Adjustments for:		
Exchange loss/(gain)	21,146	(1,618)
Gain on change in fair value of convertible loan notes	—	(1,037)
Share-based payments	983	3,567
Amortisation of intangible assets arising from the acquisition of schools	4,066	8,374
Additional interest expenses on convertible loan notes based on actual coupon rate	—	12,916
Additional expenses arising from the adoption of IFRS 16 (Note 2)	26,863	7,654
	376,265	288,267

Operational and Financial Highlights

Note 2: The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16 and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

Selected Financial Information RMB'000 (unless otherwise stated)	As at		Change	Percentage Change
	28 February 2021 (unaudited)	31 August 2020 (audited)		
Bank balances and cash (including pledged bank deposits)	655,857	1,126,095	-470,238	-41.8%
Bank borrowings	3,127,220	2,785,520	+341,700	+12.3%
Net gearing ratio (Note 1)	74.5%	53.7%		
Adjusted net gearing ratio (Note 2)	59.7%	40.6%		

Note 1: Net gearing ratio is calculated as total of bank borrowings less pledged bank deposits, bank balances and cash divided by total equity at the end of the relevant year/period end.

Note 2: Adjusted net gearing ratio is calculated as the net gearing ratio (as calculated in note 1 above) with financial assets at fair value through profit or loss and investments in debt securities treated as cash and cash equivalents.

Selected Financial Information RMB'000 (unless otherwise stated)	Six months ended		Change	Percentage Change
	28 February 2021 (unaudited)	29 February 2020 (unaudited)		
Net cash from operating activities	350,495	250,208	+100,287	+40.1%
Capital expenditure for property, plant and equipment	704,144	487,796	+216,348	+44.4%



Corporate Profile

Overview

Established in 2003, we are one of the largest private education groups in South China operating premium primary and secondary schools as measured by student enrolment. We target students primarily from the middle class or above families in China.

Our Schools and Educational Curriculum

Our primary and middle schools provide PRC curriculum education to students from grades 1 to 6 and students from grades 7 to 9 respectively. Our high schools mainly provide PRC curriculum education to students from grades 10 to 12.

We also offer international programme to certain students who aim to pursue higher education overseas. For instance, the international programme of Dongguan Guangzheng Preparatory School was authorized by the London Examination Board, offering courses designed to prepare high school students for the examinations required for obtaining the International General Certificate of Secondary Education (“**IGCSE**”) and the United Kingdom General Certificate of Education Advanced Level (“**A Level**”) qualification.

Our Educational Philosophy

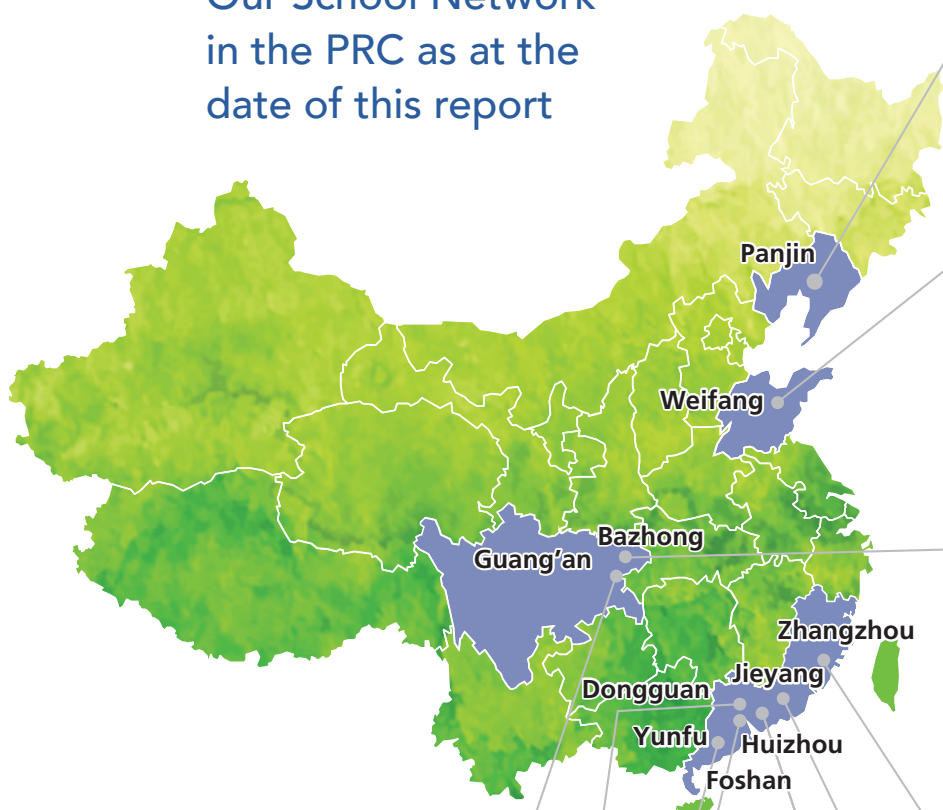
Our educational objectives are “to serve the society with honesty and integrity through our services” and “to cultivate talents with a warm and loving heart” (以誠心服務社會，以愛心培育人才). To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture worthy and capable, sincere and upright graduates (賢良方正，立德樹人).

Our School Characteristics

Our schools are boarding schools with on-campus student dormitories. To promote the all-rounded quality development of our students, we offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture. Our students have made significant achievements in areas such as basketball, track and field, martial arts, music, dance and Chinese calligraphy. For instance, our Dongguan Guangming Secondary School’s high school male basketball team has won various municipal and provincial championships.



Our School Network in the PRC as at the date of this report





Management Discussion and Analysis

Business Review

Overview

Established in 2003, we are the largest listed education group in South China operating premium, private primary and secondary schools as measured by student enrolment. For the six months ended 28 February 2021, we had a total of approximately 73,931 students including the number of students enrolled in other schools to which the Group provides management services.

Provision of Management Services to Other Schools

The Group has entered into management services agreements with certain private schools owned by independent third parties in respect of the provision of management services by the Group to the relevant schools in return for management fee income with effect from the 2020/2021 school year. For the six months ended 28 February 2021, there were approximately 4,236 students in 10 other schools which have entered into management services agreements with the Group.

Addition of a Private Primary School

The Group has entered into an agreement with certain independent third parties pursuant to which, among others, the independent third Parties agreed to transfer 70% sponsor interest (the “**Sponsor Interest**”) of 惠州市惠陽區實驗小學 (Huiyang Experimental Primary School) (“**Huiyang Primary School**”) in Huizhou city to the Group for a cash consideration of approximately RMB130.9 million. The transfer of the Sponsor Interest has been completed in January 2021.

Huiyang Primary School is in close proximity to the local government of Huiyang district, Huiyang Sports Centre and Huizhounan Railway Station, and is situated on a site area of approximately 45 mu (equivalent to approximately 30,000 square metres) with a construction area of approximately 35,000 square metres. Huiyang Primary School currently has 2,569 primary school students. The Company believes that with Huiyang Primary School’s long standing operating history, good reputation and its close proximity to Shenzhen, the addition of Huiyang Primary School may have synergy effect with the Group’s Huizhou Guangzheng Preparatory School in Huizhou and may further expand the Group’s coverage in Guangdong-Hong Kong-Macao Greater Bay Area (“**Greater Bay Area**”).

Management Discussion and Analysis

Our Own Schools

For the six months ended 28 February 2021, we had a total of 69,695 students enrolled in 15 boarding schools operated by the Group and an aggregate student capacity of approximately 82,500 following the addition of Huiyang Primary School.

	Campus	Province	Curriculum
1.	Dongguan Guangming School together with Dongguan Guangming Primary School (" Dongguan Guangming Secondary and Primary Schools ")	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
2.	Dongguan Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
3.	Huizhou Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
4.	Panjin Guangzheng Preparatory School	Liaoning	Chinese curriculum for grades 1 to 12
5.	Weifang Guangzheng Preparatory School	Shandong	Chinese curriculum for grades 1 to 12
6.	Jieyang Jiedong Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12
7.	Weifang Weizhou Foreign Language School	Shandong	Chinese curriculum for grades 1 to 6
8.	Guang'an Guangzheng Preparatory School	Sichuan	Chinese curriculum for grades 1 to 12
9.	Zhang Pu Longcheng School and Zhang Pu Longcheng Primary School (" Zhang Pu Longcheng Schools ")	Fujian	Chinese curriculum for grades 1 to 12



Management Discussion and Analysis

	Campus	Province	Curriculum
10.	Bazhong Guangzheng Preparatory School	Sichuan	Chinese curriculum for grades 1 to 12
11.	Yunfu Guangming Foreign Language School	Guangdong	Chinese curriculum for grades 1 to 12
12.	Shunde Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12
13.	Huiyang Primary School	Guangdong	Chinese curriculum for grades 1 to 6

Recognition of High-Quality Education

We have received a letter of commendation from the Admission Office of Peking University where Dongguan Guangming School is recognised as a reputable secondary school with an advanced education philosophy and an excellent track record in producing a batch of outstanding high school graduates to Peking University since the school's establishment. We have also received another letter of commendation from the Guangdong Admission Team of Tsinghua University for the outstanding performance of some of our high school graduates admitted to Tsinghua University. Both Peking University and Tsinghua University wish to have further collaboration with Dongguan Guangming Secondary School with an aim to nurturing high-quality talents jointly.

Recognition from the Recruitment Bureau of Chinese People's Liberation Army Air Force

Dongguan Guangming School has received a letter of congratulation from the Recruitment Bureau of the Chinese People's Liberation Army Air Force in relation to the admission of our three students as trainees of air force pilots expressing sincere gratitude to Dongguan Guangming School for its support in the development of the air force.

The letter also emphasized that China attaches great importance to the education of air force talents. The Recruitment Bureau of the Chinese People's Liberation Army Air Force wishes that Dongguan Guangming School will continue to support the air force recruitment work in the future and jointly cultivate outstanding air force talents.

Management Discussion and Analysis

Total Revenue

Total Revenue by Service	For the six months ended 28 February 2021		For the six months ended 29 February 2020	
		% of Total		% of Total
Tuition and boarding fees	786,535	72.1	670,852	72.0
Ancillary services and management service fees	304,269	27.9	261,320	28.0
Total revenue	1,090,804	100.0	932,172	100.0

Tuition and boarding fees

Our school year normally runs from 1 September to 31 August (including a summer vacation) and each school year is divided into two school terms. Our tuition and boarding fees are generally paid in advance prior to the commencement of each school term, and we initially record such payments as contract liabilities. We then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school term.

Compared with that for the six months ended 29 February 2020, tuition and boarding fees for the six months ended 28 February 2021 increased by 17.2% primarily due to the increase in overall student enrolment.

Ancillary services and management service fees

Our students normally live in our dormitories from Monday to Friday during school terms. In order to enhance the quality of students' lives in our schools, we provide our students with ancillary services, including various on-campus services and daily necessities for students.

Compared with that for the six months ended 29 February 2020, revenue from ancillary services and management service fees for the six months ended 28 February 2021 increased by 16.4% primarily due to the increase in overall student enrolment.

Management Discussion and Analysis

Student Enrolment

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective six-month period. On such basis, the student enrolment of self-owned schools has increased from 60,116 for the six months ended 29 February 2020 to 69,695 for the six months ended 28 February 2021, representing an increase of 15.9%. The increase was primarily due to the increase in Huizhou Guangzheng Preparatory School by over 3,000, the increase in Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School by over 2,000 following the phase by phase completion of the construction projects to expand the school capacity, and the acquisition of Huiyang Primary School in January 2021 with 2,569 primary school students. The following table sets forth the student enrolment by section for the six months ended 28 February 2021 and 29 February 2020:

<i>Student Enrolment by Section</i>	For the six months ended 28 February 2021		For the six months ended 29 February 2020	
	2021	% of Total	2020	% of Total
High school	15,303	22.0	13,534	22.5
Middle school	27,134	38.9	25,376	42.2
Primary school	26,874	38.6	20,875	34.7
International programmes	384	0.5	331	0.6
Total number of students of self-owned schools	69,695	100.0	60,116	100.0

For the six months ended 28 February 2021, there is no significant change in the composition of each section.

Taking into account the students enrolled in other third party schools to which the Group provides management services, the total student enrolment of the Group would be 73,931 as at 28 February 2021.



Management Discussion and Analysis

Average Tuition and Boarding Fees Per Student

For the six months ended 28 February 2021, the Group's overall average tuition and boarding fees per student increased by 1.1% from RMB11,159 for the six months ended 29 February 2020 to RMB11,285. Excluding the impact of Huiyang Primary School which has been consolidated with effect from January 2021 after the completion of the acquisition, the average tuition and boarding fees per student for the six months ended 28 February 2021 would be RMB11,664, representing an increase of 4.5% compared with that for the six months ended 29 February 2020, primarily due to the increase in tuition and boarding fees for the new students of Dongguan Guangming School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

School Capacity and Utilization

As all of our self-operated schools are boarding schools and the majority of our students live in our schools, the capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal statistical records. Total student capacity increased from 70,000 for the six months ended 29 February 2020 to 82,500 for the six months ended 28 February 2021, primarily due to the expansion of capacity of Huizhou Guangzheng Preparatory School by 3,500, the official opening of Shunde Guangzheng Preparatory School's campus with a capacity of 3,000, and the addition of Huiyang Primary School with a capacity of 3,000 during the six months ended 28 February 2021. The utilization rate, calculated by dividing the number of students enrolled by the total student capacity, was 84.5% during the six months ended 28 February 2021 (during the six months ended 29 February 2020: 85.9%).

For details of the Group's expansion plan, please refer to the section headed "Outlook" in this report.

Teachers

For the six months ended 28 February 2021, over 90% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from approximately 3,818 for the six months ended 29 February 2020 to approximately 4,815 for the six months ended 28 February 2021 primarily due to the recruitment of additional teachers for the expansion of Huizhou Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School, Shunde Guangzheng Preparatory School and the addition of Huiyang Primary School. The overall student-teacher ratio remained relatively stable.

Teacher turnover rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low-cost accommodation on campus or close to our schools. We also provide a good career development path for outstanding teachers. For the six months ended 28 February 2021, the turnover rate of our teachers, including our termination, was approximately 6%.



Management Discussion and Analysis

Financial Review

For the six months ended 28 February 2021, total revenue increased by 17.0% to RMB1,090.8 million and core net profit increased by 30.5% to RMB376.3 million respectively, as compared with that of the corresponding period in 2020.

Revenue

For the components of our revenue, please refer to the section headed “Business Review” in “Management Discussion and Analysis” above.

The Group’s total revenue increased by RMB158.6 million, or 17.0%, from RMB932.2 million for the six months ended 29 February 2020 to RMB1,090.8 million for the six months ended 28 February 2021. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB115.7 million and the increase in revenue from ancillary services and management service fees by RMB42.9 million, largely due to the increase in total student enrolment in self-owned schools by 15.9% from 60,116 for the six months ended 29 February 2020 to 69,695 for the six months ended 28 February 2021.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of provision of ancillary services, (iii) amortisation of intangible assets of student rosters arising from the acquisition of schools, (iv) depreciation and amortisation on property, plant and equipment and right-of-use assets used by our schools, (v) utilities and maintenance costs for our schools and (vi) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses.

Cost of revenue increased by RMB86.1 million, or 17.3%, from RMB496.5 million for the six months ended 29 February 2020 to RMB582.7 million for the six months ended 28 February 2021. The increase was largely due to the increases in teaching staff costs and depreciation and amortisation.

Staff costs increased mainly because the number of teachers increased from approximately 3,818 for the six months ended 29 February 2020 to approximately 4,815 for the six months ended 28 February 2021, primarily due to the recruitment of additional teachers for the expansion of Huizhou Guangzheng Preparatory School, Guang’an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School.

The increase in depreciation and amortisation was primarily due to the expansion of capacity of existing schools followed by the gradual completion of construction projects.



Management Discussion and Analysis

Gross Profit

As a result of the foregoing, gross profit increased by 16.6% from RMB435.6 million for the six months ended 29 February 2020 to RMB508.1 million for the six months ended 28 February 2021. Our gross profit margin remained stable at 46.6% for the six months ended 28 February 2021 compared with that of 46.7% for the six months ended 29 February 2020.

Other Income

Other income primarily consists of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary and non-conditional subsidies we received from the PRC government authorities for opening new schools, organizing school activities and outstanding academic performance of our schools, and (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other income decreased from RMB50.3 million for the six months ended 29 February 2020 to RMB11.4 million for the six months ended 28 February 2021, primarily due to the decrease in government grants by RMB40.9 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gain on change in fair value of financial assets at fair value through profit or loss (“FVTPL”) arising from interest income from investment products of RMB36.2 million, (ii) net exchange losses of RMB21.1 million resulting from the depreciation of Hong Kong dollars (HK\$) against RMB during the six months ended 28 February 2021, and (iii) recovery of receivables previously written-off of RMB18.2 million.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, and (ii) other marketing expenses, which primarily comprise student recruitment costs, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools.

Selling expenses increased by 9.7% from RMB20.2 million for the six months ended 29 February 2020 to RMB22.1 million for the six months ended 28 February 2021, primarily due to the increase in student recruitment costs. Selling expenses as a percentage of revenue decreased from 2.2% for the six months ended 29 February 2020 to 2.0% for the six months ended 28 February 2021.



Management Discussion and Analysis

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) value-added and other tax expenses in relation to the corporate management and educational management consultancy services and technical and business support services provided by the Group's subsidiaries to consolidated affiliated entities, (iii) depreciation of office buildings and equipment and right-of-use assets, (iv) rental expenses, (v) travel expenses, (vi) entertainment expenses, and (vii) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses increased by 2.8% from RMB140.1 million for the six months ended 29 February 2020 to RMB144.0 million for the six months ended 28 February 2021, primarily due to the increase in staff costs. Administrative expenses as a percentage of revenue decreased from 15.0% for the six months ended 29 February 2020 to 13.2% for the six months ended 28 February 2021.

Finance Income

Finance income primarily consists of interest income from bank deposits and investments in debt securities.

Finance income decreased from RMB7.4 million for the six months ended 29 February 2020 to RMB2.1 million for the six months ended 28 February 2021, primarily due to the decrease in average bank balances and pledged bank deposits during the six months ended 28 February 2021.

Finance Costs

Finance costs consist of the interest expenses for our bank and other borrowings less interest capitalized in the cost of property, plant and equipment, and interest on lease liabilities.

Finance costs decreased from RMB52.1 million for the six months ended 29 February 2020 to RMB38.4 million for the six months ended 28 February 2021, primarily due to the full repayment of the convertible loan notes during the year ended 31 August 2020.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB320.6 million for the six months ended 29 February 2020 to RMB349.3 million for the six months ended 28 February 2021. Profit before taxation as a percentage of revenue of the Group was 32.0% for the six months ended 28 February 2021 compared with 34.4% for the six months ended 29 February 2020.

Management Discussion and Analysis

Taxation

Income tax expense of the Group decreased by 58.0% from RMB62.2 million for the six months ended 29 February 2020 to RMB26.1 million for the six months ended 28 February 2021. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same PRC EIT exemption as public schools since 1 September 2017. We have decided not to classify our high school sections as for-profit schools. The effective tax rate of the Group for the six months ended 28 February 2021 and the six months ended 29 February 2020 was 7.5% and 19.4%, respectively.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 25.1% from RMB258.4 million for the six months ended 29 February 2020 to RMB323.2 million for the six months ended 28 February 2021.

Core Net Profit

The Group defines its core net profit as its profit for the period after adjusting for those items which are not indicative of the Group's operating performances as presented in the table below. This is not an IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit for the period to core net profit for the two financial periods presented below:

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Profit for the period	323,207	258,411
Adjustments for:		
Exchange loss/(gain)	21,146	(1,618)
Gain on change in fair value of convertible loan notes	—	(1,037)
Share-based payments	983	3,567
Amortisation of intangible assets arising from the acquisition of schools	4,066	8,374
Additional interest expenses on convertible loan notes based on actual coupon rate	—	12,916
Additional expenses arising from the adoption of IFRS 16 ^(Note 1)	26,863	7,654
Core net profit	376,265	288,267



Management Discussion and Analysis

Note:

1. The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16 and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

Core net profit for the period increased by RMB88.0 million, or 30.5%, from RMB288.3 million for the six months ended 29 February 2020 to RMB376.3 million for the six months ended 28 February 2021. Core net profit margin increased from 30.9% for the six months ended 29 February 2020 to 34.5% for the six months ended 28 February 2021.

Capital Expenditure

During the six months ended 28 February 2021, the Group paid approximately RMB704.1 million for the acquisition of property, plant and equipment and paid approximately RMB89.8 million for the right-of-use assets for the Group's expansion.

Liquidity, Financial Resources and Capital Structure

The Group recorded an increase in net cash inflow from operating activities for the six months ended 28 February 2021 as compared to that for the six months ended 29 February 2020, primarily due to the increase in operating cash flows before movement in working capital.

During the six months ended 28 February 2021, the capital expenditures for the acquisition of property, plant and equipment and right-of-use assets were financed partly by cash flow from operating activities and partly by bank borrowings.

The combined effect of the above resulted a net decrease in cash and cash equivalents of RMB455.4 million for the six months ended 28 February 2021 (for the six months ended 29 February 2020: RMB197.5 million).

As at 28 February 2021, the Group's total pledged bank deposits, bank balances and cash amounted to RMB655.9 million, of which the majority were denominated in HK\$ and RMB (as at 31 August 2020: RMB1,126.1 million).

As at 28 February 2021, the Group's total of bank and other borrowings amounted to RMB3,127.2 million comprising RMB560.6 million repayable within one year and RMB2,566.6 million repayable more than one year. Bank and other borrowings carried interest rates ranging from 4.7% to 6.0% per annum. All of the bank and other borrowings were denominated in RMB. During the six months ended 28 February 2021, the Group raised certain borrowings from banks for the capital expenditures required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.



Management Discussion and Analysis

In order to have a better use of our unutilised financial resources, the Group has purchased certain investment products. The Group is allowed to early redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for treasury management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. These investment products were classified as financial assets at FVTPL or investments in debt securities as at 28 February 2021.

The Group recorded net current liabilities of RMB1,008.5 million as at 28 February 2021 (as at 31 August 2020: RMB63.1 million) primarily as a result of the recognition of tuition and boarding fees received in advance as contract liabilities which were included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year. The Group's net gearing ratio as at 28 February 2021 was 74.5% (as at 31 August 2020: 53.7%).

As explained in the section headed "Liquidity, Financial Resources and Capital Structure" above, as at 28 February 2021, in order to have a better use of our utilized financial resources, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities. The Group is allowed to redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for treasury management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these investment products of RMB491.2 million as at 28 February 2021 for treasury management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 28 February 2021 would have been reduced to 59.7% (as at 31 August 2020: 40.6%).

The increase in net gearing ratio was mainly due to the decrease in total bank balances and cash and pledged bank deposits as at 28 February 2021.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK\$. As at 28 February 2021, certain bank balances and cash and investment products were denominated in HK\$ or United States Dollars. The Group did not enter into any financial instrument for hedging purpose. The Group will continue to monitor the foreign exchange rate risk and consider hedging significant foreign currency exposure should the need arises.



Management Discussion and Analysis

Contingent Liabilities

On 19 March 2015, an individual, who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of one of our schools during its establishment for a total amount of RMB5,000,000 and the interests thereof. As at the date of this report, the outcome of such legal proceedings was yet to be finalized. In the opinion of the Directors, after consultation with our external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision has been made in the financial statements.

Pledge of Assets

As at 28 February 2021, the Group's bank borrowings were secured by the rights to receive the tuition and boarding fees of certain schools of the Group, the right of return on equity of certain consolidated affiliated entities and the revenue arising from the operation of Shunde Guangzheng Preparatory School.

Market Review

Favorable environment for private primary and secondary schools in the Greater Bay Area

China has planned to promote in-depth integration of resources and coordinated economic development in the Greater Bay Area, which comprises nine cities in Guangdong province and the two special administrative regions of Hong Kong and Macao. The eleven cities, which include Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing, generated a combined USD1.66 trillion in gross domestic product ("GDP") and host a population of 72.5 million in 2019, accounting for around 12% and 5% of the national total respectively, according to the data of the National Bureau of Statistics.

The development of the Greater Bay Area is also marked with significantly increased transport connectivity, which would facilitate the flow of people and goods, and thus foster robust economic growth. As the Chinese government continues to develop the transport network, multiple infrastructure projects such as the Shenzhen-Zhongshan Bridge and Liantang/Heung Yuen Wai Boundary Control Point are scheduled to launch in the near future, following the openings of the Nansha Bridge in April in 2019 as well as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in 2018. With the development of transport infrastructure in the Greater Bay Area, together with other favorable policies, we expect the number of children accompanying their parents who come to do business or work in the Greater Bay Area from other regions in China will increase, creating a promising environment for the growth of private primary and secondary education in Guangdong province.

In February 2019, the central government of China issued an Outline Development Plan for the Greater Bay Area, which has drawn a road map to further transform the Greater Bay Area into a world-class city cluster and an international hub for technology and innovation. Particularly, one of the objectives set out in Chapter 8 of the Outline Development Plan is to create an education and talent hub in the Greater Bay Area and there are several initiatives, among other things, for promoting fundamental education in the area.



Management Discussion and Analysis

Market potential for private higher education institutions offering advanced technology programs

In light of the strategic plan of “Made in China 2025” promoted by the Chinese government, it is expected that there will be a growing demand for high-end technicians in advanced technology and manufacturing in South China.

Outlook

To Become a Comprehensive Education Group in the Medium and Long Term

Apart from the expansion of our primary and secondary school business, the Group aims to become a comprehensive education group in the medium and long term by extending its business to online education and higher education.

The unexpected outbreak of Covid-19 in 2020 has urged school operators to find their ways out during class suspension, bringing potential opportunities for the development of online education business. During the class suspension as required by the government authorities, our teachers made use of online platforms to provide live teaching and tutoring to our students, ensuring students’ continuous studies during class suspension. These online platforms have recording and replay functions to facilitate our students’ revision. Equipped with cloud computing technology and artificial intelligence, these online education platforms can help us track the attendance, learning progress and performance of our students. Our online teaching services provided during class suspension were well-received by many parents of our students. We believe that a combination of offline and online education platforms may enhance our competitiveness in the future.

In view of the potential demand for high-end technical staff from enterprises principally engaged in the development of advanced and emerging industries such as big data, robotics, smart manufacturing, artificial intelligence, life technology in the Greater Bay Area, the Group has planned to establish private higher education institutions which aim to provide junior college curricula for these fields.

I. Primary and Secondary School Education

Greater Bay Area Focus

Given the favorable environment of Guangdong in terms of GDP, population and the Outline Development Plan for the Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area. Apart from the existing schools in Dongguan, Huizhou and Foshan, we have entered into cooperation or framework agreements with the local governments of Zhongshan, Jiangmen, Guangzhou and Zhaoqing, respectively, in respect of the proposed establishment of a private boarding school in each of these cities, making up to the potential coverage of seven Guangdong cities in the Greater Bay Area in the future.

Notwithstanding that Guangdong province is our preferred region for our expansion, we will also explore any attractive expansion opportunities outside Guangdong province such as Sichuan province.

Management Discussion and Analysis

Large Organic Growth Potential

i. Expanding Capacity of Our Schools

The estimated total capacity of the Group's existing schools increased from approximately 70,000 students for the six months ended 29 February 2020 to approximately 82,500 students for the six month ended 28 February 2021.

Based on the actual student recruitment, potential growth in student number and current utilization of each of the Group's schools, the Group will further expand the capacity of the relevant schools, or adjust the pace of expansion, from time to time.

ii. Open More New Schools

In order to sustain our future growth, apart from expanding the capacity of our existing schools, we will continue to open new schools through building more greenfield schools of relatively large scale on purchased lands use rights for educational purpose in stages and explore opportunities in operating asset-light schools of relatively small scale in Guangdong province.

We expect more new school projects will be added in the pipeline and we will adjust our development plan from time to time according to the market conditions and the requirements from local governments.

a) Greenfield schools under development — Expected commencement of operation of the first phase in the 2021/2022 school year

Pursuant to the cooperation agreements entered into between the Group and the local governments of Chaozhou, Jiangmen and Zhongshan in Guangdong province respectively, each of the local governments has allocated or agreed to provide a parcel of land to the Group for the proposed establishment of a boarding school comprising, among other things, primary, middle and high school sections, in each of the following cities:

City	Approximate land area for educational purposes	Estimated maximum student capacity
Chaozhou	200 mu (畝) or 133,000 square metres	8,000
Kaiping, Jiangmen	200 mu (畝) or 133,000 square metres	7,500
Zhongshan	320 mu (畝) or 213,330 square metres	11,000



Management Discussion and Analysis

Each of these proposed boarding schools will be constructed by phases, we have obtained all of the relevant land use rights as at 28 February 2021 and the construction has been well in progress during the six months ended 28 February 2021. We expect that the commencement date of operation of the first phase of these schools to be 1 September 2021 subject to certain conditions including the necessary government approvals before the official opening of the school campuses.

b) Explore opportunities in operating asset-light schools in Guangdong province

Given the strong demand for quality private primary and secondary schools and the scarcity of lands for educational purpose in certain cities of Guangdong province, the Group is exploring the opportunities of renting or operating certain vacant properties which are suitable for transforming to school properties to expand our student capacity rapidly. The Group has identified certain properties in Dongguan city of Guangdong province where the Group is in the process of negotiating with the property owners and the relevant government authorities on the relevant arrangements and the necessary approvals, respectively. If successful, these properties could increase the Group's student capacity by over 4,000 in the short term, and could be further enlarged to over 10,000 in the long term subject to the necessary approvals from the relevant government authorities. The Group will also continue to explore such opportunities in other cities of the Greater Bay Area. Further announcement will be made in respect of any business of operating asset-light schools should it be required.

c) Proposed greenfield schools under negotiation

The Group has signed framework agreements with the local governments of Guangzhou and Zhaoqing in Guangdong province respectively, in respect of the proposed cooperation of the development of a boarding school in each of these cities.

We are still in the process of negotiating with these local governments on the terms of proposed cooperation including the provision of a parcel of land in each of these cities to the Group for educational purposes and the expected maximum student capacity. As at the date of this report, we have not signed any formal or legally-binding agreement in relation to the proposed cooperation.



Management Discussion and Analysis

For the 2021/2022 school year, it is estimated that our school capacity would reach 91,000, contributed by the further expansion of capacity of Guang'an Guangzheng Preparatory School and Bazhong Guangzheng Preparatory School in Sichuan Province by 2,500 in total, and the three greenfield schools in Chaozhou, Jiangmen and Zhongshan in Guangdong province under development with expected commencement of operation of the first phase in the 2021/2022 school year with a total capacity of 6,000.

Subject to certain approvals from the local government authorities, the estimated maximum capacity of the Group may be expanded to approximately 170,000 students assuming all available land use rights of the existing schools and those of the new greenfield schools under development are fully utilized.

II. Online Education

We have set up a subsidiary which will focus on "internet plus" education and education information technology. We have developed certain online education courses which our students and teachers may attend voluntarily during weekends and holidays, such as tailor-made learning courses, parent-child exercises, extra-curricular activities and teacher training courses. These online education courses have already contributed extra revenue to the Group.

III. Higher Education

Bazhong Guangzheng Institute of Technology (tentatively)

The Group has entered into an agreement with the Economic Development Zone of Bazhong, Sichuan ("**Bazhong Economic Development Zone**") pursuant to which the management committee of Bazhong Economic Development Zone, among others, agreed to provide a parcel of land (the "**Land**") situated at the centre of Bazhong, Sichuan province (with a total site area of approximately 1,500 mu (畝) (equivalent to approximately 1,000,000 square metres)) to the Group for its proposed establishment of a private higher education institute (tentatively "Bazhong Guangzheng Institute of Technology (巴中光正科技學院)" ("**Bazhong Guangzheng Technology Institute**").

Bazhong Guangzheng Technology Institute will be positioned to provide curricula for junior college students, equipping them with the necessary skills of senior technical staff required by the fields of emerging industrial, information technology, life technology, artificial intelligence, modern agriculture etc. in the Greater Bay Area. The Group will cooperate with certain well-known higher education institutions and some academicians of Chinese Academy of Sciences (中國科學院) in respect of teaching resources.



Management Discussion and Analysis

Bazhong Guangzheng Technology Institute will be developed by phases and the maximum capacity is expected to be approximately 18,000 students. Bazhong Economic Development Zone has completed the required procedures for the provision of the first phase of the Land (with a sit area of approximately 500 mu (畝) (equivalent to approximately 330,000 square metres)) to the Group with an expected capacity of approximately 6,000 students. Pending certain government approvals, the Group will develop the first phase of Bazhong Guangzheng Technology Institute in stages and the commencement of operation is expected to be around September 2022.

Dongguan Guangzheng Institute of Technology (tentatively)

The Group has planned to establish a private higher education institution (tentatively “Dongguan Guangzheng Institute of Technology (東莞市光正科技學院)” (“**Dongguan Guangzheng Technology Institute**”) in Dongguan, Guangdong province, mainly for training junior college students with the necessary skills required by these enterprises and related industries.

In order to support the establishment and development of Dongguan Guangzheng Technology Institute, the Group has entered into a cooperative agreement (the “**Cooperative Agreement**”) with each of Harbin Institute of Technology (哈爾濱工業大學) and HIT Big Data Group (哈工大大數據集團) respectively. Pursuant to the Cooperative Agreements, HIT Big Data Group will be responsible for, among others, the design of the curriculum, syllabus and teaching plan, as well as the formation of professional teaching team, of Dongguan Guangzheng Technology Institute.

Pending certain approvals from the local government of Dongguan, the Group is in the process of obtaining a parcel of land situated at Dongguan (with a total site area of approximately 800 mu (畝) (equivalent to approximately 533,000 square metres)) for the proposed development of Dongguan Guangzheng Technology Institute with an expected maximum capacity of approximately 10,000 students.

Future Capital Expenditure and Financing

We expect that the Group’s future capital expenditure will primarily be financed by bank and other borrowings, cash flow generated from operating activities, and/or other financing options available from capital markets if necessary.



Management Discussion and Analysis

Teacher's Recruitment, Training and Retention

We realize the importance of our teachers' quality in our expansion. In this regard, we cooperate with a number of well-known normal universities in China where we recruit talent graduates as our trainee teachers. We have a teacher mentoring program in which we train our outstanding teachers to prepare for the role of principal of our schools in the future. We provide on-going training programmes for our teachers such as discussion groups, cross-school teacher seminars and outdoor training camps, where our teachers share experiences, enhance teaching skills and improve teamwork. We normally assign some of our experienced teachers from the existing schools to involve in the operation of any new greenfield school or newly acquired school. We reward outstanding teachers with high performance evaluations and require teachers who do not meet our expectations to improve within a prescribed period of time.

Conclusion

With the Outline Development Plan for the Greater Bay Area and our proven expansion track record and development strategies, we will continue to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China and increase our market share in other regions in China. The Group will also diversify its education business by extending to other educational segments including, but not limited to, private higher education business. Through becoming a comprehensive education group in the medium and long term, we wish to increase the return for the shareholders of the Company (the "**Shareholders**").

Regulatory Update

There has been no significant update since the publication of the Company annual report for the year ended 31 August 2020 (the "**2020 Annual Report**") up to the end of the reporting period. Please refer to the 2020 Annual Report for details of the regulatory update.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save for the addition of Huiyang Primary School as disclosed in the section headed "Business Review" and note 21 to the condensed consolidated financial statements, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 28 February 2021.

Investments Held

As at 28 February 2021, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities of approximately RMB491.2 million in aggregate. For the reasons for holding these investment products, please refer to the section headed "Liquidity, Financial Resources and Capital Structure" above and notes 13 and 14 to the condensed consolidated financial statements.



Management Discussion and Analysis

Employee Benefits

As at 28 February 2021, the Group had approximately 6,594 employees (as at 29 February 2020: approximately 6,419). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme, a share option scheme and a share award scheme for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees.

Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2021 amounted to approximately RMB392.8 million (for the six months ended 29 February 2020: RMB319.9 million).

Changes in Information of Directors

During the six months ended 28 February 2021, there were no changes to information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Events after the Reporting Period

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

Use of Proceeds

Use of net proceeds from the Placing

On 18 August 2020, the Company completed the placing of 130,000,000 new shares at HK\$4.24 per new share (the "Placing") to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. The net proceeds from the Placing were approximately HK\$545.7 million (equivalent to approximately RMB487.7 million). The Company intended to use the net proceeds from the Placing for construction and development of the Group's schools in the PRC and general corporate purpose. Details of the Placing are set out in the Company's announcements dated 11 August 2020 and 18 August 2020 respectively.

As at 28 February 2021, the Company has applied the net proceeds of approximately RMB184.1 million from the Placing as follows:

- Approximately RMB46.7 million has been utilised towards construction and development of the Group's schools in the PRC; and
- Approximately RMB137.4 million has been utilised for general corporate purpose.

We anticipated to use up the unutilized net proceeds from the Placing within 2 years from the completion date of the Placing.



Other Information

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of RMB0.067 (equivalent to HK\$0.080) per share for the six months ended 28 February 2021 (six months ended 29 February 2020: RMB0.057 (equivalent to HK\$0.062) per share) to the Shareholders whose names appear on the register of members of the Company at the close of business on 2 June 2021. The interim dividend is expected to be paid on or about 16 June 2021.

Closure of Register of Members

For determining the entitlement to the interim dividend for the six months ended 28 February 2021, the register of members of the Company will be closed from 1 June 2021 to 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 May 2021.

Share Award Scheme

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

As at 28 February 2021, the Trustee has purchased a total of 11,704,000 Shares (as at 31 August 2020: 11,704,000 Shares) on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Shares (the "**Awarded Shares**") to 12 Selected Participants. The Awarded Shares represent approximately 0.39% of the total issued shares of the Company as at the date of this report. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant. Save for Mr. Li Jiuchang and Mr. Wang Yongchun, both being executive Directors, who have been granted not more than 1,500,000 and not more than 1,200,000 Awarded Shares, respectively, none of the Selected Participants is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company.

Directors' and Chief Executive's Interest and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation

As at 28 February 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying	Shares Approximate percentage of shareholding
Mr. Liu Xuebin (“Mr. Liu”) (Note 1)	Interest of controlled corporation	930,000,000 (Note 2)	—	930,000,000	42.70%
	Beneficial interest	944,000	—	944,000	0.04%
Ms. Li Suwen (“Ms. Li”) (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	26.17%
	Beneficial interest	2,428,000	—	2,428,000	0.11%
Mr. Li Jiuchang	Beneficial interest	200,000	—	200,000	0.01%
Mr. Wang Yongchun	Beneficial interest	160,000	—	160,000	0.01%

Notes:

- Mr. Liu and Ms. Li are co-founders of the Group and are parties acting in concert with each other.
- Mr. Liu holds the entire issued capital of Bright Education (Holdings) Co. Limited (“Bright Education Holdings”), a company incorporated in the British Virgin Islands, and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.
- Ms. Li holds the entire issued capital of Bright Education Investment Co. Limited (“Bright Education Investment”), a company incorporated in the British Virgin Islands, and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.

Other Information

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 28 February 2021, the following persons or corporations, other than the Directors or the chief executive 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 pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Bright Education Holdings (Note 1)	Beneficial Interest	930,000,000	42.70%
Bright Education Investment (Note 2)	Beneficial Interest	570,000,000	26.17%

Notes:

- (1) Bright Education Holdings is wholly-owned by Mr. Liu.
- (2) Bright Education Investment is wholly-owned by Ms. Li.

Save as disclosed above, as at 28 February 2021, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Schemes

In order to provide incentives to our Directors, senior management, employees and other eligible persons for their contribution to the Group and to attract and retain suitable personnel of our Group, we adopted a pre-IPO share option scheme ("**Pre-IPO Share Option Scheme**") and a share option scheme ("**Share Option Scheme**") on 3 January 2017.

For details of the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to Appendix V to the Prospectus.

Pre-IPO Share Option Scheme

No outstanding options granted under the Pre-IPO Share Option Scheme as at 1 September 2020 and 28 February 2021. No share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme during the six months ended 28 February 2021.

Other Information

Share Option Scheme

The following table discloses movements in the outstanding options granted to a grantee under the Share Option Scheme.

Grantee	Date of Grant	Outstanding Share Options as at 31 August 2020	Number of options exercised during the period	Outstanding Share Options as at 28 February 2021	Vesting Date(s) and Exercisable Period	Exercise Price
Employee	14 March 2017	1,000,000	(1,000,000)	—	(i) 1,000,000 share options will be vested on the first anniversary of the date of grant and will be exercisable within five years from the first anniversary of the date of grant (ii) 1,000,000 share options will be vested on the second anniversary of the date of grant and will be exercisable within five years from the second anniversary of the date of grant (iii) 1,000,000 share options will be vested on the third anniversary of the date of grant and will be exercisable within five years from the third anniversary of the date of grant	HK\$1.96 (Note)
Total		1,000,000	(1,000,000)	—		

Note: The closing price of the shares of the Company immediately before the grant of such share options was HK\$1.96 per share.

Save as disclosed above, since the date of adoption of the Share Option Scheme and up to 28 February 2021, no share options were granted, cancelled or lapsed under the Share Option Scheme.

As at the date of the report, the total number of share available for issue under the Share Option Scheme is 197,000,000 shares, representing approximately 9.0% of the total issued shares of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 28 February 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.



Other Information

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the six months ended 28 February 2021.

Corporate Governance

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

Ms. Li Suwen (“**Ms. Li**”) was appointed as the chairperson of the Board (“**Chairperson**”) following the step down of Mr. Liu Xubin from the position of chairman of the Board on 28 September 2018. Ms. Li performs the dual roles of both Chairperson and CEO. The Board believes that it is in the interest of the Company and its Shareholders for Ms. Li to assume the responsibilities of such positions, given that Ms. Li is one of the co-founders of the Group and has extensive experience in the operation and management of the Group as an executive Director and CEO. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including three other executive Directors and three independent non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Audit Committee

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2021 and has met with the independent auditor, Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the six months ended 28 February 2021.

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

Dongguan, 28 April 2021

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
WISDOM EDUCATION INTERNATIONAL HOLDINGS COMPANY LIMITED
睿見教育國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Wisdom Education International Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 36 to 66, which comprise the condensed consolidated statement of financial position as of 28 February 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 April 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 28 February 2021

	NOTES	Six months ended	
		28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Revenue	3	1,090,804	932,172
Cost of revenue		(582,669)	(496,547)
Gross profit		508,135	435,625
Other income	4	11,421	50,310
Other gains and losses	5	32,276	39,772
Selling expenses		(22,109)	(20,156)
Administrative expenses		(144,039)	(140,142)
Finance income		2,058	7,353
Finance costs		(38,407)	(52,147)
Profit before taxation		349,335	320,615
Taxation	6	(26,128)	(62,204)
Profit and total comprehensive income for the period	7	323,207	258,411
Attributable to:			
Owners of the Company		324,914	266,515
Non-controlling interests		(1,707)	(8,104)
		323,207	258,411
EARNINGS PER SHARE			
Basic (RMB cents)	9	15.00	12.65
Diluted (RMB cents)	9	14.99	12.59

Condensed Consolidated Statement of Financial Position

As at 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	10	4,609,940	4,005,450
Right-of-use assets	10	1,668,242	1,569,322
Intangible assets	11	10,557	9,723
Goodwill		215,942	149,592
Investment properties		22,000	22,000
Trade receivables, deposits, prepayments and other receivables	12	516,235	522,549
Financial assets at fair value through profit or loss	13	380,000	30,000
		7,422,916	6,308,636
Current Assets			
Inventories — goods for sale		6,347	7,697
Trade receivables, deposits, prepayments and other receivables	12	386,502	99,637
Financial assets at fair value through profit or loss	13	77,434	376,000
Investments in debt securities	14	33,716	—
Pledged bank deposits		3,321	3,317
Bank balances and cash	15	652,536	1,122,778
		1,159,856	1,609,429
Current Liabilities			
Contract liabilities	16	860,556	858,305
Refund liabilities		3,685	11,091
Trade and other payables and accrued expenses	17	563,874	505,264
Income tax payable		131,285	134,432
Lease liabilities		48,318	40,801
Borrowings	18	560,620	122,600
		2,168,338	1,672,493
Net Current Liabilities		(1,008,482)	(63,064)
Total Assets Less Current Liabilities		6,414,434	6,245,572

Condensed Consolidated Statement of Financial Position

As at 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Capital and Reserves			
Share capital	19	19,263	19,255
Reserves		3,141,797	2,941,271
Equity attributable to owners of the Company		3,161,060	2,960,526
Non-controlling interests		157,111	128,727
		3,318,171	3,089,253
Non-current Liabilities			
Lease liabilities		525,385	489,121
Borrowings	18	2,566,600	2,662,920
Deferred tax liabilities		4,278	4,278
		3,096,263	3,156,319
		6,414,434	6,245,572

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2021

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Merger reserve	Share option reserve	Discretionary special reserve	Statutory surplus reserve	Shares held for share award scheme	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Note i)	(Note ii)					
At 1 September 2019	18,093	441,600	119,875	83,400	297	540,783	316,050	(34,427)	675,627	2,161,298	85,517	2,246,815
Profit (loss) and total comprehensive income for the period	—	—	—	—	—	—	—	—	266,515	266,515	(8,104)	258,411
Transfer	—	—	—	—	—	107,554	15,484	—	(123,038)	—	—	—
Recognition of share-based payment expenses (note 20)	—	—	—	—	257	—	—	3,310	—	3,567	—	3,567
Dividend recognised as distribution (note 8)	—	(89,352)	—	—	—	—	—	—	—	(89,352)	—	(89,352)
At 29 February 2020 (unaudited)	18,093	352,248	119,875	83,400	554	648,337	331,534	(31,117)	819,104	2,342,028	77,413	2,419,441
At 1 September 2020	19,255	722,497	119,875	83,400	811	659,200	319,362	(29,955)	1,066,081	2,960,526	128,727	3,089,253
Profit (loss) and total comprehensive income for the period	—	—	—	—	—	—	—	—	324,914	324,914	(1,707)	323,207
Transfer	—	—	—	—	—	249,587	48,590	—	(298,177)	—	—	—
Recognition of share-based payment expenses (note 20)	—	—	—	—	—	—	—	983	—	983	—	983
Exercise of share options (note 19)	8	2,442	—	—	(811)	—	—	—	—	1,639	—	1,639
Dividend recognised as distribution (note 8)	—	(127,002)	—	—	—	—	—	—	—	(127,002)	—	(127,002)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	2,427	2,427
Non-controlling interests arising from acquisitions (note 21)	—	—	—	—	—	—	—	—	—	—	27,664	27,664
At 28 February 2021 (unaudited)	19,263	597,937	119,875	83,400	—	908,787	367,952	(28,972)	1,092,818	3,161,060	157,111	3,318,171

Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2021

Notes:

- i. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens and accumulated profits earned by not-for-profit schools, whose school sponsors do not require reasonable returns, for the construction or maintenance of the schools or procurement or upgrading of educational equipment. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets of the special reserve shall be used for the operation of other not-for-profit schools after the settlement of the school's indebtedness. Also, pursuant to certain amendments made to the Law for Promoting Private Education of the People's Republic of China (中華人民共和國民辦教育促進法) which become effective on 1 September 2017, upon liquidation or wind-up of the schools, when the schools are registered as not-for-profit schools, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness. During the six months ended 28 February 2021, surplus in the school campus canteen operations and education operation of not-for-profit schools amounted to RMB103,816,000 (2020: RMB83,259,000) and RMB145,771,000 (2020: RMB24,295,000) respectively, had been transferred to the discretionary special reserve.
- ii. 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 (a) general reserve of the limited liabilities companies and (b) the development fund of schools.
 - (a) For PRC subsidiaries with limited liability, it is required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.
 - (b) According to the relevant PRC laws and regulations, for private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of the net assets 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2021

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Net cash from operating activities	350,495	250,208
INVESTING ACTIVITIES		
Interest received	813	14,942
Release of pledged bank deposits	—	350,000
Payments for acquisition of property, plant and equipment	(704,144)	(487,796)
Payments for right-of-use assets	(2,273)	(86,484)
Deposits paid for acquisition of leasehold lands	(87,515)	(27,930)
Payment for rental deposits	(127)	—
Payment for purchase of financial assets at fair value through profit or loss	(592,054)	—
Payment for purchase of investments in debt securities	(32,600)	—
Proceeds from disposal of financial assets at fair value through profit or loss	576,781	34,507
Proceeds from disposal of property, plant and equipment	318	272
Net cash outflow for acquisition of a subsidiary	(60,066)	(22,500)
Deposit paid for acquisition of a private school	(35,000)	—
NET CASH USED IN INVESTING ACTIVITIES	(935,867)	(224,989)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	429,200	649,000
Repayments of bank borrowings	(87,500)	(688,580)
Repayments of lease liabilities	(13,249)	(3,047)
Advances from a non-controlling shareholder	12,900	—
Interest paid	(88,118)	(90,726)
Issued costs paid	(283)	—
Dividend paid	(127,002)	(89,352)
Proceeds from exercise of share options	1,639	—
Capital injection by a non-controlling shareholder	2,427	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	130,014	(222,705)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(455,358)	(197,486)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,122,778	662,454
Effect of foreign exchange rate changes	(14,884)	(595)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	652,536	464,373

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

As of 28 February 2021, the Group recorded net current liabilities of RMB1,008,482,000 (as of 31 August 2020: RMB63,064,000). In view of these circumstances, the directors of the Company (the “Directors”) have given consideration of the future liquidity and performance of the Group and its available sources of finance, including unutilised bank facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The condensed consolidated financial statements have been prepared on a going concern basis because the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group’s cash flow projection, unutilised bank facilities and the Group’s future capital expenditure in respect of its non-cancellable capital commitments.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 August 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 September 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 August 2021.

2.2 Impacts and accounting policies on application on Amendments to IFRS 3 "Definition of a Business"

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 September 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

2.3 Impacts and accounting policies on application on Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

2.3.1 Accounting policies

Leases

Covid-19-related rent concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.3.2 Transition and summary of effects

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC.

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

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

Information reported to the CODM, for the purposes of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment as "Schools".

In addition to the above reportable segment, during the six months ended 28 February 2021, the Group commenced the business engaging in provision of management services to certain private schools owned by independent third parties in the PRC. As the segment does not meet the quantitative thresholds for the reportable segment, the segment is included as "Others".

The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

The revenues attributable to the Group's service lines are as follows:

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Tuition and boarding fees	786,535	670,852
Ancillary services	301,438	261,320
Management service fees	2,831	—
	1,090,804	932,172

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

For the six months ended 28 February 2021 (unaudited)

	Schools RMB'000 (unaudited)	Others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue	1,087,973	2,831	1,090,804
Segment results	505,304	2,831	508,135
Other income			11,421
Other gains and losses			32,276
Selling expenses			(22,109)
Administrative expenses			(144,039)
Finance income			2,058
Finance costs			(38,407)
Profit before taxation			349,335

For the six months ended 29 February 2020 (unaudited)

	Schools RMB'000 (unaudited)	Others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue	932,172	—	932,172
Segment results	435,625	—	435,625
Other income			50,310
Other gains and losses			39,772
Selling expenses			(20,156)
Administrative expenses			(140,142)
Finance income			7,353
Finance costs			(52,147)
Profit before taxation			320,615

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Timing of revenue recognition		
<i>Recognised at a point of time</i>		
— Ancillary services	187,466	180,368
<i>Recognised over time</i>		
— Tuition and boarding fees	786,535	670,852
— Ancillary services	113,972	80,952
— Management services fees	2,831	—
Total	1,090,804	932,172

4. OTHER INCOME

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Rental income from investment properties	814	584
Government grants (Note)	5,838	46,692
Staff quarter income	2,252	1,917
Others	2,517	1,117
	11,421	50,310

Note: Government grants mainly represent non-conditional subsidies from government for organising schools activities, development of education services and outstanding academic performance of schools.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

5. OTHER GAINS AND LOSSES

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Exchange (loss) gain	(21,146)	1,618
Loss on disposal of property, plant and equipment	(8)	(9)
Gain on change in fair value of convertible loan notes — embedded derivatives component	—	1,037
Gain on change in fair value of financial assets at fair value through profit or loss ("FVTPL") (Note)	36,161	29,507
Gain on adjustment to consideration payable for acquisitions of a subsidiary	—	7,720
Recovery of receivables written off prior to acquisition of a subsidiary	18,172	—
Others, net	(903)	(101)
	32,276	39,772

Note: The gain on change in fair value of financial assets at FVTPL is arising from the interest income from investment in unlisted private funds, unlisted trust plans and asset management plans and structure deposits as set out in note 13.

6. TAXATION

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Taxation comprises		
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	26,128	64,479
Overprovision in prior years — PRC EIT	—	(2,275)
	26,128	62,204

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

6. TAXATION (continued)

The Company was incorporated in the Cayman Islands and Bright Education Co. Limited, a subsidiary of the Company, was incorporated in the British Virgin Islands (the “BVI”) that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made as the Group derived no assessable profits in Hong Kong in both periods.

Withholding income tax has been provided at 10% of the royalty income payables from PRC subsidiaries of the Group to a subsidiary incorporated in Hong Kong. During the six months ended 28 February 2021, no withholding income tax was provided due to the subsidiary incorporated in Hong Kong licensing the trademark to PRC subsidiaries of the Group at no charge (2020: nil).

Pursuant to the Caishui (2013) No.4 issued by the Ministry of Finance, the General Administration of Customs of China and the State Administration of Taxation effective from 1 January 2012 and the relevant policies promulgated by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission in April 2020, an wholly-foreign owned enterprise in Ganzhou, Jiangxi province, the PRC, is eligible to enjoy a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2030.

According to the Law for Promoting Private Education (the “Law”), with effective from 1 September 2017, private schools treated as not-for-profit schools, for which the school sponsors are not allowed to distribute or receive any profits from schools, are eligible to enjoy the same preferential tax treatment as public schools. As a result, qualified income obtained by not-for-profit schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment. In the opinion of legal counsel, according to the amendments of the memorandum and article of associations, the school sponsors do not request for reasonable returns from the schools under the Group, including Dongguan Guangming School (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學) (collectively called “**Guangming Schools**”), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校) (“**Dongguan School**”), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) (“**Huizhou School**”), Panjin Guangzheng Preparatory School (盤錦市光正實驗學校) (“**Panjin School**”), Weifang Guangzheng Preparatory School (濰坊光正實驗學校) (“**Weifang School**”), Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校) (“**Jieyang School**”), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) (“**Weizhou School**”), Weifang Weicheng Weizhou Foreign Language Kindergarten (濰坊市濰城區濰州外國語幼稚園), Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively referred to as “**Zhang Pu Longcheng Schools**”), Yunfu Guangming Foreign Language School (雲浮市光明外國語學校) (“**Yunfu School**”), Bazhong Guangzheng Preparatory School (巴中光正實驗學校) (“**Bazhong Preparatory School**”), Foshan Shunde Guangzheng Preparatory School (佛山市順德區光正實驗學校) (“**Shunde School**”) and Huiyang Experimental Primary School (惠州市惠陽區實驗小學) (“**Huiyang Primary School**”) which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition and boarding fees. For the six months ended 28 February 2021, the non-taxable income amounted to RMB778,910,000 (2020: RMB670,852,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% (2020: 25%) for the six months ended 28 February 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

7. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note)		
— salaries and other allowances	359,988	283,336
— retirement benefits scheme contributions	31,835	32,955
— share-based payment expenses	983	3,567
Total staff costs	392,806	319,858
Depreciation of property, plant and equipment	73,368	62,904
Depreciation of right-of-use assets	32,329	17,937
Amortisation of intangible assets arising from the acquisition of schools (included in cost of revenue)	4,066	8,374
Total depreciation and amortisation	109,763	89,215
Capitalised in construction in progress	(5,550)	(4,364)
	104,213	84,851
Auditors' remuneration	1,080	925
Bank interest income	(817)	(7,353)

Note: For the six months ended 28 February 2021, the novel coronavirus ("Covid-19") related government assistance to RMB2,047,000 (2020: 1,780,000) have been offset against staff costs.

8. DIVIDENDS

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 28 February 2021 of RMB0.067 (equivalent to HK\$0.080) per share (2020: RMB0.057 (equivalent to HK\$0.062) per share) amounting to RMB145,936,000 (equivalent to HK\$174,252,000) (2020: RMB116,039,000 (equivalent to HK\$126,198,000)), has been proposed by the Directors. During the six months ended 28 February 2021, a final dividend in respect of the year ended 31 August 2020 of RMB0.056 (equivalent to HK\$0.066 per share) per share amounting to RMB127,002,000 (equivalent to HK\$143,054,000) was paid to the shareholders of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

9. EARNINGS PER SHARE

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

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	324,914	266,515
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	—	4,461
Fair value change from convertible loan notes	—	(1,037)
Exchange gain on convertible loan notes	—	(609)
Profit for the period attributable to owners of the Company for the purposes of diluted earnings per share	324,914	269,330

	Six months ended	
	28 February 2021 '000 (unaudited)	29 February 2020 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,166,384	2,107,107
Effect of dilutive potential ordinary shares:		
Share options	338	409
Share award scheme	1,454	573
Convertible loan notes	—	31,848
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,168,176	2,139,937

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

9. EARNINGS PER SHARE (continued)

For the six months ended 28 February 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share shown above have been arrived at after deducting shares held by a share award scheme trust (2020: after deducting shares held by a share award scheme trust and adding conversion of shares in relation to the mandatory conversion of convertible loan notes).

The computation of diluted earnings per share during the six months ended 29 February 2020 does not assume the discretionary conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

Additions of property, plant and equipment amounted to RMB678,184,000 and were recognised for the six months ended 28 February 2021 (2020: RMB275,704,000).

No material disposal was made during the six months ended 28 February 2021 and 29 February 2020.

During the current interim period, in addition to the right-of-use assets of RMB20,680,000 arising from acquisition of a business as set out in note 21, the Group entered into several new lease agreements for the use of leased properties and leasehold lands, the lease terms are range from 1 to 50 years. On lease commencement, the Group recognised right-of-use assets of RMB110,569,000 (2020: RMB348,542,000), including leasehold lands and leased properties amounted to RMB67,013,000 and RMB43,556,000 (2020: RMB86,484,000 and RMB262,058,000), respectively, and lease liabilities of RMB51,100,000 (2020: RMB259,207,000).

11. INTANGIBLE ASSETS

Additions of intangible assets amounted to approximately RMB4,900,000 (2020: nil) was recognised for the six months ended 28 February 2021 in which including students roster through acquisition of 70% of equity interest in Huiyang Primary School (2020: nil). Student roster has finite estimated useful lives of 3 to 6 years and it is amortised based on expected usage of student roster.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

12. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Trade receivables (Note i)	3,963	21,389
Deposits paid for the acquisitions of a new private school (Note ii)	65,000	30,000
Deposits paid for the acquisition of leasehold land (Note iii)	87,515	55,860
Other deposits (Note iv)	39,484	32,453
Staff advances (Note v)	35,923	3,801
Other receivables	22,349	20,469
Temporary payments to local government	—	1,315
Receivables from constructors and suppliers (Note vi)	259,200	—
Prepayments for construction of schools (Note vii)	363,720	436,689
Other prepayments	25,583	20,210
	902,737	622,186
Current	386,502	99,637
Non-current	516,235	522,549
	902,737	622,186

Notes:

- i The amounts mainly represent receivables from customers, which were from contracts for provision of ancillary services. Services fee is received in accordance with the terms of the relevant agreements, the customers are allowed a credit period of 30 to 60 days from date of revenue recognition.
- ii Deposits of RMB65 million (as at 31 August 2020: RMB30 million) are made to independent third parties in relation to the acquisition of an existing school campus in Dongguan, Guangdong province.
- iii At 28 February 2021, deposits of approximately RMB88 million have been made to local government authorities in the PRC for acquiring land use rights situated in Bazhong economic development zone, Sichuan province for educational purposes. As per the land use right acquisition agreement, the total consideration of the land use right is RMB175 million. The acquisition of land use right has not been completed up to date of this report.

At 31 August 2020, deposits of approximately RMB56 million have been made to local government authorities in the PRC for acquiring land use rights situated in Bazhou district, Bazhou in Sichuan province for educational purposes. As per the land use right acquisition agreement, the total consideration of the land use right is RMB56 million and during the six months ended 28 February 2021, the acquisition of land use rights was completed and included in current period additions to right-use-use rights.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

12. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

- iv Other deposits mainly comprised of wage deposits for construction projects of RMB15 million, construction deposits of RMB10 million for construction works for new school projects, education deposits of RMB5 million and tender deposit of RMB3 million (as at 31 August 2020: RMB13 million, RMB10 million, RMB5 million and nil) paid to government authorities. The repayment of these deposits will be upon the schools commencing operation and completion of the construction projects. These deposits are unsecured and interest-free.
- v Staff advances mainly comprised of RMB32 million loans to employees. The amounts are unsecured, interest free and repayable within one year.
- vi Receivables from constructors and suppliers represent amounts to be refunded from third parties constructors and suppliers in relation to the amount prepaid for project management, decoration engineering and purchase of materials for construction according to the relevant cancellation agreements. During the six months ended 28 February 2021, the Group has made prepayments amounted to approximately RMB259 million (as at 31 August 2020: nil) to these contractors and suppliers. Due to the change in latest construction plan of schools, the Group has cancelled the relevant purchases with mutual agreement with these contractors and suppliers. Subsequent to the end of the reporting period, approximately RMB259 million has been refunded from these constructors and suppliers.
- vii The prepayments for construction to properties are mainly arising from amount paid to third parties in relation to constructions of the Group's schools. The nature of these prepayments are as follows:

	At 28 February 2021 RMB'000	At 31 August 2020 RMB'000
Prepayments for construction works	186,868	202,407
Prepayment for project management	27,126	83,174
Prepayment for schools design production	15,910	19,537
Prepayments for decoration engineering	42,236	42,904
Prepayments for construction materials	84,201	84,643
Other prepayments for schools development	7,379	4,024
	363,720	436,689

The following is an analysis of trade receivables net of allowance for credit losses, by age, presented based on date of revenue recognition.

	At 28 February 2021 RMB'000	At 31 August 2020 RMB'000
Within 3 months	3,963	21,389

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For the six months ended 28 February 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Unlisted private funds (Note ii)	39,434	—
Unlisted trust plans and asset management plans (Note iii)	418,000	406,000
	457,434	406,000
Analysed as:		
Current	77,434	376,000
Non-current	380,000	30,000
	457,434	406,000

Notes:

- i. Details of the fair value measurement for the financial assets at FVTPL are set out in note 24.
- ii. The unlisted private fund as at 28 February 2021 was a fund managed by a financial institutions incorporated in Hong Kong. It was mandatorily classified as investments at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The fund is classified as current at the period ended since it will be matured within one year.
- iii. Unlisted trust plans and asset management plans represent financial products issued by financial institutions in the PRC. The financial assets are with expected rate of return (not guaranteed), depending on the returns of the underlying financial instruments.

As at 28 February 2021, investment in unlisted trust plans and asset management plans amounting to RMB380,000,000 (as at 31 August 2020: RMB30,000,000) are classified as non-current, of which they have maturity over 12 months after the end of the reporting period. The remaining financial assets at FVTPL amounting to RMB38,000,000 (as at 31 August 2020: RMB376,000,000) are classified as current, of which the Group has unconditional rights to redeem upon its request and the Directors expect the investments will be redeemed within 12 months after the end of the reporting period. According to the terms of the agreement, the Group has the rights to sell the financial assets to qualified investors.

Except for the unlisted private funds of carrying amount of RMB39,434,000 as at 28 February 2021 (as at 31 August 2020: nil) which is denominated in United States Dollars, all of the financial assets at FVTPL are denominated in RMB which is the same as the functional currency of the relevant group entities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

14. INVESTMENT IN DEBT SECURITIES

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Listed debt securities	33,716	—

The Group's investments in debt securities represent listed debt securities that carry fixed interest at 13.5% per annum (as at 31 August 2020: nil) and will be matured on 1 December 2021. None of these assets has been past due at the end of the reporting period. Finance income amounted to RMB1,116,000 (2020: nil) was recognised during the period ended 28 February 2021.

15. BANK BALANCES AND CASH

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 28 February 2021, the Group's bank deposits carried a weighted-average interest rate of 0.18% (2020: 0.16%) per annum.

16. CONTRACT LIABILITIES

	At 28 February 2021 RMB'000	At 31 August 2020 RMB'000
Tuition and boarding fees	759,738	764,425
Ancillary services	100,818	93,880
	860,556	858,305

Contract liabilities are classified as current based on the Group's earliest obligation to transfer goods/ services to the customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

16. CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Six months ended	
	28 February 2021 RMB'000	29 February 2020 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	838,054	734,604

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Tuition and boarding fees

When the Group receives tuition and boarding fees in advance from students, this will give rise to contract liabilities, until revenue is recognised when the students simultaneously receives and consumes the benefits provided by the Group's performance over the relevant period of the applicable program. The Group typically receives 100% of tuition and boarding fees prior to the commencement of each academic semester (two academic semesters in each academic year).

— Ancillary services

Contract liability is recognised by the Group for the portion of fees that the Group collected from the customers in relation to performance obligations that have not been satisfied.

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17. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Trade and construction payables (Note i)	155,398	181,559
Accruals for construction	67,519	76,749
Consideration payable for the acquisitions of subsidiaries (Note ii)	154,020	95,220
Accrued staff benefits and payroll	56,048	55,959
Receipts in advance from students' prepaid charge cards	18,359	13,326
Receipts in advance from students on behalf of third parties providing ancillary service	22,959	—
Amount due to a non-controlling shareholder (Note iii)	12,900	—
Interest payables	4,425	6,303
Other tax payables	23,747	32,284
Discretionary government subsidies receipt in advance on behalf of students	—	5,840
Deposits received	22,485	18,082
Other payables	26,014	19,942
	563,874	505,264

Notes:

- i. The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit timeframe. As at 28 February 2021 and 31 August 2020, the trade payables were aged within 180 days based on invoice date.
- ii. The amounts were interest-free, unsecured and repayable according to the terms of contract, other than the balance of RMB4,000,000 (as at 31 August 2020: RMB4,000,000) is repayable on demand for the acquisition of Dongguan Guangzheng Preparatory School, in the opinion of the Directors, the remaining balances as at 28 February 2021, of RMB35,000,000, RMB13,500,000, RMB42,720,000 and RMB58,800,000 (as at 31 August 2020: of RMB35,000,000, RMB13,500,000, RMB42,720,000 and nil) for the acquisitions of Jieyang School, Weizhou School, Foshan Zhonghui Education Investment Co., Ltd. (佛山市中輝教育投資有限公司) and Huiyang Primary School respectively, are expected to be repayable within twelve months upon completion of transferring the certificate titles of relevant land and buildings and other payment conditions.
- iii. The amount due to a non-controlling shareholder represented advance provided to Huizhou Ruicheng Education Development Co., Limited (惠州市睿成教育發展有限公司) with carrying amount of RMB12,900,000 as at 28 February 2021. The amount is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 28 February 2021

18. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB429,200,000 (2020: RMB649,000,000). The borrowings carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China ranged from 4.7% to 6.0% (as at 31 August 2020: 4.7% to 6.0%) as at 28 February 2021.

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Guangming Schools, Dongguan School, Panjin School, Weifang School, Huizhou School, Zhang Pu Longcheng Schools, Yunfu School, the right of return on equity of Weifang Guangzheng Preparatory School Investment Co., Ltd. (濰坊光正實驗學校投資有限公司) and Panjin Guangzheng Investment Co., Ltd. (盤錦光正投資有限公司) and the revenue arising from the operation of Shunde School.

The borrowings are also guaranteed by the Company, Guangzhou Guangzheng, Dongguan Ruixing and certain related parties at no cost. The guarantee amounts provided by the related parties at 28 February 2021 and 31 August 2020 are as follows:

Name of related parties	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Mr. Liu and Ms. Li	2,509,270	2,257,570

During the period, in respect of bank borrowings with carrying amount of RMB311,770,000 as at 28 February 2021(as at 31 August 2020: RMB191,770,000), the relevant group entities breached certain of the terms as stipulated in the bank borrowings agreement, which are primarily related to the assets-liabilities ratio and financial performance of the relevant group entities that held the bank borrowings.

On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the bank borrowings with the relevant bankers. As at 28 February 2021, those negotiations had not been concluded. Since the lenders has not agreed to waive their right to demand of immediate payment as at the end of the reporting period, the bank borrowings have been classified as current liabilities as at 28 February 2021. Up to the date of approval for issuance of the condensed consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lenders will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

As at 31 August 2020, the directors of the Company informed the lender and lender has agreed to waive the right to demand immediate payment at the end of the reporting period, therefore the relevant borrowings were classified based on the instalments schedule as at 31 August 2020 as non-current liabilities respectively.

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For the six months ended 28 February 2021

19. SHARE CAPITAL

	Par value	Number of shares	Nominal amount HK\$		
Ordinary shares					
Authorised:					
At 1 September 2019 (audited), 31 August 2020 (audited) and 28 February 2021 (unaudited)	HK\$0.01	10,000,000,000	100,000,000		
	Par value	Number of shares	Nominal amount equivalent to RMB	Shown in the condensed consolidated financial statements as RMB'000	
Issued and fully paid:					
At 1 September 2019 (audited)	HK\$0.01	2,047,154,000	20,471,540	18,093,428	18,093
Issuance of ordinary shares on placement	HK\$0.01	130,000,000	1,300,000	1,161,233	1,162
At 31 August 2020 (audited)	HK\$0.01	2,177,154,000	21,771,540	19,254,661	19,255
Issuance of shares on exercise of share options (Note)	HK\$0.01	1,000,000	10,000	8,363	8
At 28 February 2021 (unaudited)	HK\$0.01	2,178,154,000	21,781,540	19,263,024	19,263

Note: During the period ended 28 February 2021, share options to subscribe for 1,000,000 ordinary shares of HK\$0.01 each were exercised at HK\$1.96 per share. These shares rank pari passu with other shares in issue in all respect.

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For the six months ended 28 February 2021

20. SHARE-BASED PAYMENTS

Share Award Scheme

The Company has adopted the share award scheme with effect from 7 June 2017 as means to recognise the contribution of and provide incentives for the key management personnel including directors and senior management and employees of the Group (“**Selected Participants**”).

During the six months ended 28 February 2021 and 29 February 2020, no share has been purchased by the trustee. During the six months ended 28 February 2021, share-based payment expenses amounted to RMB983,000(2020: RMB3,310,000) was recognised under the share award scheme and no shares were vested for both periods. As at 28 February 2021, the net total number of shares held by the Trustee was 10,665,000 shares (as at 31 August 2020: 10,665,000 shares) but have not yet vested under the share award scheme.

Share Option Scheme

The Company adopted two share option schemes to provide incentives or rewards to eligible persons for their contributions to the Group, pursuant to a resolution passed on 3 January 2017.

No share-based payment expenses was recognised during the six months period ended 28 February 2021 in relation to share options granted by the Company (2020: RMB257,000). As at 28 February 2021, all the number of shares granted under the two share option schemes has been exercised and no outstanding share option is under both schemes(as at 31 August 2020: 1,000,000 shares).

21. ACQUISITION OF A BUSINESS

On 22 January 2021, the Group entered into agreements with independent third parties to acquire 70% of the school sponsor’s interest in Huiyang Primary School, at a total consideration of RMB130,900,000 (the “**Acquisition**”). The transaction was completed on 29 January 2021.

Huiyang Primary School is established in 2003 and occupied a site area of approximately 45 mu (equivalent to approximately 30,000 square metres) with a construction area of approximately 35,000 square metres. It is principally engaged in the provision of full spectrum private fundamental education in the PRC. The Acquisition has been accounted for using the purchase method. The Directors are of the view that with Huiyang Primary School’s long standing operating history, good reputation and its close proximity to Shenzhen, the Acquisition has synergy effect with the Group’s Huizhou School in Huizhou and further expand the Group’s coverage in Guangdong-Hong Kong-Macao Greater Bay Area.

The excess of the total consideration over the fair value of the net identifiable assets acquired resulted in goodwill of RMB66,350,000 which is tax deductible at the time when the business is disposed of. The acquired assets and liabilities have been included in the condensed consolidated financial statements since the date of acquisition.

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For the six months ended 28 February 2021

21. ACQUISITION OF A BUSINESS (continued)

Consideration transferred

	RMB'000 (unaudited)
Cash	130,900

Assets recognised and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:

	RMB'000 (unaudited)
Property, plant and equipment	107,146
Right-of-use assets	20,680
Intangible assets	4,900
Prepayments and other receivables	888
Bank balances and cash	12,034
Contract liabilities	(8,641)
Trade and other payables	(44,793)
	92,214

The fair value of other receivables at the date of acquisition amounted to RMB674,000, which is also the gross contractual amounts of other receivables.

Goodwill arising on acquisition (determined on a provisional basis):

	RMB'000 (unaudited)
Consideration transferred	130,900
Non-controlling interests	28,258
Less: fair value of net assets acquired	(92,214)
Goodwill arising on acquisition	66,350

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For the six months ended 28 February 2021

21. ACQUISITION OF A BUSINESS (continued)

Goodwill arose in the Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to better geographic arrangement and networking effect as the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Huiyang Primary School. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Huiyang Primary School

	RMB'000 (unaudited)
Cash consideration	130,900
Less: consideration payable	(58,800)
Less: cash and cash equivalents acquired	(12,034)
	60,066

Included in the profit for the period is RMB1,028,000 attributable to the additional business generated by Huiyang Primary School. Revenue for the period includes RMB3,544,000 generated from Huiyang Primary School.

Had the Acquisition been completed on 1 September 2020, total revenue of the Group for the period would have been RMB1,091 million, and Group's profit for the period would have been RMB327 million. 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 Acquisition been completed on 1 September 2020, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Huiyang Primary School been acquired at the beginning of the current year, the director of the Company have calculated depreciation and amortisation of property, plant and equipment and intangible asset based on the recognised amounts of property, plant and equipment and intangible asset at the date of the acquisition.

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22. CAPITAL COMMITMENTS

	At 28 February 2021 RMB'000 (unaudited)	At 31 August 2020 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisitions of property, plant and equipment, leasehold land and new private schools	1,450,943	1,018,680

23. RELATED PARTY TRANSACTIONS

During the periods, the Group entered into the following significant transactions with related parties:

Related party	Relationship	Nature of transactions	Six months ended	
			28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co., Ltd	Controlled by Mr. Liu	Hospitality expenses	1,435	1,531
Ms. Li	Controlling equity holder and director	Interest expenses in relation to lease liabilities	17	22
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	—	48,988

During the six months ended 28 February 2021, Mr. Liu and Ms. Li provide financial guarantee to the Group in respect of borrowings which are set out in note 18.

During the six months ended 28 February 2021, Ms. Li leases a property to Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司), a subsidiary of the Company, and the Group has recognised right-of-use assets and lease liabilities of RMB649,000 and RMB642,000 at the date of initial application of IFRS 16, respectively.

The interest expenses in relation to the lease liabilities amounting to RMB17,000 (2020: RMB22,000) were recognised as finance costs. As at 28 February 2021, the balances of right-of-use assets and lease liabilities are RMB424,000 and RMB459,000 (as at 31 August 2020: RMB499,000 and RMB524,000), respectively.

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23. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period is as follows:

	Six months ended	
	28 February 2021 RMB'000 (unaudited)	29 February 2020 RMB'000 (unaudited)
Short-term benefits	6,265	4,881
Post-employment benefits	111	71
Share-based payment expenses	555	2,127
	6,931	7,079

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial instruments. Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Directors have consider the appropriate valuation techniques and inputs for fair value measurements.

The following table gives information about how the fair values of the financial asset and financial liability are determined (in particular, the valuation techniques and inputs used).

Financial assets/liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	28 February 2021 RMB'000 (unaudited)	31 August 2020 RMB'000 (audited)		
1). Financial assets at FVTPL (note 13) — unlisted private funds	Assets — RMB39,434,000	Assets — n/a	Level 3	Net asset value as stated on the quotation report issued by financial institutions.
2). Financial assets at FVTPL (note 13) — unlisted trust plans and asset management plans	Assets — RMB418,000,000	Assets — RMB406,000,000	Level 3	Net asset value as stated on the quotation report issued by financial institutions.

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24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements

	Embedded derivatives component of convertible loan notes RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
At 1 September 2019 (audited)	(10,972)	342,000	331,028
Purchases	—	69,000	69,000
Change in fair value	10,972	46,196	57,168
Disposals	—	(51,196)	(51,196)
At 31 August 2020 and 1 September 2020 (audited)	—	406,000	406,000
Purchases	—	592,054	592,054
Change in fair value	—	36,161	36,161
Disposals	—	(576,781)	(576,781)
At 28 February 2021 (unaudited)	—	457,434	457,434

As at 28 February 2021, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. CONTINGENT LIABILITY

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