



Wisdom Education International Holdings Company Limited 光正教育國際控股有限公司

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



2023
ANNUAL REPORT

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 (*retired on 6 February 2023*)

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

Mr. Chan Chit Ming Joeie (*appointed on 5 June 2023*)
Mr. Zhang Xian (*resigned on 28 April 2023*)

AUTHORISED REPRESENTATIVES

Mr. Liu Xuebin
Mr. Chan Chit Ming Joeie (*appointed on 5 June 2023*)
Mr. Zhang Xian (*resigned on 28 April 2023*)

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong law
Allen & Overy

As to Cayman Islands law

Conyers Dill & Pearman

PRINCIPAL BANKERS

China CITIC Bank
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 (Continued)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F
Times Media Centre
No.133 Wan Chai Road
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.wisdomeeducationintl.com

INVESTOR RELATIONS

Ms. Mimosa Ngo
Email: ir@wisdomeeducationintl.com



Corporate Profile

OVERVIEW

Established in 2003, we were mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC and ancillary services to our customers. As a result of the issuance of the Implementation Regulations of the People's Republic of China (the "PRC") on the Law Regarding the Promotion of Private Education (the "**Implementation Regulations**") which came into effect on 1 September 2021, the business of provision of full spectrum private fundamental education conducted through Affected Entities* in the PRC were deconsolidated on 31 August 2021 and we are no longer engaged in the operation of private schools providing compulsory education since 1 September 2021. For the year ended 31 August 2023, we were mainly engaged in the provision of school-related supply chain business and comprehensive educational services to our customers in the PRC.

Our business aims to offer high quality educational services to our customers as a valuable supplement to the curriculum educational services provided by schools to promote all-rounded development of customers. Their well-being is at the core of our values and we will continue to provide our educational services in a manner consistent with the values and attitudes in which we believe.

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).

* Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) ("**Guangdong Guangzheng**"), is a company beneficially owned as to 62% by Mr. Liu Xuebin, an executive director of the Company, and as to 38% by Ms. Li Suwen, chairperson of the board and an executive director of the Company. Guangdong Guangzheng and its subsidiaries established prior to 31 August 2021, collectively referred to as the Affected Entities as defined in the annual report for the year ended 31 August 2021 of the Company.

Financial Summary

RESULTS

	Year ended 31 August					2023 RMB'000
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (restated)	
Revenue	1,681,530	1,792,728	2,263,747	277,587	277,587	319,269
Cost of revenue	(939,836)	(924,792)	(1,258,793)	(123,149)	(124,213)	(149,124)
Gross profit	741,694	867,936	1,004,954	154,438	153,374	170,145
Profit/(loss) before taxation	409,275	613,364	(2,222,166)	122,382	121,292	189,017
Taxation	(55,697)	(111,683)	(56,400)	(26,197)	(26,197)	(25,897)
Profit/(loss) for the year	353,578	501,681	(2,278,566)	96,185	95,095	163,120

ASSETS AND LIABILITIES

	At 31 August					2023 RMB'000
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (restated)	
Non-current assets	4,676,090	6,308,636	7,624	289,983	395,309	595,220
Current assets	1,595,205	1,609,429	1,397,893	1,079,745	1,079,920	844,318
Current liabilities	2,479,732	1,672,493	824,626	676,799	778,390	571,604
Net current (liabilities)/assets	(884,527)	(63,064)	573,267	402,946	301,530	272,714
Total assets less current liabilities	3,791,563	6,245,572	580,891	692,929	696,839	867,934
Equity attributable to owners of the Company	2,161,298	2,960,526	578,648	447,691	451,601	612,209
Non-controlling interests	85,517	128,727	—	—	—	—
Non-current liabilities	1,544,748	3,156,319	2,243	245,238	245,238	255,725
	3,791,563	6,245,572	580,891	692,929	696,839	867,934

Chairperson's Statement



Dear shareholders,

On behalf of the board (the “**Board**”) of directors (“**Directors**”) of Wisdom Education International Holdings Company Limited (the “**Company**”), I am pleased to present the annual report of the Company comprising the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 August 2023 (“**FY2023**”).

We are mainly engaged in the provision of school-related supply chain business and comprehensive educational services to our customers in the PRC. Compared to the year ended 31 August 2022, the revenue of the business for FY2023 increased by 15.0% to RMB319.3 million, the net profit was RMB163.1 million, and the core net profit, a non-IFRS measure after adjusting for items which are not indicative of the Group’s operating performance, has increased by 6.0% to RMB122.6 million for FY2023.

As the COVID-19 pandemic gradually eases and schools and social activities largely return to normal, our comprehensive educational services segment has regained its growth momentum. On the other hand, the business segment of school-related supply chain has continued to grow and become a stable source of revenue for the Group.

Chairperson's Statement (Continued)

During FY2023, Zhongshan Wenrui Education Investment Co., Ltd. (中山市文睿教育投资有限公司) (“**Zhongshan Wenrui**”), which is controlled by the Group, intended to establish and operate a new high school (the “**Proposed Zhongshan High School**”) in Zhongshan. The Company targeted to commence the operation of the Proposed Zhongshan High School for the school year commencing in September 2025 with a capacity of up to 5,000 students.

I am pleased to see the steady growth of our business and grateful for the efforts of our Board members, senior management and all the other employees. In the future, we will strive to build up a school-related supply chain platform and become a one-stop comprehensive educational services provider, with the aim to promote all-rounded development to our customers.

APPRECIATION

I would like to take this opportunity to express my grateful gratitude to our customers, suppliers, bankers, professional parties, local government authorities and our shareholders for their continuous support. I would also like to appreciate our Board members and senior management, and staff for their endeavours and contributions to our Group.

Li Suwen

Wisdom Education International Holdings Company Limited

Chairperson

Dongguan, 29 November 2023





Management Discussion and Analysis

BUSINESS REVIEW

We are mainly engaged in the provision of school-related supply chain business and comprehensive educational services to our customers in the PRC. During the year ended 31 August 2023 (“FY2023”), the performance of our business of comprehensive educational services was adversely affected by the COVID-19 pandemic. As most of the epidemic prevention and control measures have begun to be lifted since December 2022 and many were recovering from COVID-19 symptoms during the month of January 2023, a lot of after-school activities during the winter break, i.e. January to February 2023, have been cancelled. On the other hand, the business of school-related supply chain continued to grow during FY2023 and have become a stable source of revenue for the Group. In FY2023, the Group is engaged in the following three business lines and will continue to expand its business according to the same strategy:

(1) Comprehensive Educational Services for All-rounded Development of Customers

Over the past years of education experience, the Group has developed a comprehensive and mature system providing high-quality, tailor-made and enriching non-curriculum activities for our customers and established long-term strategic partnership with certain third party after-school tutoring institutions, which has achieved remarkable results. Our total solution services aim to provide full cycle management services of a variety of after-school enrichment activities. Services include but are not limited to the design of the course and implementation plan, execution and technical assurance, post-activity review and assessment, in cooperation with third party after-school tutoring institutions in FY2023.

(2) School-related Supply Chain Business

The Group sells daily necessities, e.g. stationery products, and other educational materials, etc. Leveraging on the years of experience in the supply chain management, the Group plans to expand its product offerings to meet the demands of customers of different ages. The Company’s wholly-owned subsidiaries incorporated in Qingyuan city, PRC have commenced this business in the second half of the year ended 31 August 2022 (“FY2022”).

Our strategy is to build up a supply chain network of trustworthy suppliers that is able to provide high-quality school-related products at the best price. To focus our resources on achieving this we shifted our business model for sales of certain products from retail, i.e. sales to each individual customers, to wholesale, i.e. bulk sales to certain third party business partners that have the advantage in national logistics network and product distribution ability, which will be responsible for distributing the products purchased from us to customers of different schools in the PRC since FY2022. Our strategy is starting to pay off and we have seen a stable growth of revenue from the supply chain business during FY2023.

(3) Spin-off the High-school Portion as a Separate School Entity

The Company, along with its PRC legal advisors as well as relevant local government authorities, have been actively exploring the feasibility of spinning-off the high school portion from the schools under the Affected Entities. The current ultimate equity holders of the Affected Entities intend to establish a new entity to become the investment holding company of the spun-off high school entity, and the Company could resume its control over such high school entity via contractual arrangements with the new investment holding company, subject to compliance with the applicable laws and regulations.

Management Discussion and Analysis (Continued)

As stipulated in Article No. 53 of the Law of the PRC for Promoting Private Education (amended on 29 December 2018) (中華人民共和國民辦教育促進法(2018年12月29日修正)), “the spin-off or merger of private schools, should be after the financial liquidation, submitted by the council or the board of the school to the relevant government authorities for approval.” The Company and its PRC legal advisers are currently engaged in discussions with several accounting firms and seeking guidance from relevant local authorities regarding the financial liquidation audit for the purpose of spin-off of the high school portion.

On 30 August 2023, Dongguan Ruixing Business Services Co., Ltd. (東莞瑞興商務服務有限公司) (“**Dongguan Ruixing**”), a wholly-owned subsidiary of the Company, entered into the contractual arrangement (the “**Zhongshan Contractual Arrangement**”) with Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) (“**Guangdong Guangzheng**”) and Zhongshan Wenrui Education Investment Co., Ltd. (中山市文睿教育投資有限公司) (“**Zhongshan Wenrui**”), which enables the Group to obtain control over Zhongshan Wenrui. Zhongshan Wenrui, a company established under the laws of the PRC on 21 December 2021, intends to establish and operate a new high school (the “**Proposed Zhongshan High School**”).

Pursuant to the Zhongshan Contractual Arrangement, the Company has obtained power over Zhongshan Wenrui, the rights to variable returns from its involvement with Zhongshan Wenrui, and the ability to affect those returns through its power over Zhongshan Wenrui. Therefore, the Company considers that it has obtained control over Zhongshan Wenrui and hence regards Zhongshan Wenrui as an indirect subsidiary. The Group will consolidate the entire financial position and results of Zhongshan Wenrui and its subsidiaries (if any) in the consolidated financial statements of the Group going forward. For details of the Zhongshan Contractual Arrangement, please refer to the Company’s announcement dated 30 August 2023 (the “**August Announcement**”).

FINANCIAL REVIEW

During FY2023, total revenue amounted to RMB319.3 million, representing an increase of 15.0% as compared with RMB277.6 million for FY2022. Profit for FY2023 of the Group amounted to RMB163.1 million representing an increase of 71.5% as compared with RMB95.1 million (restated) for FY2022.

Revenue

During FY2023, revenue consists of (i) school-related supply chain business, which mainly includes sales of daily necessities and other educational materials; and (ii) comprehensive educational services, which mainly include provision of extracurricular activities, study tours, etc. A further analysis of our revenue by each service line is presented as follows:

By Service lines	For the year ended 31 August			
	2023 RMB'000	% of Total	2022 RMB'000	% of Total
School-related supply chain business	193,602	60.6	154,431	55.6
Comprehensive educational services	125,667	39.4	123,156	44.4
Total revenue	319,269	100.0	277,587	100.0



Management Discussion and Analysis (Continued)

School-related supply chain remains as the biggest source of revenue during the current year. As mentioned in the section headed “Business Review”, in FY2022, we launched a new wholesale business model such that we could focus on building up our own supply chain network. Total revenue from the school-related supply chain business has increased by 25.4% from RMB154.4 million for FY2022 to RMB193.6 million for FY2023.

In relation to the comprehensive educational services business, revenue from this service line has increased slightly during FY2023, we were able to achieve an increase in revenue of RMB2.5 million or 2.0% for FY2023 as compared with FY2022.

As a result of the foregoing, the Group’s revenue increased by RMB41.7 million, or 15.0%, from RMB277.6 million for FY2022 to RMB319.3 million for FY2023.

Cost of Revenue

Our cost of revenue primarily consists of cost of material for the supply chain business and costs to other third party service suppliers in cooperation.

Cost of revenue increased by RMB24.9 million, or 20.1%, from RMB124.2 million (restated) for FY2022 to RMB149.1 million for FY2023. The increase was largely due to the increases in cost of material for the school-related supply chain business.

Gross Profit

As a result of the foregoing, gross profit increase by 10.9% from RMB153.4 million (restated) for FY2022 to RMB170.1 million for FY2023. Our gross profit margin slightly decreased from 55.3% (restated) for FY2022 to 53.3% for FY2023. The decrease of gross profit margin was primarily due to the change of sales mix, i.e. a larger portion of the revenue was from school-related supply chain segment which had a lower gross profit margin than that of comprehensive educational services segment.

Other Income

Other income mainly includes amortised income of financial guarantee contracts and government grants, which represents subsidies granted by certain local governments for encouraging domestic business development and unconditional subsidies for the purpose of giving financial support to the Group’s operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

The increase of other income is mainly due to the amortised income of financial guarantee contracts of RMB26.9 million for FY2023 (FY2022: RMB21.2 million).



Management Discussion and Analysis (Continued)

Other Gains and Losses

Other gains and losses primarily consist of (i) reversal of expected credit loss for financial guarantee contracts of RMB20.2 million and (ii) net exchange losses of RMB9.0 million resulting from the appreciation of Hong Kong dollars (HK\$) against RMB during FY2023 due to the borrowings denominated in HK\$.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) travel expenses, (iii) entertainment expenses, and (iv) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses decreased by 27.6% from RMB41.9 million (restated) for FY2022 to RMB30.3 million for FY2023, primarily due to management's efforts in cost control.

Finance Income

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

Finance income decreased from RMB16.6 million (restated) for FY2022 to RMB8.6 million for FY2023 mainly due to the decrease in interest income from debt securities which have matured during FY2023.

Finance Costs

Finance costs consist of the interest expenses for our bank borrowings and interest on lease liabilities.

Finance costs increased from RMB8.5 million for FY2022 to RMB10.9 million for FY2023 primarily due to increases in Hong Kong interest rates.

Profit before Taxation

As a result of the foregoing, profit before taxation amounted to RMB189.0 million for FY2023.

Taxation

Income tax expense of the Group slightly decreased by 1.1% from RMB26.2 million for FY2022 to RMB25.9 million for FY2023.

Profit for the Year

As a result of the above factors, profit for the year of the Group from amounted to RMB163.1 million for FY2023.

Management Discussion and Analysis (Continued)

Core Net Profit

The Group defines its core net profit as its profit for the year after adjusting for those items which are not indicative of the Group's operating performance as presented in the table below. This is not an IFRS 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 as well as analysts or investors. The following table reconciles the profit for the year with the core net profit for the two financial years as presented below:

	For the year ended 31 August	
	2023 RMB'000	2022 RMB'000 (restated)
Profit for the year	163,120	95,095
Adjustments for:		
Change in financial guarantee contracts (Note 1)	(47,030)	5,132
Exchange loss, net	9,012	12,299
(Reversal) recognition of share-based payments	(2,512)	3,090
Core net profit	122,590	115,616

Note 1: The adjustment represented reversal of impairment loss under expected credit loss for financial guarantee contracts of RMB20,162,000 (FY2022: recognition of RMB26,380,000) less amortised income of financial guarantee contracts of RMB26,868,000 (FY2022: RMB21,248,000). For details, please refer to note 26 to the consolidated financial statements and the section headed "Contingent Liabilities".

Core net profit increased by RMB7.0 million, or 6.0%, from RMB115.6 million (restated) for FY2022 to RMB122.6 million for FY2023. Core net profit margin decreased from 41.7% (restated) for FY2022 to 38.4% for FY2023.

CAPITAL EXPENDITURE

For FY2023, the Group paid approximately RMB2.5 million for the acquisition of property, plant and equipment and RMB180.1 million for construction of Proposed Zhongshan High School and RMB14.6 million prepayment for leasehold improvements.



Management Discussion and Analysis (Continued)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group recorded net cash inflow from operating activities of RMB209.2 million for FY2023.

The Group generated net cash used in investing activities of RMB212.8 million for FY2023, which primarily consists of (i) prepayments for construction of Proposed Zhongshan High School amounted to RMB180.1 million, (ii) cash advances of RMB73.9 million to Affected Entities, (iii) loan to a third party amounted to RMB60 million, and (iv) cash inflow from withdrawal of pledged bank deposits amounted to RMB62.8 million.

The Group had net cash outflow from financing activities of RMB85.8 million which was primarily due to the advances from Affected Entities of RMB20.4 million and repayment of bank borrowings of RMB102.2 million.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of RMB89.4 million during FY2023.

As at 31 August 2023, the Group's total pledged bank deposits, cash and cash equivalents amounted to RMB534.4 million, of which the majority were denominated in HK\$ and RMB (31 August 2022: RMB676.2 million (restated)).

As at 31 August 2023, the Group's total bank borrowings amounted to RMB292.2 million comprising RMB37.0 million repayable within one year and RMB255.2 million repayable more than one year. The Group's bank borrowings carried interest rates ranging from 3% to 8% per annum. All the bank borrowings were denominated in HK\$.

In order to have a better use of our unutilised financial resources, the Group has purchased certain investment products during the year ended 31 August 2021 and 2022, which are classified as financial assets at FVTPL amounting to RMB136.2 million as at 31 August 2023. For details please also refer to the section headed "Use of Proceeds".

The Group recorded net current assets of RMB272.7 million as at 31 August 2023 (31 August 2022: RMB301.5 million (restated)).

Included in the net current assets of the Group as at 31 August 2023, amounts due from Affected Entities of RMB403.0 million (31 August 2022: RMB425.9 million (restated)) and amounts due to Affected Entities of RMB126.8 million (31 August 2022: RMB207.5 million (restated)) were included in trade receivables, deposits, prepayments and other receivables of current assets and trade and other payables and accrued expenses of current liabilities, respectively. The Group will continue to gradually recover/repay the amounts due from/to Affected Entities.



Management Discussion and Analysis (Continued)

GEARING RATIO

The Group's gearing ratio is calculated as total bank and other borrowings divided by total equity at the end of the relevant year. The Group's gearing ratio as at 31 August 2023 was 47.7% (31 August 2022: 82.6% (restated)).

The decrease in gearing ratio was mainly due to the decrease in borrowings and increase in net profit generated during FY2023.

Taking into consideration the total pledged bank deposits, cash and cash equivalents of RMB534.4 million, the Group does not have any net borrowings balance as at 31 August 2023 which is calculated as total bank borrowings, net of pledged bank deposits, cash and cash equivalents (as at 31 August 2022: nil of net borrowings balance).

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 31 August 2023, certain cash and cash equivalents, investment products and bank borrowings 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.

CONTINGENT LIABILITIES

Save for the financial guarantee provided to the Affected Entities as disclosed in note 26 to the consolidated financial statements and the section headed "Liquidity, Financial Resources and Capital Structure", the Group did not have any material contingent liabilities that are required to be disclosed.

During FY2023, no additional new financial guarantees have been provided by the Group to the Affected Entities. As at 31 August 2023, the aggregate amount of outstanding financial guarantees issued to banks in respect of banking facilities granted to the Affected Entities that the Group could be required to be paid has been reduced to RMB4,300.8 million from RMB4,604.5 million as at 31 August 2022 followed by certain repayments of the existing loan balances by the Affected Entities during FY2023.

PLEDGE OF ASSETS

As at 31 August 2023, the Group's bank borrowings were secured by pledged bank deposits and investment in unlisted private funds that were recognised as financial assets at FVTPL.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

On 18 October 2023, Bright Education (HK) Co. Limited ("**BEHK**"), an indirect wholly-owned subsidiary of the Company, as borrower, entered into a revolving loan facility agreement ("**Facility Agreement**") with a bank (the "**Bank**"), pursuant to which the Bank agreed to grant to the Company an uncommitted revolving loan facility of up to HK\$30 million (the "**Facility**") for one year from the date on which the Bank receives the Company's acceptance of the Facility Agreement. Under the Facility Agreement, the Company has covenanted and undertaken to the Bank, among others, that Ms. Li Suwen, chairperson of the Board and an executive director of the Company, and Mr. Liu Xuebin, an executive director of the Company (collectively, the "**Controlling Shareholders**" (as defined in the Listing Rules)), shall beneficially own (whether directly or indirectly) more than 50% of the entire issued share capital of the Company during the life of the Facility. Please refer to the Company's announcement dated 18 October 2023 relating to the Facility Agreement and the Company's disclosure pursuant to Rule 13.18 of the Listing Rules for information.



Management Discussion and Analysis (Continued)

OUTLOOK

In the future, the Group aims to fully integrate its resources to build an all-rounded educational service platform. The specific services include providing online education and learning products and services, comprehensive educational management services, supply of stationery products, etc.

Leveraging on years of experience in the supply chain management, the Group will strive to grow the school-related supply chain business by expansion of our product offerings through the Company's wholly-owned subsidiaries incorporated in Qingyuan city, PRC.

The Company believes that by leveraging the Group's strengths, good reputation of Guangdong Guangzheng and experience in education and management of high schools, the Proposed Zhongshan High School will achieve satisfactory results. The Group will seize this development opportunity to achieve its plan to develop high-school education. Besides, the Group will adopt measures to optimise its operational structure, including separating the high schools with independent operating licenses from Affected Entities.

Future Capital Expenditure and Financing

As at 31 August 2023, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis — Outlook" as stated aforesaid.

Staff Recruitment, Training and Retention

We realise the importance of our staff in provision of high quality education services. We have a well-established staff training system in which we train our outstanding staff to prepare for the role of management in the future. We provide on-going training programmes such as learning groups, project seminars and outdoor training camps for team building, where our staff share experiences, enhance skills and improve teamwork. We reward outstanding staff with high performance evaluations and require staff who do not meet our expectations to improve within a prescribed period of time.

Conclusion

The Group has strong execution ability and adaptability proven by its good track record of past performance results. Looking into the future, we will increase investments in strengthening our professional service teams, building up technology platform and marketing our educational services. We have confidence in continuing to create not only economic benefits to our shareholders, but also to create value to the customers and society with our high-quality and diversified educational services.

REGULATORY UPDATE

There has been no significant regulatory update since the publication of the Company's annual report ("2022 Annual Report") for FY2022. Please refer to the 2022 Annual Report for details of the regulatory update.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During FY2023, save for the Proposed Zhongshan High School as disclosed in the section headed "Business Review", the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures.

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS HELD

As at 31 August 2023, the Group held certain investment products which were classified as financial assets at FVTPL of approximately RMB136.2 million in aggregate representing approximately 9.5% (31 August 2022: approximately 9.0%) of the total asset of the Group as at 31 August 2023.

The following table sets out the financial assets at FVTPL held by the Group with a value of 5% or more of the Group's total assets as at 31 August 2023:

Name of the fund	Number of shares held	Investment cost RMB	Fair value as at 31 August 2023 RMB	Percentage to the Group's total assets as of 31 August 2023	Fair value gain for FY2023 RMB
GLAM-HKCFM MBS FUND	117,000	102.9 million	108.1 million	7.5%	4.2 million

The above fund principally invests in unlisted mortgage debts and/or mortgage backed securities in Hong Kong and a wide range of instruments, in order to seek long-term capital appreciation. Our investment objective for significant investments is to generate stable interest and dividend income and create value of the Group and its shareholders.

EMPLOYEE BENEFITS

As at 31 August 2023, the Group had approximately 151 employees. 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 FY2023 amounted to approximately RMB15.2 million (FY2022: RMB40.8 million).

USE OF PROCEEDS

On 18 August 2020, the Company completed the placing of 130,000,000 new shares of the Company ("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) ("Net Placing Proceeds"). 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.

Management Discussion and Analysis (Continued)

As a result of the deconsolidation of the Group's schools operated through the Affected Entities as of 31 August 2021, the Company believes that there is currently no longer an immediate need to apply any remaining net proceeds for construction and development of the schools in the PRC. Therefore, the Company has reallocated the unutilised Net Placing Proceeds in the amount of approximately RMB95.1 million to be used for subscription of 117,000 Class A Participating Shares ("**Sale Shares**") in GLAM-HKCFC MBS FUND (the "**Glam Fund**"), a regulated mutual fund under the Cayman Islands Mutual Fund Act, during FY2022. For details, please refer to the Company's announcement dated 14 April 2022 and the 2022 Annual Report.

The revised use of the net proceeds is set forth below:

	Intended use of Net Placing Proceeds RMB million	Revised use of Net Placing Proceeds RMB million	Utilised amount as at 31 August 2023 RMB million	Unutilised balance as at 31 August 2023 RMB million	Expected timeline for full utilisation of the unutilised balance (Note 1)
Construction and development of schools	150.0	46.7	46.7	—	Not applicable
General corporate purpose	337.7	345.9	327.3 (Note 2)	18.6	31 August 2024
Subscription of the Glam Fund	—	95.1	95.1	—	Not applicable
Total:	487.7	487.7	469.1	18.6	

Notes:

- (1) The expected timeline for utilising the remaining Net Placing Proceeds is based on the best estimation made by the Group and it is subject to change based on the current and future development of the market conditions.
- (2) During FY2023, the Group utilised some of the funds allocated for general corporate purposes to invest RMB0.1 million in a fund, namely 廈門市睿見壹號創業投資基金合夥企業(有限合夥) (Xiamen Rui Jian Yi Hao Start-up Investment Fund Partnership Investment Partnership (Limited Partnership)*).

Save for the aforesaid changes, there is no other change in the use of the Net Placing Proceeds. The Board will continuously assess the plans for the use of unutilised Net Placing Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend for FY2023 of RMB0.050 per share (equivalent to HK\$0.055 per share) (FY2022: nil) amounting to RMB108,908,000 (equivalent to HK\$119,798,000). The proposed final dividend for the year is subject to the approval by the shareholders of the Company ("**Shareholders**") at the forthcoming annual general meeting ("**Annual General Meeting**") and, if approved, is expected to be paid on or before 28 February 2024.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 5 February 2024. The notice of the Annual General Meeting will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.wisdomeducationintl.com and dispatched to the Shareholders in due course.

* For identification purpose only



Management Discussion and Analysis (Continued)

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 30 January 2024 to Monday, 5 February 2024 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Monday, 29 January 2024.

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders at the Annual General Meeting), the register of members of the Company will be closed from Friday, 9 February 2024 to Thursday, 15 February 2024 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4: 30 p.m. on Thursday, 8 February 2024.

RECEIVABLES FROM THE AFFECTED ENTITIES

During the course of preparing the annual results for FY2023, a number of cash advances made by the Group to the Affected Entities have been identified, which may not have complied with the applicable requirements under Chapter 14A and/or Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") (together, the "**Subject Transactions**"). Details of the Subject Transactions are set out as follows:

Cash Advances relating to Land Bidding

During the period from March to April 2023, the Group made total cash advances of approximately RMB268,480,000 to Guangdong Guangzheng which represented funds intended as the purchase price for a parcel of land located in Dongguan taking into account the expected valuation at the time. The Company intended to participate in the bidding for such land for the purpose of constructing a new high school through Guangdong Guangzheng. At the time, the Company intended that, if Guangdong Guangzheng were successful in bidding for such land, the operation of the new high school to be constructed thereon would be controlled by the Group by way of a contractual arrangement. The bidding process took place in August 2023, but Guangdong Guangzheng ultimately withdrew from the bid following communication with the local government and also taking into account the market landscape at the time. The full amount of such cash advances had been repaid to the Group as of 31 August 2023.

Cash Advances relating to Construction Costs of the Proposed Zhongshan High School

During the period from March to August 2023, the Company made total cash advances of approximately RMB180,090,000 to Guangdong Guangzheng which represented funds intended for payment of the construction costs of the Proposed Zhongshan High School. The Group has obtained control of the entity which owns the land use right of the Proposed Zhongshan High School on 30 August 2023 through Zhongshan Contractual Arrangement, as disclosed in the August Announcement in relation to the proposed establishment and operation of Proposed Zhongshan High School. The Company has estimated that the total investment in the Proposed Zhongshan High School is approximately RMB833 million.

It is currently expected that the funds advanced by the Group to Guangdong Guangzheng for such purpose will be applied to pay the relevant contractors for the construction of the Proposed Zhongshan High School (which is expected to take place in tranches shortly).

Management Discussion and Analysis (Continued)

Cash Advances pursuant to a Framework Agreement

The management of the Company has identified a copy of a framework agreement dated 1 September 2022 entered into between the Company and Guangdong Guangzheng (the “**Framework Agreement**”), pursuant to which the Group and the Affected Entities shall provide interest-free financial assistance to each other upon request. According to the terms of the Framework Agreement:

- (a) the maximum amount of financial assistance provided by one party to the other shall not exceed RMB1,000 million for FY2023;
- (b) the term of each loan advanced under the Framework Agreement shall be unsecured, interest free and repayable on demand; and
- (c) if a party fails to repay on demand, such party shall be liable to pay a penalty.

The following table sets out a summary of the amount of cash flows between the Group and the Affected Entities under the Framework Agreement, according to the information available to the management of the Company:

Period/Date	Gross cash outflow from the Group during the period RMB'000	Gross cash inflow to the Group during the period RMB'000	Net amount due (to)/from the Affected Entities as at the end of the period RMB'000
As at 31 August 2022			(67,417) (Note 1, Note 2)
As at 31 August 2022 (restated)			(67,247) (Note 1, Note 2)
During September 2022 to August 2023	603,619	539,097	(2,725)
As at 31 August 2023			(2,725)
During September 2023	230,478	5,435	222,318
During October 2023	2,000	7,380	216,938
During 1-28 November 2023	441	146,534	70,845
As at 28 November 2023			70,845 (Note 2)

Note 1: The Company has also noted there exists a similar framework agreement dated 1 September 2021 entered into between the Company and Guangdong Guangzheng, pursuant to which the Group and the Affected Entities shall provide interest-free financial assistance to each other upon request up to 31 August 2022.

Note 2: The balance amount included those trade in nature, collection and advance payment on behalf of each other and other items.



Management Discussion and Analysis (Continued)

Implications

Prior to the effectiveness of the Implementation Regulations of the PRC on the Law Regarding the Promotion of Private Education (the “**Implementation Regulations**”) on 1 September 2021, the Group used to conduct a substantial portion of its business through a series of contractual arrangements (“**Previous Contractual Arrangements**”) as disclosed in the section headed “Contractual Arrangements” in the Prospectus. The Previous Contractual Arrangements included, among other things, a loan agreement (the “**Previous Loan Agreement**”) pursuant to which Dongguan Ruixing (or its designated related party), is entitled to provide interest-free loans to Affected Entities or its registered shareholders from time to time in accordance with the PRC laws and regulations for operation purposes.

As disclosed in the Company’s annual report for the year ended 31 August 2021, the financial results of Affected Entities had been deconsolidated from the Group as of 31 August 2021, given that the legal enforceability of the Previous Contractual Arrangements (including the Previous Loan Agreement) became highly doubtful as of 1 September 2021 in light of the effectiveness of the Implementation Regulations.

By virtue of the deconsolidation of the Affected Entities, the Company notes that the cash advancements by a member of the Group to any of the Affected Entities, whether made pursuant to the Previous Loan Agreement or otherwise, would be subject to the disclosure and shareholders’ approval requirements, among other things, under Chapter 14A and/or Chapter 14 of the Listing Rules.

As disclosed on page 2 of the Company’s announcement dated 4 January 2022, barring unforeseeable circumstances and assuming all things remain largely equal, at the time the Company expected that the net receivables from the Affected Entities of RMB455.8 million as of 31 August 2021 would be settled within two years from commencement of the deconsolidation.

Subsequent to 31 August 2021, there have been cash advancements between the Group and the Affected Entities (including that the Affected Entities made cash advancements to the Group to reduce certain net receivables at the time). According to the information available to the Company so far, the net receivables due from the Affected Entities as of (i) 31 August 2023 was RMB456.3 million; and (ii) 28 November 2023 was RMB529.9 million. Going forward, the Company expects that such net receivables will not increase (and there will be no creation of new receivables due from the Affected Entities), unless the relevant requirements of the Listing Rules are complied with, and such net receivables will be reduced and eventually cleared up by way of utilising such amount by the Affected Entities on the Group’s behalf for the construction of the Proposed Zhongshan High School in tranches, as described above.

The Company will convene an extraordinary general meeting to obtain approval from the Independent Shareholders in respect of the Subject Transactions. For details of the Subject Transactions, please refer to the Company’s announcement dated 3 December 2023.

The Company will make further announcement in relation to the net receivables from the Affected Entities in due course and take appropriate actions as may be required under the applicable Listing Rules.

Save as disclosed herein, the Company is not aware of any unpublished inside information relating to the Group that needs to be brought to the attention of the Company’s shareholders.



Management Discussion and Analysis (Continued)

EVENTS AFTER THE REPORTING PERIOD

On 29 November 2023, the Company, as the vendor (“**Vendor**”), and Marvel Bonus Holdings Limited, as the purchaser (“**Purchaser**”), entered into a sale and purchase agreement, pursuant to which the Company agreed to dispose of the Glam Fund, to the Purchaser, for a consideration of HK\$120 million (the “**Disposal**”).

The consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser after taking into account (i) the amount of the original subscription price of the Sale Shares and (ii) the net asset value of the Sale Shares being HK\$118.1 million as of 31 August 2023. Upon completion of the Disposal, the Company ceased to hold any interest in the Glam Fund.

The Company estimates that the Group will record an unaudited gain on the Disposal of approximately HK\$1.9 million (calculated by reference to the difference between the unaudited net carrying amount of HK\$118.1 million in the accounts of the Group as at 31 August 2023 and the disposal price of HK\$120 million of the Sale Shares). The financial impact disclosed above is for illustrative purposes only and is dependent on the financial information of the Glam Fund as at the date of completion.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Purchaser, the Glam Fund and the investment manager of the fund, and their respective ultimate beneficial owners, are independent third parties independent of the Group and its connected persons (as defined under the Listing Rules).

The Disposal constitute a major transaction for the Company. For further information on the sale of Sale Shares, please refer to the announcement of the Company published on the website of the Stock Exchange on 29 November 2023 and the circular containing, amongst other things, details of the Disposal, to be despatched to the shareholders of the Company on or before 19 December 2023.



Directors and Senior Management

The biographical details of the Directors and senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. LIU Xuebin (劉學斌), aged 51, is a founder of our Group. He was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. He is primarily responsible for the overall formulation, supervision and guidance of business strategies, planning and development of our Group. Out of his commitment in social responsibilities, Mr. Liu founded our Group by establishing Guangdong Guangzheng with Ms. Li in October 2002 and has acted as its director since then. Prior to joining our Group, since June 2002, Mr. Liu has acted as the chairman of 東莞市富盈房地產開發有限公司 (Dongguan Chinese Real Estate Development Co. Ltd.), a property developer in the PRC, in overseeing its business strategies, planning and development.

In addition to our Group, Mr. Liu also holds direct or indirect interests in other companies engaged in other businesses in the PRC, which include real estate, construction, hotel and tourism. Mr. Liu also serves as an executive director of another listed company on the Main Board of the Stock Exchange, namely, Chinese International Group Holdings Limited since 19 July 2021.

Mr. Liu completed a graduate programme on project management from the Economics Department of Peking University in March 2004. Mr. Liu was awarded the World Outstanding Chinese Award (世界傑出華人獎) by United World Chinese Association Limited (世界華人協會) in 2007.

Ms. LI Suwen (李素文), aged 50, is the chairperson, chief executive officer of our Company and a co-founder of our Group. She was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. She is primarily responsible for the overall management and business development of our Group. Ms. Li founded our Group in establishing Guangdong Guangzheng with Mr. Liu in October 2002. Ms. Li has dedicated her career to the cause of education since the establishment in October 2002. She founded a number of educational institutions including Dongguan Guangming School (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) and Panjin Guangzheng Preparatory School (盤錦市光正實驗學校).

Ms. Li completed a graduate programme on project management from the Economics Department of Peking University in March 2004.



Directors and Senior Management (Continued)

Mr. Li Jiuchang (李久常), aged 44, is the chief operating officer of our Company. He was appointed as an executive Director on 7 June 2016 and is primarily responsible for the overall management of the operation of our Group. Mr. Li has more than 16 years of experience in the educational sector. He joined Guangdong Guangzheng in September 2003 as a high school teacher. He has acted as the deputy general manager of Guangdong Guangzheng since September 2012, primarily responsible for the daily operation of the Group.

Mr. Li's dedication to education has been well recognised. He was awarded the Dongguan Outstanding Youth Volunteer (東莞市優秀青年志願者) by the Communist Youth League, Dongguan branch (共青團東莞市委) and Dongguan Young Volunteers Association (東莞市青年志願者協會) in April 2006. He was also appointed as a core member of the Research Team for Project Studies under the Eleventh Five-Year Plan of the National Educational Science Programme of the MOE (全國教育科學「十一五」教育部規劃課題研究組) and an Advanced Practitioner in Project Studies of the MOE (教育部課題研究先進工作者).

Mr. Li obtained a bachelor's degree in history from the Shaanxi Normal University (陝西師範大學).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. SUN Kai Lit Cliff (孫啟烈), *BBS, J.P.*, aged 70, was appointed as an independent non-executive Director on 3 January 2017. He is a co-founder of China South City Holdings Limited, a company listed on the Stock Exchange (stock code: 1668), and served as its non-executive director from August 2002 to July 2017. Prof. Sun is an associate of the Institute of Industrial Engineers, Ohio and has over 32 years of experience in the household products manufacturing industry. Prof. Sun is now the chairman of Kinox Enterprises Limited and Kin Hip Metal and Plastic Factory Ltd., both of which are principally engaged in the manufacturing of kitchenware and other metal and plastic products. Since June 2007, he has also acted as an independent non-executive director of Ka Shui International Holdings Ltd., a company listed on the Stock Exchange (stock code: 0822). From July 2007 to March 2016, he also acted as an independent non-executive director of Ming Fai International Holdings Ltd., a company listed on the Stock Exchange (stock code: 3828).

Prof. Sun was appointed Adjunct Professor of City University of Hong Kong in January 2017. He was also appointed as Justice of the Peace by the Government of Hong Kong in July 2003, and was awarded a Bronze Bauhinia Star (BBS) by the Government of Hong Kong Special Administration Region in July 2006. He was a member of the 11th Zhejiang Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆浙江省委員會) and had served as a standing committee member of both the CPPCC Shenzhen and Ningbo committee. He was the chairman of ICAC Business Ethics Development Advisory Committee (廉政公署商業道德諮詢委員會主席) and is currently the President of Shenzhen CPPCC HK and Macau members Association (深圳市政協歷屆港澳委員聯誼會會長). Prof. Sun holds a number of honorary posts due to his past services in the respective organisations which include Honorary President of the Federation of Hong Kong Industries, Honorary Chairman of the Hong Kong Exporter's Association, Honorary Chairman of the Hong Kong Q Mark Council, and Hong Kong Plastics Manufacturers Association Ltd. Prof. Sun also involves himself in educational institutions and served in the Vocational Training Council as council member for 6 years until the end of 2015.



Directors and Senior Management (Continued)

Mr. TAM King Ching Kenny (譚競正), aged 74, was appointed as an independent non-executive Director on 3 January 2017. Mr. Tam serves as the Chairman of the Audit Committee, and a member of the Nomination Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Professional Accountants of Ontario, Canada. He is a past president of The Society of Chinese Accountants and Auditors. Mr. Tam was an independent non-executive director of CCT Fortis Holdings Limited (a company listed on the Stock Exchange), GBA Holdings Limited (a company listed on the Stock Exchange) and Hong Kong Shanghai Alliance Holdings Limited (formerly known as Van Shung Chong Holdings Limited, a company listed on the Stock Exchange) from December 1999 to June 2022, from February 2016 to September 2022 and from September 2004 to August 2023 respectively. Mr. Tam also serves as an independent non-executive director of five other listed companies on the Main Board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Capital Industrial Financial Services Group Limited (formerly known as Shougang Concord Grand (Group) Limited), Starlite Holdings Limited, Beijing West Industries International Limited and West China Cement Limited.

Mr. HUANG Weiguo (黃維郭), aged 71, has over 42 years of management experience in corporate management and government department administration. Since 1976, Mr. Huang has held management positions and directorships in various companies in different business fields, including companies in home appliances industry, light industry and automobile industry. From December 1997 to March 2007, Mr. Huang worked in the People's Government of Foshan Municipality (佛山市政府) and served as a member of the Management Committee of the Foshan National High-tech Development Zone (佛山市國家高新開發區管理委員會) at the same time. From 2009 to 2014, he was the director of Guangdong Guangye Assets Management Company Ltd (廣東省廣業集團有限公司) and was primarily responsible for overseeing project investment and asset management.

Mr. Huang obtained a bachelor's degree from South China Institute of Technology and Chemical Engineering (華南理工化工學院).

SENIOR MANAGEMENT

The executive Directors are also members of senior management of the Group.



Report of Directors

The board (the “**Board**”) of directors (“**Directors**”) of Wisdom Education International Holdings Company Limited (the “**Company**”) present their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 August 2023 (“**FY2023**”).

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands (the “**Companies Law**”) on 13 July 2010. The principal place of business of the Company in Hong Kong is located at 8/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong.

The Company’s shares (the “**Shares**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 January 2017 (the “**Listing Date**”).

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

For FY2023, the Group was principally engaged in the provision of school-related supply chain business and comprehensive educational services to our customers in the People’s Republic of China (the “**PRC**”). A list of the Company’s subsidiaries, together with their places of incorporation and principal activities, is set out in note 36 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year including an analysis of the Group’s financial performance, an indication of likely future developments in the Group’s business and events affecting the company that have occurred since the end of the financial year are set out in the section headed “Management Discussion and Analysis” of this annual report. These discussions form part of this report of Directors.

Principal Risks and Uncertainties Facing the Group

We are subject to various risks related to our business, our industry and regulatory changes. Major risks we face include, among others,

- (i) we generate a majority of our revenue from the customers of a limited number of schools operated by the Affected Entities and a limited number of customers in China;
- (ii) our business depends on the market recognition of our brand and reputation that we may not be able to maintain;
- (iii) we may fail to continue to attract and retain customers who choose our services;
- (iv) we may be subject to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures due to competition in the education sector;
- (v) our business depends on our ability to recruit and retain qualified and committed employees;
- (vi) we may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our educational and other services in China; and
- (vii) our business, operation and group structure may be affected by changes to regulatory requirements in China.



Report of Directors (Continued)

Environmental Policies and Performance

The Group realises the importance of environmental protection in pursuing long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in our headquarters and schools such as turning off idle lightings, air-conditioning and electrical appliances. The Group also encourages the use of recycled papers and both sides of papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance. Further details will be disclosed in the Company's Environmental, Social and Governance (ESG) Report to be published separately in due course.

Compliance with the Relevant Laws and Regulations

During FY2023, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group except for those disclosed under the heading "Management Discussion and Analysis — Receivables from the Affected Entities" aforesaid.

As disclosed in the Company's prospectus dated 16 January 2017 (the "**Prospectus**"), we did not make full contributions to the social insurance plans and the housing provident fund for our employees in certain years prior to the date of the Prospectus. We have made full contributions to the social insurance plans for all of our employees in the PRC and to the housing provident fund for the majority of our employees in the PRC. We intend to make full contributions to housing provident fund for all of our employees in the PRC as soon as reasonably practicable.

Please refer to the section headed "Business" in the Prospectus for further details of certain historical non-compliance matters.

Relations with Employees, Customers and Suppliers

The Group understands the importance of obtaining support from its employees, suppliers and customers to meet its corporate goals. Accordingly, the Group maintains a good relationship with its employees, suppliers and customers.

FINANCIAL RESULTS

The results of the Group for FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of RMB0.050 (equivalent to HK\$0.055) per share for FY2023 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 15 February 2024. Subject to the approval by Shareholders at the Annual General Meeting to be held on Monday, 5 February 2024, the proposed final dividend is expected to be paid on or about Wednesday, 28 February 2024.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five financial years is set out in the section headed "Financial Summary" on page 5 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 August 2023 are set out in note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during FY2023 are set out in the section headed “Consolidated Statement of Changes in Equity” on page 68. The distributable reserves of the Company as at 31 August 2023 were RMB228.1 million.

PERMITTED INDEMNITY

In accordance with Article 164 of the Company’s articles of association (“**Articles of Association**”), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate Directors’ and officers’ liability insurance coverage for the Directors and officers of the Group.

DIRECTORS

The Directors during FY2023 and up to the date of this annual report were as follows:

Executive Directors:

Ms. Li Suwen
Mr. Liu Xuebin
Mr. Li Jiuchang
Mr. Wang Yongchun (*retired on 6 February 2023*)

Independent Non-executive Directors:

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

In accordance with Article 84(2) of the Articles of Association, Ms. Li Suwen, Mr. Liu Xuebin and Mr. Tam King Ching Kenny shall retire at the forthcoming AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all independent non-executive Directors are independent.

DIRECTORS’ SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company with effect from the Listing Date for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier).

Report of Directors (Continued)

Each of our independent non-executive Directors (the “INEDS”) has entered into an appointment letter with us for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier) which may be terminated by either party by serving on the other party a prior written notice of not less than three months.

None of our Directors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

DIRECTORS’ AND SENIOR EXECUTIVES’ EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for FY2023 are set out in note 12 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The remuneration of all the Directors and the senior management is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate, having regard to their relevant experience, duties and responsibilities, performance and achievement, and market rate.

DIRECTORS’ INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 35 to the consolidated financial statements headed “Related Party Disclosure” and the section headed “Connected Transactions” of this annual report below, no Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2023 or at any time during FY2023.

During FY2023, neither our controlling shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating private education for primary, middle and high schools, other than our Group or the Affected Entities, which, competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. As disclosed in the Prospectus, Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) (“Guangdong Guangzheng”) is beneficially owned as to 62% and 38% by Mr. Liu Xuebin and Ms. Li Suwen, respectively.

Our controlling shareholders (being Mr. Liu Xuebin, Ms. Li Suwen, Bright Education Holdings Co. Limited and Bright Education Investment Co. Limited (collectively, the “Controlling Shareholders”)) executed the deed of non-competition dated 3 January 2017 (the “Deed of Non-Competition”) in favour of the Company. Pursuant to the Deed of Non-competition, the Controlling Shareholders have jointly and severally, unconditionally and irrevocably undertaken that they will not, and will use their reasonable endeavours to procure that their respective close associates will not, other than through their interests in the Group, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of the Group in relation to the provision of primary, middle and high school educational services (the “Restricted Business”), other than the existing schools or school projects of the Affected Entities that were in place as at 31 August 2021 and prior to the deconsolidation of the Affected Entities.

Report of Directors (Continued)

Each of the Controlling Shareholders has made a declaration (the “**Declaration**”) as to the compliance with the terms of the Deed of Non-Competition for FY2023 (the “**Relevant Period**”). In determining whether the Controlling Shareholders had fully complied with the Deed of Non-Competition during the Relevant Period, the INEDs noted that: (i) each of the Controlling Shareholders has made the Declaration; (ii) no Restricted Business was reported to be undertaken by the Controlling Shareholders (other than, for the avoidance of doubt, through the Group or the Affected Entities) during the Relevant Period; and (iii) there was no particular situation rendering the compliance with, and enforcement of, the Deed of Non-Competition being questionable. The INEDs were satisfied with the Controlling Shareholders’ compliance with the Deed of Non-Competition during the Relevant Period taking into account the prevailing circumstance, including the effect of the Implementation Regulations of the PRC on the Law Regarding the Promotion of Private Education (the “**Implementation Regulation**”) on 1 September 2021.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their associates or subsidiaries during FY2023. No contract of significance for the provision of services had been entered into among the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during FY2023.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group.

Zhongshan Contractual Arrangement

Background

As disclosed in the August Announcement, on 30 August 2023, Dongguan Ruixing Business Services Co., Ltd. (東莞瑞興商務服務有限公司) (“**Dongguan Ruixing**”), a wholly-owned subsidiary of the Company, entered into the contractual arrangement (the “**Zhongshan Contractual Arrangement**”) with Guangdong Guangzheng and Zhongshan Wenrui Education Investment Co., Ltd. (中山市文睿教育投資有限公司) (“**Zhongshan Wenrui**”), which enables the Group to obtain control over Zhongshan Wenrui even though the Company did not have any equity interest in Zhongshan Wenrui. Zhongshan Wenrui intends to establish and operate a new high school (the “**Proposed Zhongshan High School**”) in Zhongshan and has obtained the education land use right for a parcel of land for this purpose.

Report of Directors (Continued)

For the reasons set out in the section headed “Contractual Arrangements — PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry — High school education” in the Prospectus, it is impracticable for the Group to hold any direct equity interest in the operator of the Proposed Zhongshan High School. In light of the aforesaid and as advised by the Group’s PRC legal advisers, in order for the Group to obtain control over Zhongshan Wenrui, the Zhongshan Contractual Arrangement was entered into on 30 August 2023, which consists of the following documents:

- (a) an exclusive management consultancy and business cooperation agreement entered into among Dongguan Ruixing, Guangdong Guangzheng and Zhongshan Wenrui, pursuant to which Dongguan Ruixing has obtained the exclusive right to provide, or designate any third party to provide comprehensive corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services to Zhongshan Wenrui. This agreement enables Dongguan Ruixing to receive substantially all of the economic interest returns generated by Zhongshan Wenrui;
- (b) An exclusive call option agreement entered into among Dongguan Ruixing, Guangdong Guangzheng and Zhongshan Wenrui, pursuant to which Dongguan Ruixing has obtained an irrevocable and exclusive right to purchase all or part of equity interests in Zhongshan Wenrui from Guangdong Guangzheng at nil consideration or a minimum purchase price permitted under PRC laws and regulations;
- (c) A power of attorney granted by Guangdong Guangzheng in favour of Dongguan Ruixing, pursuant to which Guangdong Guangzheng has irrevocably appointed Dongguan Ruixing, or any person designated by Dongguan Ruixing, as its attorney-in-fact to appoint directors and vote on its behalf on all matters of Zhongshan Wenrui requiring shareholders’ approval under its articles of associations and under the relevant PRC laws and regulations;
- (d) A loan agreement entered into among Dongguan Ruixing, Guangdong Guangzheng and Zhongshan Wenrui, pursuant to which Dongguan Ruixing (or its designated related party) is entitled to provide interest-free loans to Zhongshan Wenrui from time to time in accordance with the PRC laws and regulations;
- (e) An equity pledge agreement entered into among Dongguan Ruixing, Guangdong Guangzheng and Zhongshan Wenrui, pursuant to which Guangdong Guangzheng has unconditionally and irrevocably pledged all of its equity interests in Zhongshan Wenrui to Dongguan Ruixing to guarantee performance of the obligations of Guangdong Guangzheng under the above documents.

We do not hold any equity interests in Zhongshan Wenrui and through Zhongshan Contractual Arrangement, we effectively control Zhongshan Wenrui and are able to derive substantially all of its economic benefits, and expect to continue to do so.

Listing Rules Implications

Zhongshan Wenrui and Guangdong Guangzheng are connected persons of the Company. The transactions contemplated under the Zhongshan Contractual Arrangement constitute continuing connected transactions of our Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).



Report of Directors (Continued)

Our Directors (including the INEDs) are of the view that the Zhongshan Contractual Arrangement and the transactions contemplated thereunder are fundamental to our Group's legal structure and business, that such transactions will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Zhongshan Contractual Arrangement and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by Zhongshan Wenrui and Proposed Zhongshan High School (collectively referred to as the "**Zhongshan Consolidated Affiliated Entities**") and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Zhongshan Contractual Arrangement, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Waiver from Strict Compliance with Listing Rules Requirements

Reference is made to the Previous Contractual Arrangements. In respect of the Previous Contractual Arrangements, the Company applied for a waiver from the Stock Exchange ("**Waiver**") and was waived from strict compliance with the following requirements in respect of the Previous Contractual Arrangements: (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term to three years or less under Rule 14A.52 of the Listing Rules (the "**Relevant Listing Rules Requirements**"), for so long as our Shares are listed on the Stock Exchange subject however to the conditions as set out in "Connected Transactions — Continuing Connected Transactions — Contractual Arrangements" in the Prospectus.

Please refer to the sections headed "Contractual Arrangements — Operation of the Contractual Arrangements" and "Connected Transactions — Continuing Connected Transactions — Contractual Arrangements" in the Prospectus for more details.

The terms and conditions of the Zhongshan Contractual Arrangement are substantially the same as those of the Previous Contractual Arrangements. As disclosed in the section headed "Connected Transactions — Continuing Connected Transactions — Contractual Arrangements" of the Prospectus, the framework under the Previous Contractual Arrangements may be reproduced in relation to any existing or new operating company engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the independent shareholders of the Company, on substantially the same terms and conditions as the then Previous Contractual Arrangements. On this basis, the Company has sought the Stock Exchange's confirmation, and the Stock Exchange has confirmed, that the Waiver applies in the same way to the Zhongshan Contractual Arrangement in the same way as it applied to the Previous Contractual Arrangements.

As a result, the Company was effectively waived from strict compliance with the Relevant Listing Rules Requirements, for so long as its Shares are listed on the Stock Exchange, subject however to the following conditions:



Report of Directors (Continued)

(a) No change without independent non-executive Directors' approval

No change to the Zhongshan Contractual Arrangement will be made without the approval of the independent non-executive Directors.

(b) No change without independent shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Zhongshan Contractual Arrangement will be made without the approval of the independent shareholders. Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Zhongshan Contractual Arrangement in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Zhongshan Contractual Arrangement shall continue to enable our Group to receive the economic benefits derived by Zhongshan Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations to acquire, all or part of the entire equity interests in our Zhongshan Consolidated Affiliated Entities for nil consideration or at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our Zhongshan Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Dongguan Ruixing by our Zhongshan Consolidated Affiliated Entities under the exclusive management consultancy and business cooperation agreement for the Zhongshan Contractual Arrangement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Zhongshan Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Zhongshan Contractual Arrangement provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has equity shareholding, on one hand, and our Zhongshan Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the independent shareholders, on substantially the same terms and conditions as the existing Zhongshan Contractual Arrangement. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Zhongshan Contractual Arrangement, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Zhongshan Contractual Arrangement shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.



Report of Directors (Continued)

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Zhongshan Contractual Arrangement on an on-going basis as follows:

- The Zhongshan Contractual Arrangement in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our INEDs will review the Zhongshan Contractual Arrangement annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Zhongshan Contractual Arrangement, have been operated so that the profit generated by our Zhongshan Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Zhongshan Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Zhongshan Contractual Arrangement and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our Zhongshan Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our shareholders as a whole.
- Our Company's auditor will carry out procedures annually on the transactions if any, carried out pursuant to the Zhongshan Contractual Arrangement and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Zhongshan Contractual Arrangement and that no dividends or other distributions have been made by our Zhongshan Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our Zhongshan Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our Zhongshan Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Zhongshan Contractual Arrangement, will be subject to requirements under Chapter 14A of the Listing Rules.
- Each of our Zhongshan Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our consolidated affiliated entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the continuing connected transactions.

During FY2023, no transactions have been entered into between our Group and Zhongshan Wenrui under the Zhongshan Contractual Arrangement. In addition, no dividends or other distributions have been made by the Zhongshan Wenrui and its subsidiaries (if any) to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

Report of Directors (Continued)

Confirmation from Independent Non-executive Directors

The INEDs have reviewed the Zhongshan Contractual Arrangement and confirmed that:

- (i) the transactions carried out during FY2023 have been entered into in accordance with the relevant provisions of the Zhongshan Contractual Arrangement, have been operated so that the profit generated by Zhongshan Wenrui and its subsidiaries (if any) have been substantially retained by our Group;
- (ii) no dividends or other distributions have been made by the Zhongshan Wenrui and its subsidiaries (if any) to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and
- (iii) the Zhongshan Contractual Arrangement during the relevant financial period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The auditor of the Company has confirmed in a letter to the Board that, with respect to the Zhongshan Contractual Arrangement entered into in the year ended 31 August 2023:

1. nothing has come to their attention that causes the auditor to believe that the continuing connected transactions have not been approved by the Board; and
2. nothing has come to our attention that causes the auditor to believe that dividends or other distributions have been made by the Zhongshan Wenrui to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

Previous Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in the Prospectus, due to regulatory restrictions on foreign ownership in the schools in the PRC, we operated primary, middle and high schools in China through the Affected Entities. We do not hold any equity interests in the Affected Entities, which are beneficially owned by Mr. Liu as to 62% and Ms. Li as to 38%. Through a series of contractual arrangements (the "**Previous Contractual Arrangements**"), the Previous Contractual Arrangements entered into between, among other entities, Dongguan Ruixing, the Affected Entities and shareholders of the Affected Entities, we effectively controlled these Affected Entities and were able to derive substantially all of their economic benefits prior to 1 September 2021, the effective date of the Implementation Regulations.

The Previous Contractual Arrangements include: (a) the Exclusive Management Consultancy and Business Cooperation Agreement, (b) the Exclusive Call Option Agreement, (c) the Equity Pledge Agreement, (d) the Powers of Attorney, (e) the Loan Agreement and (f) SP Liu Spouse's Undertaking (as such terms are defined in the section headed "Contractual Arrangements" in the Prospectus). Please refer to the section headed "Contractual Arrangements" in the Prospectus for detailed terms of these documents.

Previous Contractual Arrangements in Place prior to the Effective of the Implementation Regulations

The Implementation Regulations prohibit a private school providing compulsory education conducting transactions with its related parties since the effective date of 1 September 2021. Prior to the effective of the Implementation Regulations, the transactions contemplated under the Previous Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the Affected Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules. In view of the Contract Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements, subject however to certain conditions, details of which are set out in the section headed "Contractual Arrangements" in the Prospectus. The Company has complied with the requirements of the conditions of the waiver since its Listing and until the effective of the Implementation Regulations.

Impact of the Implementation Regulations on the Previous Contractual Arrangements

As of 1 September 2021, the effective date of the Implementation Regulations, the Group has ceased to control the Affected Entities through the Previous Contractual Arrangements. In particular, this means that:

- (i) Dongguan Ruixing, or any other subsidiaries in which the Company has equity shareholding, will no longer enjoy the right to make changes to the existing school principals, financial controllers or other senior managers of the schools of the Affected Entities through the Previous Contractual Arrangements; and
- (ii) Dongguan Ruixing, or any other subsidiaries in which the Company has equity shareholding, will cease to receive any economic benefits from the schools of the Affective Entities through the Previous Contractual Arrangements.

During FY2023, no transactions have been entered into between our Group and the Affected Entities through the Previous Contractual Arrangements except the cash advances pursuant to a framework agreement disclosed under the heading "Management Discussion and Analysis — Receivables from the Affected Entities" as stated aforesaid. Mr. Liu and Ms. Li, the ultimate equity holdings of the Affected Entities, have confirmed that they have not received any dividends or other distributions from the Affected Entities.

In view of the above, the INEDs were satisfied with the Company's compliance with the relevant requirements of the Listing Rules during FY2023 taking into account the impact of the Implementation Regulations.

Financial Guarantee

As at 31 August 2023, there were outstanding financial guarantees provided by the Group (the "Guarantees") to the Affected Entities in respect of certain banking facilities granted by banks to the Affected Entities, details of which are disclosed in note 26 to the consolidated financial statements. The ending balance of the reporting period of financial guarantee contracts of RMB229.9 million has been recognised as a current liability as at 31 August 2023 (31 August 2022: RMB277.0 million).

The Board is of the view that after the deconsolidation on 31 August 2021, each of the Affected Entities would not be treated as the Company's subsidiary for the purpose of Chapter 14A of the Listing Rules. As they are associates of Mr. Liu and Ms. Li as defined under the Listing Rules, who are both Directors and controlling shareholders of the Company, the Guarantees provided by the Group to the Affected Entities, which had already been in existence and did not constitute continuing connected transactions prior to the deconsolidation, would thus subsequently become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.



Report of Directors (Continued)

Such Guarantees were provided prior to the deconsolidation when the Affected Entities were still members of the Group. Subsequent to the deconsolidation on 31 August 2021 and during FY2023, the Guarantees remain in existence without renewal or variation of the terms thereof. In addition, the Group has not entered into any new financial guarantee contracts for the Affected Entities or incurred any cash outflows as a result of the Guarantees during FY2023. In view of the above, the INEDs were satisfied with the Company's compliance with the relevant requirements of the Listing Rules during FY2023.

Other than the Zhongshan Contractual Arrangement, Previous Contractual Arrangements and financial guarantee provided to Affected Entities aforementioned, and the receivables from the Affected Entities under section headed "Management Discussion and Analysis", the Company confirms that the related party transactions set out in note 35 to the consolidated financial statements constitute connected transactions or did not otherwise require disclosure under the applicable requirements of Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules during FY2023 except for those disclosed under the heading "Management Discussion and Analysis — Receivables from the Affected Entities" aforesaid.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with any individuals, firms or corporate entities or existed for FY2023.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other business partners. For FY2023, our five largest customers in aggregate accounted for 30.2% (FY2022: 43.6%) of our revenue and our largest customer accounted for approximately 24.6% (FY2022: 25.8%) of our revenue.

Our suppliers primarily comprise food, educational services and school-related material suppliers. For FY2023, our five largest suppliers in aggregate accounted for approximately 26.6% (FY2022: 28.7% (restated)) of our cost of revenue and our largest supplier accounted for approximately 9.2% (FY2022: 9.9% (restated)) of our cost of revenue.

So far as is known to the Directors, none of the Directors, their respective close associates or shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers or suppliers of the Group during FY2023.

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 31 August 2023, 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 for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to 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 (Note 1)	Interest of controlled corporation	930,000,000 (Note 2)	—	930,000,000	42.70%
	Beneficial interest	3,498,000	—	3,498,000	0.16%
Ms. Li Suwen (Note 1)	Interest of controlled corporation	570,000,000 (Note 3)	—	570,000,000	26.17%
	Beneficial interest	3,428,000	—	3,428,000	0.16%
Mr. Li Jiuchang (Note 5)	Beneficial interest	600,000	—	600,000	0.03%

Notes:

- (1) Mr. Liu and Ms. Li are co-founders of the Group and are parties acting in concert with each other.
- (2) Mr. Liu holds the entire issued capital of Bright Education (Holdings) Co. Limited ("**Bright Education Holdings**"), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.
- (3) Ms. Li holds the entire issued capital of Bright Education Investment Co. Limited ("**Bright Education Investment**"), a company incorporated in the British Virgins Islands, and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.
- (4) Mr. Liu is director of Bright Education Holdings and Ms. Li is director of Bright Education Investment.
- (5) Mr. Li Jiuchang, executive Director of the Company, was granted not more than 1,500,000 Shares under the share award scheme of the Company as adopted on 7 June 2017 subject to vesting conditions.

Report of Directors (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 August 2023, 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, and has a direct beneficial interest of 42.70% in the Company.
- (2) Bright Education Investment is wholly-owned by Ms. Li and has a direct beneficial interest of 26.17% in the Company.

Save as disclosed above, as at 31 August 2023, 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.

REMUNERATION POLICY

As at 31 August 2023, the Group had approximately 151 employees. 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 ("**Pre-IPO Share Option Scheme**"), share option scheme ("**Share Option Scheme**") and share award scheme ("**Share Award Scheme**") for its employees and other eligible persons as incentive and reward for long-term contributions to the Group. Salaries and other benefits of the Group's employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees. Staff costs (including directors' remuneration) for FY2023 amounted to approximately RMB15.2 million (FY2022: RMB40.8 million).

SHARE INCENTIVE 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 the Pre-IPO Share Option Scheme and Share Option Scheme on 3 January 2017, and the Share Award Scheme on 7 June 2017.

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Participants (as defined in sub-paragraph (b)) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Group to recruit and retain high-calibre employees. In determining the basis of eligibility of each Eligible Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria (“**Eligible Participant(s)**”):

- (i) any executive, non-executive or independent non-executive director of any member of our Group or an Affiliate;
- (ii) any employee of any member of our Group or an Affiliate;
- (iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;
- (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or
- (v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

(c) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall be such number of Shares representing 10% of the enlarged issued share capital of the Company as at the Listing Date (i.e. 26 January 2017), subject to adjustment.

The maximum number of Shares in respect of which options may be granted will be adjusted, in such manner as the auditor of our Company or the independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction in the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

Report of Directors (Continued)

(d) *Payment on grant*

There is no monetary consideration for the grant of any option.

(e) *Subscription price*

Subject to any adjustments as described in the Pre-IPO Share Option Scheme, the subscription price in respect of each Share issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall be determined by the Board at its discretion and set out in the relevant grant letter(s), provided that it shall not be less than the nominal value of a Share as at the date of grant (the "**Subscription Price**").

Exercise Period

Each share option granted under the Pre-IPO Option Scheme may be exercised during the period commencing on the Listing Date and ending on the date immediately before the 9th anniversary of the Listing Date (i.e. 26 January 2017 and ending on 25 January 2026).

(f) *Lapse of options*

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the period commencing on the Listing Date and ending on the date immediately before the 9th anniversary of the Listing Date (the "**Exercise Period**");
- (ii) the expiry of any of the periods referred to in the Pre-IPO Share Option Scheme;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in the Pre-IPO Share Option Scheme;
- (iv) subject to the compromise or arrangement referred to in the Pre-IPO Share Option Scheme;
- (v) subject to the Pre-IPO Share Option Scheme, the date of the commencement of the winding-up of the Company;
- (vi) in respect of an unvested option, the date on which the grantee of such unvested option ceases to be an Eligible Participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Participant, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board to the effect that the employment or other relevant contract of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vii) the date on which the grantee commits a breach of transfer of options; or
- (viii) the date on which the option is cancelled by the Board as provided in the Pre-IPO Share Option Scheme.

(g) Duration and Administration of the Pre-IPO Share Option Scheme

Subject to the termination provisions in Pre-IPO Share Option Scheme, no further options will be granted after the date of the Prospectus but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary or desirable to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the date of the Prospectus may continue to be exercisable in accordance with their terms of issue.

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

Subject to compliance with the provisions of the Pre-IPO Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Pre-IPO Share Option Scheme; (ii) to determine the Eligible Participants under the Pre-IPO Share Option Scheme and the number of Shares to be issued under the options; (iii) to determine the subscription price; (iv) to make such appropriate and equitable adjustments to the terms of options granted under the Pre-IPO Share Option Scheme as it deems necessary or desirable; and (v) to make such other appropriate decisions, determinations or regulations as it shall deem necessary or desirable in the administration of the Pre-IPO Share Option Scheme.

As at the date of this annual report, the remaining life of the Pre-IPO Share Option Scheme is approximately 2 years and 2 months.

There were no outstanding options granted under the Pre-IPO Share Option Scheme as at 31 August 2023 and 31 August 2022. No share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme for FY2023.

The total number of options available for grant under the scheme mandate limit of the Pre-IPO Share Option Scheme at the beginning and end of FY2023 should be the remainder of the scheme limit, representing nil of the share capital of the Company respectively. The number of Shares available for issue under the Pre-IPO Share Option Scheme as of the date of this annual report is 209,815,400 Shares, representing approximately 9.63% of the issued share capital of the Company.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purposes of the scheme

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined in subparagraph (b) below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Report of Directors (Continued)

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Eligible Person(s)**"):

- (i) any executive, non-executive or independent non-executive director of any member of our Group or an entity in which our Group holds an interest ("**Affiliate**");
- (ii) any employee of any member of our Group or an Affiliate;
- (iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;
- (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or
- (v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

(c) Maximum number of Shares in respect of which options may be granted

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date i.e. 200,000,000 Shares (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed".

The Board may, with the approval of the Shareholders in general meeting and subject to the limit set out in the immediately following paragraph, grant options to any Eligible Person(s) specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of offer for the purpose of determining the exercise price of the options.

(e) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Subject to the restrictions set out in the Share Option Scheme, any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Subject to the provisions in the Share Option Scheme, any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of the Group or associated companies of the Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

Report of Directors (Continued)

An option-holder may exercise any or all of his options by notice of exercise in writing in such form as the Board may from time to time require delivered to the Chairman (or a person designated by him with the approval of the Board). The notice of exercise of the option must be completed, signed by the option-holder or by his appointed agent, and must be accompanied by the:

- (i) relevant option certificate; and
- (ii) correct payment in full in cleared funds of the total option price for the number of Shares being acquired.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance in writing or by facsimile transmission or (if the Board agree) by electronic communication received by the Chairman (or a person designated by him with the approval of the Board) for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The Company shall issue option certificates to any Eligible Person who has accepted an offer under the common seal of the Company (or the securities seal of the Company) within seven days after the end of the period for acceptance of the offer.

(g) Exercise price

Subject to any adjustment made as described in the Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (i.e. 26 January 2017 and ending on 25 January 2027), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 3 years and 2 months.

There were no outstanding options granted under the Share Option Scheme as at 31 August 2023 and 31 August 2022. No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme for FY2023.

The total number of shares available for grant under the scheme mandate limit of the Share Option Scheme is 197,000,000 Shares, representing approximately 9.04% of the total issued share capital of the Company as at the beginning and end of FY2023. The number of Shares available for issue under the Share Option Scheme as of the date of this annual report is 214,815,400 Shares, representing approximately 9.86% of the total issued share capital of the Company.

Share Award Scheme

The following is a summary of the principal terms of the Share Award Scheme:

(a) *Purposes of the scheme*

On 7 June 2017, the Company adopted the Share Award 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.

(b) *Who may participate*

Pursuant to the Share Award Scheme, the Board may, from time to time, in its absolute discretion, select any eligible person ("**Eligible Person**") (other than excluded person) for participant in the Share Award Scheme as a selected participant ("**Selected Participant**"), grant such number of awarded shares ("**Award Shares**") to any Selected Participant and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine. The Selected Participants shall cover (i) key management personnel including the Directors and senior management and (ii) employees of the Group.

(c) *Maximum number of Shares in respect of which awards may be granted*

Pursuant to the scheme rules, the Board shall not make any further award of Award Shares which will result in the total nominal value of the aggregate of:

- (i) Shares awarded by the Board under the Share Award Scheme; and
- (ii) Shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company,

exceeding 10% of the issued share capital of the Company from time to time. For the avoidance of doubt, the options or awards lapsed in accordance with the terms of the Pre-IPO Share Option Scheme, Share Option Scheme and the Share Award Scheme will not be counted for the purpose of calculating the limit of the Share Award Scheme. Under the scheme limit stipulated under the Share Award Scheme, as of 1 September 2022 and 31 August 2023, the maximum number of further Award Shares permitted to be granted thereunder was 204,836,400 Shares and 204,296,400 Shares, representing approximately 9.40% and 9.38% of the number of total issued shares of the Company as of 31 August 2023. The number of Shares available for issue as of the date of this annual report is 201,776,400 Shares, representing approximately 9.26% of the issued share capital of the Company.

(d) *Operation*

The Award 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 award shares out of cash contributed by the Group and be held on trust for the selected participants until such award shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme. The Share Award Scheme shall be subject to administration of the Board and the Trustee in accordance with the Share Award Scheme rules and the trust deed dated 7 June 2017. As at 31 August 2023, the Trustee has purchased a total of 11,704,000 Shares (31 August 2022: 11,704,000 Shares) on the Stock Exchange. There was no granted Award Shares for FY2023.

(e) *Maximum entitlement of each individual*

The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the number of issued share capital of the Company in issue.

Report of Directors (Continued)

(f) Time of vesting and conditions

Subject to terms and conditions of the Share Award Scheme and the fulfilment (or waiver) of all vesting conditions to the vesting of the Award Shares on such Selected Participant, the respective Award Shares held by the Trustee on behalf of the Selected Participant shall vest in such Selected Participant. The Board is entitled to impose any conditions (including a period of continued service within the Group after the Award), as it deems appropriate in its absolute discretion with respect to the vesting of the Award Shares on the Selected Participant. Subject to any early termination as may be determined by the Board pursuant to the Trust Deed, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date (i.e. 7 June 2017 and ending on 6 June 2027). In the event that prior to or on the Vesting Date, a Selected Participant is found to be an excluded person as defined under the scheme rules or is deemed to cease to be an Eligible Person pursuant to the scheme rules, the relevant Award Shares made to such Selected Participant shall automatically lapse forthwith.

(g) Acceptance of an offer of awards

Selected Participants are not required to pay any purchase price for the Award Shares.

(h) Duration of the Share Award Scheme and remaining life of the scheme

As at the date of this annual report, the remaining life of the Share Award Scheme is approximately 3 years and 7 months.

The following are details of the awards granted or to be granted pursuant to the Share Award Scheme during FY2023:

Grantee and position	Date of grant	Vesting period of the Award Shares	Total number of awards granted as at 1 September 2022	Number of unvested Award Shares as of 1 September 2022	Number of Award Shares granted during the year	Number of Award Shares vested during the year	Number of Award Shares cancelled during the year	Number of Award Shares lapsed during the year	Number of unvested Award Shares as of 31 August 2023
			(Notes 3, 4)						
Directors									
Mr. Li Jiuchang (Note 1)	6.9.2018	6.9.2018 to 31.8.2028	1,500,000	1,100,000	—	(200,000)	—	—	900,000
Mr. Wang Yongchun (retired on 6 February 2023)	6.9.2018	6.9.2018 to 31.8.2028	1,200,000	880,000	—	—	—	(880,000)	—
Employees (Note 2)	6.9.2018	6.9.2018 to 31.8.2028	5,700,000	3,040,000	—	(340,000)	—	(1,080,000)	1,620,000
Total			8,400,000	5,020,000	—	(540,000)	—	(1,960,000)	2,520,000

Notes:

- (1) The weighted average of the Award Shares immediately before the dates on which the Award Shares were vested to Mr. Li Jiuchang during the year was HK\$33,560.00.
- (2) The weighted average of the Award Shares immediately before the dates on which the Award Shares were vested to the employees during the year was HK\$57,052.00.
- (3) All the above grants were made prior to the amendments to Chapter 17 of the Listing Rules taking effect.
- (4) The total number of outstanding Award Shares under the Share Award Scheme as at the date of this report is 2,520,000, representing 0.12% of the total issued shares of the Company as at the date of this report.



Report of Directors (Continued)

The number of awards available for grant under scheme mandate limit of the Share Award Scheme at the beginning and the end of FY2023 is 209,415,400 Shares, representing approximately 9.61% of the total issued shares of the Company as at the date of this report. There were no outstanding share options under all the share schemes of the Company under the Pre-IPO Share Option Scheme and Share Option Scheme during FY2023. Accordingly, no Shares will be issued in respect of the options granted under the Pre-IPO Share Option Scheme and Share Option Scheme during FY2023. The aggregate of 8,400,000 Award Shares granted to the Selected Participants have been purchased by the Trustee from the open market pursuant to the Share Award Scheme. Accordingly, no Shares will be issued in respect of the awards granted under the Share Award Scheme during FY2023.

During FY2023, (i) there was no participant with share options or awards granted or to be granted by the Company in excess of the 1% individual limit (as defined under Chapter 17 of the Listing Rules); (ii) there was no service provider with share options or awards granted or to be granted by the Company exceeding 0.1% of the total issued shares of the Company in any 12-month period; and (iii) the Company have not granted any share options or awards to any related entity participants or service providers.

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

During FY2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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 FY2023.

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 during FY2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company’s Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

CHARITABLE DONATIONS

The Group has not made any charitable donations during FY2023 and FY2022.

TAX RELIEF AND EXEMPTION

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

LITIGATION

The Group did not have any material litigation outstanding as at 31 August 2023.



Report of Directors (Continued)

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

Save for the financial guarantees provided by the Group to the Affected Entities as at 31 August 2023 in respect of certain banking facilities granted by banks to the Affected Entities, details of which are disclosed in note 26 to the consolidated financial statements, the Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules as at 31 August 2023.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in “Directors and Senior Management”, there were no changes to information which is required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) 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 except for those disclosed under the heading “Management Discussion and Analysis — Events after the Reporting Period” as stated aforesaid.

AUDIT COMMITTEE

The audit committee (“**Audit Committee**”) has reviewed the audited consolidated financial statements of the Group for FY2023 and has met with the independent auditor, Deloitte Touche Tohmatsu (“**Deloitte**”). 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.

AUDITOR

The consolidated financial statements for FY2023 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company’s auditor is to be proposed at the forthcoming AGM.

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

Dongguan, 29 November 2023



Corporate Governance Report

The Board of Wisdom Education International Holdings Company Limited are pleased to present this Corporate Governance Report in the Company's annual report for FY2023.

Corporate Governance Code

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 26 January 2017 (the "**Listing Date**"). During FY2023, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has complied with all the applicable code provisions, save and except for code provision C.2.1 which stipulates that the roles of chairman and chief executive ("**CEO**") should not be performed by the same individual. Please refer to the section headed "Chairman and Chief Executive Officer" for details.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model Code for Securities Transactions

During FY2023, 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 its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during FY2023, and up to the date of this report.



Corporate Governance Report (Continued)

Board of Directors

The Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors.

For FY2023 and as at the date of this report, the composition of the Board is as follows:

Executive Directors

Ms. Li Suwen, *Chairperson and Chief Executive Officer*

Mr. Liu Xuebin

Mr. Li Jiuchang

Mr. Wang Yongchun (*retired on 6 February 2023*)

Independent Non-executive Directors

Prof. Sun Kai Lit Cliff, *BBS, J.P.*

Mr. Tam King Ching Kenny

Mr. Huang Weiguo

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” in this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

Ms. Li Suwen was appointed as the chairperson of the Board (“**Chairperson**”) following the step down of Mr. Liu Xuebin from the position of Chairperson on 28 September 2018. Ms. Li Suwen 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 Suwen to assume the responsibilities of such positions, given that Ms. Li Suwen 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.

Corporate Governance Report (Continued)

Board Meetings and General Meetings

For FY2023, the Board convened four Board meetings and one annual general meeting. A summary of the attendance record of the Directors is set out in the following table below:

Name of Director	Attendance/ Number of Board meetings	Attendance/ Number of General Meetings
Executive Directors		
Ms. Li Suwen	6/6	1/1
Mr. Liu Xuebin	6/6	1/1
Mr. Li Jiuchang	6/6	1/1
Mr. Wang Yongchun (<i>retired on 6 February 2023</i>)	2/3	1/1
Independent Non-executive Directors		
Prof. Sun Kai Lit Cliff, <i>BBS, J.P.</i>	6/6	1/1
Mr. Tam King Ching Kenny	6/6	1/1
Mr. Huang Weiguo	6/6	1/1

For FY2023, the Board has met at least four times in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors for FY2023.

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

All Directors have been appointed for a term of three years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's articles of association (the "**Articles of Association**"). The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.



Corporate Governance Report (Continued)

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with C.1.4 of the CG Code with regards to continuous professional development, Directors participate in appropriate continuous professional development throughout FY2023 to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

All directors of the Company confirmed that they have complied with the code provision C.1.4 of the CG Code on directors' training.

Corporate Governance Report (Continued)

During FY2023, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/conferences	Reading books/ journals/articles
Ms. Li Suwen	✓	✓
Mr. Liu Xuebin	✓	✓
Mr. Li Jiuchang	✓	✓
Mr. Wang Yongchun (<i>retired on 6 February 2023</i>)	✓	✓
Prof. Sun Kai Lit Cliff, <i>BBS, J.P.</i>	✓	✓
Mr. Tam King Ching Kenny	✓	✓
Mr. Huang Weiguo	✓	✓

Corporate Governance

The Board is also responsible for the development and review of the policies and practices on corporate governance, compliance with legal and regulatory requirements and corporate governance disclosure.

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

Audit Committee

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of 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.

For FY2023, the Audit Committee held two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Tam King Ching Kenny	2/2
Prof. Sun Kai Lit Cliff, <i>BBS, J.P.</i>	2/2
Mr. Huang Weiguo	2/2

Corporate Governance Report (Continued)

During the meetings, the Audit Committee reviewed the interim results and report for six months ended 28 February 2023 and the annual results and report for FY2023, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor.

For FY2023, the Audit Committee also met with the external auditor without the presence of the executive Directors.

An explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the Chairperson's Statement and the Management Discussion and Analysis sections in this report.

Remuneration Committee

The Company has established a remuneration committee ("**Remuneration Committee**") with written terms of reference in compliance with paragraph E.1 of the CG Code. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the specific remuneration packages of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration (including share schemes) by reference to corporate goals and objectives resolved by our Directors from time to time. The Remuneration Committee comprises three members, namely, Prof. Sun Kai Lit Cliff, *BBS, J.P.* (an independent non-executive Director), Mr. Huang Weiguo (an independent non-executive Director) and Mr. Liu Xuebin (an executive Director). Prof. Sun Kai Lit Cliff, *BBS, J.P.* is the chairman of Remuneration Committee.

For FY2023, the Remuneration Committee held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Prof. Sun Kai Lit Cliff, <i>BBS, J.P.</i>	1/1
Mr. Huang Weiguo	1/1
Mr. Liu Xuebin	1/1

During the meeting, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters of the Company.

The total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong dollars ("**HK\$**") is set out below:

Band	Number of senior management	
	FY2023	FY2022
HK\$1,000,001 to HK\$2,000,000	1	3
HK\$2,000,001 to HK\$3,000,000	2	1

Corporate Governance Report (Continued)

Nomination Committee

The Company has established a nomination committee (“**Nomination Committee**”) with written terms of reference in compliance with paragraph B.3 of the CG Code. The primary duties of the Nomination Committee are to make recommendations to our Directors on all new appointments of Directors and senior management, review the structure, size and composition of the Board and the policy for the nomination of directors during the year, assess the independence of independent non-executive Directors, interviewing nominees, to take up references and to consider related matters. The nomination committee comprises three members, namely, Mr. Huang Weiguo (an independent non-executive Director), Mr. Tam King Ching Kenny (an independent non-executive Director) and Ms. Li Suwen (an executive Director). Mr. Huang Weiguo is the chairman of the Nomination Committee.

For FY2023, the Nomination Committee held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Huang Weiguo	1/1
Mr. Tam King Ching Kenny	1/1
Ms. Li Suwen	1/1

During the meeting, the Nomination Committee reviewed the structure, size, composition and diversity of the Board.

Policy on Director Nomination

In light of article 83 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Subject to the provisions of the Articles of Association and the Companies Law, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. The Nomination Committee invites nominations of candidates from members of the Board and may also put forward other candidates when vacancies on the Board exist. Before making recommendations to the Board, the Nomination Committee reviews and assesses the suitability of candidates for directorship, according to certain assessment criteria, including but not limited to reputation for integrity, experience in the relevant industry, contributions to the Board and time commitments, and by making reference to the board diversity policy, the Company’s needs and the current composition of the Board. The Board will also consider the independence of Independent Non-executive Directors before making appointments or recommendations. The Board may consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.



Corporate Governance Report (Continued)

Dividend Policy

Subject to the Companies Law, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of the Articles of Association as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Board Diversity Policy

The Board Diversity Policy (the “**Policy**”) was adopted by the Company. The Policy aims to set out the approach to diversity on the Board and achieve a sustainable and balanced development.

The Company sees increasing diversity at the Board level as essential to supporting attainment of its strategic objectives and to achieve sustainable and balanced development. According to the Policy, in designing the Board’s composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the diversity of the Board. The Board should have a balance of skills and experience and a diversity of perspectives appropriate to the requirements of the Company’s business. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Nomination Committee is responsible for the monitoring and review of the Policy annually. During the period from the Listing Date to the date of this report, the Nomination Committee reviewed the diversity of the Board, taking into account gender, age, cultural, educational background, professional experience and skills, and was satisfied with the diversity of the existing Board.

The workforce of the Group (including its senior management) comprised approximately 22% male employees and 78% female employee as at 31 August 2023. As such, the Company’s workforce (including the executive directors and senior management) has achieved gender diversity between males and females. The Company would continue to take into account of diversity perspectives including gender diversity in its hiring.

Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieve the measurable objectives set for implementing the Board Diversity Policy for the year under review. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy.

Corporate Governance Report (Continued)

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for FY2023.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 61 to 64 in this annual report.

Auditor's Remuneration

The Company appointed Deloitte Touche Tohmatsu as the independent auditor for FY2023. For FY2023, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's independent auditor are set out below:

Items of auditor's services	Amount RMB'000
Audit service:	
Annual audit service	1,800
Non-audit services:	
Other services	414
Total	2,214

Internal Control and Risk Management

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. It should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors could have recourse to seek independent professionals which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During FY2023, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The Audit Committee also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review during FY2023 did not reveal any major issues and the Board considers the risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

- (1) A list of risks was created after the scope of risks was determined and risks were identified.
- (2) The impacts brought by possible financial losses due to risks with regards to operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.



Corporate Governance Report (Continued)

- (3) Risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.
- (4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.
- (5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.
- (6) The management submitted reports to the Audit Committee for regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

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

Company Secretary

Mr. Chan Chit Ming Joeie ("**Mr. Chan**") who possesses the requisite qualification and experience of a company secretary as required under rule 3.28 of the Listing Rules, has been the company secretary of the Company since 5 June 2023 after the resignation of Mr. Zhang Xian. Mr. Chan has received not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules to update his knowledge and skills.

Shareholders' Rights

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



Corporate Governance Report (Continued)

Convening an Extraordinary General Meeting (“EGM”) and Putting Forward Proposals at EGM

Pursuant to article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: 8/F, Times Media Centre, No. 133 Wan Chai Road, Hong Kong
(For the attention of Investor Relations Director)
Fax: (852) 3899 3522
Email: ir@wisdomeducationintl.com

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



Corporate Governance Report (Continued)

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, the chairmen of Audit Committee, Remuneration Committee, Nomination Committee or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries. The Company will provide corporate communications, including annual and interim reports, notice of meeting and circulars, to shareholders in printed form by post and on the websites of the Company to facilitate the shareholders' understanding.

The Company also maintains a website at www.wisdomeducationintl.com, as alternative communication channel for the shareholders of the Company and investors, for posting the corporate communications, disseminating information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information as well as other corporate communications in a timely and convenient manner.

For enquires about shareholdings, the shareholders of the Company may contact the share registrars of the Company and for other enquires, the shareholders, the investors, media or the public may contact the Company directly, contact details of which are posted on the Company's website.

Accordingly, the Board considers that the shareholder's communication policy is implemented effectively during FY2023.

The Company has not made any changes to its Articles of Association during FY2023. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.



Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF WISDOM EDUCATION INTERNATIONAL HOLDINGS COMPANY LIMITED

光正教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the 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 65 to 160, which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (Continued)

Key Audit Matters

Revenue recognition

The Group recognised revenue of RMB319,269,000 during the year ended 31 August 2023, representing income from school-related supply chain business and comprehensive educational services less returns and sales related tax.

The Group provides different kinds of services and sales of goods to its customers, including school-related supply chain business, e.g. sales of daily necessities, stationery products and other educational materials; and comprehensive educational services, e.g. provision of extracurricular activities program, study tours and etc.

We identified revenue as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole, it being one of the key performance indicators of the Group, combined with the volume of transactions recognised in current year.

Details of the Group's accounting policies on revenue recognition and details of revenue recognised during the year are included in notes 3 and 5 to the consolidated financial statements, respectively.

Other Information

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

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

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

How our audit addressed the key audit matter

Our procedures in relation to revenue recognition included:

- Obtaining an understanding of the key controls over the revenue recognition process;
- Understanding the revenue recognition policies of the Group and evaluating whether the identification of performance obligations, when a performance obligation is satisfied, measurement of progress towards complete satisfaction of a performance obligation, principal versus agents in each distinct performance obligation are in accordance with IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15");
- Checking, on a sample basis, whether revenue is recognised in accordance with IFRS 15 with reference to supporting evidence to determine whether the services have been provided or goods have been delivered;
- Performing trend analysis on recorded revenue; and
- Testing disclosures of revenue to confirm they have been disclosed in accordance with IFRS 15.



Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent Auditor's Report (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lau Kai Hung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 November 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Revenue	5	319,269	277,587
Cost of revenue		(149,124)	(124,213)
Gross profit		170,145	153,374
Other income	6	35,017	32,988
Other gains and losses	7	16,501	(31,307)
Administrative expenses		(30,347)	(41,897)
Finance income	8	8,597	16,643
Finance costs	9	(10,896)	(8,509)
Profit before taxation		189,017	121,292
Taxation	10	(25,897)	(26,197)
Profit and total comprehensive income for the year	11	163,120	95,095
Earnings per share			
Basic (RMB)	14	0.08	0.04
Diluted (RMB)	14	0.08	0.04

Consolidated Statement of Financial Position

As at 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,992	1,671
Right-of-use assets	16	104,742	107,490
Trade receivables, deposits, prepayments and other receivables	17	194,700	—
Financial assets at fair value through profit or loss ("FVTPL")	18	100	—
Pledged bank deposits	20	292,146	285,845
Deferred tax assets	27	540	303
		595,220	395,309
CURRENT ASSETS			
Inventories — goods for sale		4,935	4,129
Trade receivables, deposits, prepayments and other receivables	17	461,030	531,575
Financial assets at FVTPL	18	136,127	132,632
Investments in debt securities	19	—	21,197
Pledged bank deposits	20	—	61,638
Cash and cash equivalents	21	242,226	328,749
		844,318	1,079,920
CURRENT LIABILITIES			
Contract liabilities	22	23,819	14,020
Trade and other payables and accrued expenses	23	230,760	292,667
Income tax payable		49,182	64,914
Lease liabilities	24	920	2,243
Borrowings	25	36,980	127,573
Financial guarantee contracts	26	229,943	276,973
		571,604	778,390
NET CURRENT ASSETS		272,714	301,530
TOTAL ASSETS LESS CURRENT LIABILITIES		867,934	696,839

Consolidated Statement of Financial Position (Continued)

As at 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
CAPITAL AND RESERVES			
Share capital	28	19,263	19,263
Reserves		592,946	432,338
		612,209	451,601
NON-CURRENT LIABILITIES			
Lease liabilities	24	554	—
Borrowings	25	255,171	245,238
		255,725	245,238
		867,934	696,839

The consolidated financial statements on pages 65 to 160 were approved and authorised for issue by the Board of Directors on 29 November 2023 and are signed on its behalf by:

Liu Xuebin
DIRECTOR

Li Suwen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 August 2023

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Shares held for share award scheme reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 September 2021	19,263	458,338	—	7,466	(27,264)	120,845	578,648
Profit and total comprehensive income for the year (restated)	—	—	—	—	—	95,095	95,095
Transfer	—	—	—	1,020	—	(1,020)	—
Recognition of share-based payment expenses (note 29)	—	—	—	—	3,090	—	3,090
Share vested under share award scheme	—	—	—	—	(141)	141	—
Dividend recognised as distribution (note 13)	—	(230,232)	—	—	—	—	(230,232)
Adjustment arising from business combination under common control	—	—	5,000	—	—	—	5,000
At 31 August 2022 (restated)	19,263	228,106	5,000	8,486	(24,315)	215,061	451,601
Profit and total comprehensive income for the year	—	—	—	—	—	163,120	163,120
Transfer	—	—	—	(358)	—	358	—
Reversal of share-based payment expenses (note 29)	—	—	—	—	(2,512)	—	(2,512)
Share vested under share award scheme	—	—	—	—	(162)	162	—
At 31 August 2023	19,263	228,106	5,000	8,128	(26,989)	378,701	612,209

Notes:

- i. Merger reserve represents the paid-in capital of Zhongshan Wenrui upon the Company becoming the holding company of Zhongshan Wenrui which was effective from the date of the Zhongshan Contractual Arrangement (both Zhongshan Wenrui and Zhongshan Contractual Arrangement are defined in note 1).
- 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. 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.

Consolidated Statement of Cash Flows

For the year ended 31 August 2023

	2023 RMB'000	2022 RMB'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	189,017	121,292
Adjustments for:		
Finance costs	10,896	8,509
Finance income	(8,597)	(16,643)
Depreciation of property, plant and equipment	1,131	1,314
Depreciation of right-of-use assets	4,523	4,309
Amortised income of financial guarantee contracts	(26,868)	(21,248)
Impairment losses under expected credit loss ("ECL") model, net of reversal	(19,032)	24,499
Gain on change in fair value of financial assets at FVTPL	(3,495)	(1,624)
Dividend income from financial assets at FVTPL	(2,125)	(5,754)
Unrealised exchange loss, net	8,277	12,229
(Reversal) recognition of share-based payment expenses	(2,512)	3,090
Operating cash flows before movements in working capital	151,215	129,973
Increase in inventories	(806)	(4,129)
Decrease (increase) in trade receivables, deposits, prepayments and other receivables	76,358	(69,137)
Increase (decrease) in contract liabilities	9,799	(4,031)
Increase in trade and other payables and accrued expenses	18,797	21,743
Increase in amounts due from Affected Entities (as defined in note 1)	(4,788)	(266)
Increase in amounts due to Affected Entities	498	5,200
Cash generated from operations	251,073	79,353
Income tax paid	(41,866)	(46,653)
NET CASH FROM OPERATING ACTIVITIES	209,207	32,700

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 August 2023

	2023 RMB'000	2022 RMB'000 (restated)
INVESTING ACTIVITIES		
Interest received	2,349	12,832
Withdrawal of pledged bank deposits	62,849	—
Placement of pledged bank deposits	—	(280,000)
Payment for acquisition of property, plant and equipment	(2,452)	(770)
Prepayments for construction of Proposed Zhongshan High School (as defined in note 1)	(180,090)	—
Prepayments to a third party for leasehold improvements	(14,610)	—
Payment for right-of-use assets	—	(3,099)
Payment for purchase of financial assets at FVTPL	(100)	(97,554)
Proceeds from disposal of financial assets at FVTPL	—	39,800
Proceeds from disposal of investment in debt securities	20,983	110,561
Dividends and interest received from financial assets at FVTPL	2,125	5,754
Loan to a third party	(60,000)	—
Repayment from loan to a third party	30,000	8,338
(Advances to) repayment from Affected Entities	(73,893)	238,924
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(212,839)	34,786
FINANCING ACTIVITIES		
Proceeds from bank borrowings	9,500	232,467
Repayment of bank borrowings	(102,240)	(28,730)
Repayment of lease liabilities	(2,603)	(3,424)
Advances from (repayment to) Affected Entities	20,389	(109,742)
Interest paid	(10,837)	(8,319)
Dividend paid	—	(231,378)
Capital injection from Guangdong Guangzheng to Zhongshan Wenrui	—	5,000
NET CASH USED IN FINANCING ACTIVITIES	(85,791)	(144,126)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(89,423)	(76,640)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	328,749	402,189
Effect of foreign exchange rate changes	2,900	3,200
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	242,226	328,749

Notes to the Consolidated Financial Statements

For the year ended 31 August 2023

1. General Information

Wisdom Education International Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent is Bright Education (Holdings) Co. Limited (“Bright Education BVI”) (incorporated in the British Virgin Islands) and its ultimate controlling parties are Mr. Liu Xuebin (“Mr. Liu”), who is an executive director of the Company and Ms. Li Suwen (“Ms. Li”), who is the chairperson of the board of the Company, and is also the chief executive officer and executive director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is 8/F, Times Media Centre, No.133 Wan Chai Road, Hong Kong.

The Company and its subsidiaries (the “Group”) is mainly engaged in the provision of school-related supply chain business and comprehensive educational services to its customers in the PRC.

On 14 May 2021, the General Office of the State Council of the People’s Republic of China (the “PRC State Council”) announced the issuance of the Implementation Regulations of the PRC on the Law Regarding the Promotion of Private Education (the “Implementation Regulations”), which became effective on 1 September 2021. Among other things, the Implementation Regulations prohibit social organisations and individuals from controlling a private school that provides compulsory education by means of merger, acquisition, contractual arrangements and a private school providing compulsory education is prohibited from conducting transactions with its related parties. Compulsory education in this context means the nine years of curriculum education mandated by the PRC, consisting of six years of primary education and three years of secondary education.

Dongguan Ruixing Business Services Co., Ltd. (東莞瑞興商務服務有限公司) (“Dongguan Ruixing”), a wholly-owned subsidiary of the Company, had entered into the contractual arrangements (the “Contractual Arrangements”) with Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) (“Guangdong Guangzheng”) and its subsidiaries established prior to 31 August 2021 (collectively referred to as the “Affected Entities”) and their respective equity holders, which enabled Dongguan Ruixing and the Group to have control over the Affected Entities to conduct full spectrum private fundamental education, including primary, middle and high schools and ancillary services to students in the PRC prior to the effective date of the Implementation Regulations. However, as a result of the effect of the Implementation Regulations, the Dongguan Ruixing and the Group ceased its control over these Affected Entities by the end of 31 August 2021. Please refer to Annual Report 2021 for details.

On 21 December 2021, Zhongshan Wenrui Education Investment Co., Ltd. (中山市文睿教育投資有限公司) (“Zhongshan Wenrui”), an investment company established in the PRC by Guangdong Guangzheng, intends to establish and operate a new high school in Zhongshan (the “Proposed Zhongshan High School”) (Zhongshan Wenrui and Proposed Zhongshan High School collectively referred to as the “Zhongshan Consolidated Affiliated Entities”).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

1. General Information (continued)

On 29 December 2021, Guangdong Guangzheng, Zhongshan Wenrui and Zhongshan Natural Resources Bureau entered into a land use rights transfer agreement and a supplementary agreement (“Land Agreements”) to obtain the educational land use right for a parcel of land with a total site area of approximately 98,092 square metres at a consideration of approximately RMB103 million (the “Site”). Pursuant to the Land Agreements, except for the construction of Proposed Zhongshan High School, Zhongshan Wenrui has an obligation to construct a kindergarten (the “Proposed Zhongshan Kindergarten”) as a planning condition to the educational land use rights for the Site. As at 31 August 2023 and as at the date of these consolidated financial statements are authorised for issue, Proposed Zhongshan High School and Proposed Zhongshan Kindergarten have yet to be constructed.

On 30 August 2023, Dongguan Ruixing had entered into contractual arrangement (the “Zhongshan Contractual Arrangement”) with Guangdong Guangzheng and Zhongshan Wenrui, which enabled Dongguan Ruixing and the Group to have control over Zhongshan Wenrui though the Company did not have any equity interest in Zhongshan Wenrui.

Under the Implementation Regulations, private schools providing compulsory education and pre-school education are prohibited from being controlled through contractual arrangement and conducting transactions with its related parties. Taking into account followings and as advised by the Group’s PRC legal advisors, the Zhongshan Contractual Arrangement is legally enforceable from 30 August 2023:

- (i) Zhongshan Wenrui is a special purpose vehicle established as a holding company to hold interest in Proposed Zhongshan High School and intends to engage in investment in private high school education only as the school sponsor or the holding company thereof;
- (ii) the Zhongshan Contractual Arrangement with Zhongshan Wenrui is narrowly tailored because it is only used to enable the Group to exercise power over operation the Proposed Zhongshan High School and execute exclusive right to obtain return and economic benefits from Zhongshan Wenrui and Proposed Zhongshan High School under PRC laws and regulations;
- (iii) high school education service to be provided is not prohibited under prevailing PRC laws and regulations;
- (iv) the obligation to construct Proposed Zhongshan Kindergarten does not affect the legality of the Zhongshan Contractual Arrangement given that the planning condition does not impose an obligation on Zhongshan Wenrui to operate the kindergarten itself. The intention of the Group in obtaining the Site is to operate Proposed Zhongshan High School rather than operate the Proposed Zhongshan Kindergarten and the Group will explore different options with respect to the premises for the Proposed Zhongshan Kindergarten, for instance, transferring such premises to the Zhongshan government or leasing the premises to a third party to operate Proposed Zhongshan Kindergarten, to the extent permitted by the applicable laws and regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

1. General Information (continued)

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group intends to conduct its private high school education business through Zhongshan Consolidated Affiliated Entities in the PRC. The Zhongshan Contractual Arrangement, which effective from 30 August 2023, enables Dongguan Ruixing and the Group to:

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

The Company does not have any equity interest in Zhongshan Wenrui. However, as a result of the Zhongshan Contractual Arrangement, the Company has power over Zhongshan Wenrui, has rights to variable returns from its involvement with Zhongshan Wenrui and has the ability to affect those returns through its power over Zhongshan Wenrui and therefore is considered to have control over Zhongshan Wenrui. Consequently, the Company regards Zhongshan Wenrui as an indirect subsidiary.

Since Mr. Liu and Ms. Li control all the companies now comprising the Group before and after the Zhongshan Contractual Arrangement completed, the Group comprising the Company and its subsidiaries (including Zhongshan Wenrui) is regarded as a continuing entity. The consolidated financial statements of the Group since 21 December 2021, being the date of incorporation of Zhongshan Wenrui, have been prepared on the basis as if the Company had been always been the holding company of the Group using the principle of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Group applied the retrospective approach and comparative figures have been restated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

1. General Information (continued)

The following financial statement balances and amounts of Zhongshan Wenrui were included in the consolidated financial statements:

	For the year ended 31 August 2023 RMB'000	From 21 December 2021 (date of incorporation) to 31 August 2022 RMB'000
Revenue	—	—
Loss before taxation	(2,146)	(1,090)
	As at 31 August	
	2023 RMB'000	2022 RMB'000
Non-current assets	103,198	105,326
Current assets	173	175
Current liabilities	(101,591)	(101,591)
Non-current liabilities	—	—

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 September 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

2.1 Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 September 2022. The amendments update a reference in IFRS 3 *Business Combinations* (“IFRS 3”) so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (“IAS 37”) or IFRIC 21 *Levies* (“IFRIC 21”), an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to IAS 1	Non-current Liabilities with Covenants ⁴
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ⁴
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules ²
Amendments to IAS 21	Lack of Exchangeability ⁵

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2023 (except for IAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments).

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2024.

⁵ Effective for annual periods beginning on or after 1 January 2025.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the “2020 Amendments”) and Amendments to IAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 August 2023, the application of the 2020 Amendments and 2022 Amendments will not result in reclassification of the Group’s liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

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

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

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

Amendments to IAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

IAS 12 *Income Taxes* (“IAS 12”) is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* ("IFRS 2"), leasing transactions that are accounted for in accordance with IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* ("IAS 2") or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on 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.



Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets or financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 September 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Business combinations other than those under common control

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share capital/registered capital of the combining entities or businesses against the related investment costs have been made to "merger reserve" in the consolidated statement of changes in equity.

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

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

With the effective of the Zhongshan Contractual Arrangement as set out in note 1, Zhongshan Wenrui has been regarded as business combination under common control and accounted for based on the principles of merger accounting in accordance with AG5 issued by the HKICPA. The consolidated financial statements of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence from 21 December 2021, being the date when the Company became the Zhongshan Wenrui's immediate and ultimate holding company and Zhongshan Wenrui first came under common control of the Company.

Therefore, the consolidated statement of financial position as at 31 August 2022 have been restated to adjust the carrying amounts of the assets and liabilities of the Group which had been in existence as at 31 August 2023 and 31 August 2022 as if Zhongshan Wenrui was combined from the date when Zhongshan Wenrui first came under the common control of the Company on 21 December 2021 (see below for the financial impacts). There is no effect of restatements on the consolidated statement of financial position as at 1 September 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Merger accounting for business combination involving businesses under common control (continued)

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2022 by line items is as follows:

	As previously reported RMB'000	Effect of business combination under common control RMB'000	As restated RMB'000
Revenue	277,587	—	277,587
Cost of revenue	(123,149)	(1,064)	(124,213)
Gross profit	154,438	(1,064)	153,374
Other income	32,988	—	32,988
Other gains and losses	(31,307)	—	(31,307)
Administrative expenses	(41,868)	(29)	(41,897)
Finance income	16,640	3	16,643
Finance costs	(8,509)	—	(8,509)
Profit (loss) before taxation	122,382	(1,090)	121,292
Taxation	(26,197)	—	(26,197)
Profit (loss) and total comprehensive Income (expense) for the year	96,185	(1,090)	95,095

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Merger accounting for business combination involving businesses under common control (continued)

The effect of restatements on the consolidated statement of financial position as at 31 August 2022 is as follows:

	As previously reported RMB'000	Effect of business combination under common control RMB'000	As restated RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	1,671	—	1,671
Right-of-use assets	2,164	105,326	107,490
Pledged bank deposits	285,845	—	285,845
Deferred tax assets	303	—	303
	289,983	105,326	395,309
CURRENT ASSETS			
Inventories — goods for sale	4,129	—	4,129
Trade receivables, deposits, prepayments and other receivables	531,405	170	531,575
Financial assets at FVTPL	132,632	—	132,632
Investments in debt securities	21,197	—	21,197
Pledged bank deposits	61,638	—	61,638
Cash and cash equivalents	328,744	5	328,749
	1,079,745	175	1,079,920

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Merger accounting for business combination involving businesses under common control (continued)

The effect of restatements on the consolidated statement of financial position as at 31 August 2022 is as follows: (continued)

	As previously reported RMB'000	Effect of business combination under common control RMB'000	As restated RMB'000
CURRENT LIABILITIES			
Contract liabilities	14,020	—	14,020
Trade and other payables and accrued expenses	191,076	101,591	292,667
Income tax payable	64,914	—	64,914
Lease liabilities	2,243	—	2,243
Borrowings	127,573	—	127,573
Financial guarantee contracts	276,973	—	276,973
	676,799	101,591	778,390
NET CURRENT ASSETS	402,946	(101,416)	301,530
TOTAL ASSETS LESS CURRENT LIABILITIES	692,929	3,910	696,839
CAPITAL AND RESERVES			
Share capital	19,263	—	19,263
Reserves	428,428	3,910	432,338
	447,691	3,910	451,601
NON-CURRENT LIABILITY			
Borrowings	245,238	—	245,238
	692,929	3,910	696,839

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* (“IFRS 9”). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

Output method

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

The Group's revenue recognised over time mainly comes from certain school-related supply chain business and comprehensive educational services, including extracurricular activities program, study tours and etc. Output method is used when determining progress towards complete satisfaction of the performance obligation of the courses and programs or services provided, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. Accordingly, revenue is recognised on a straight-line basis over the service period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group acts as the principal for its transactions with customers as it controls the specified good and service before it is transferred to the customers after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the good or service. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

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

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Shares granted to employees (continued)

When the trustee transfers the Company's shares to grantees upon vesting, both the purchase costs and the related share-based payment expenses charged of the granted shares vested are reversed from the shares held for share award scheme reserve. The difference arising from this transfer is debited/credited to accumulated profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the shares held for share award scheme reserve.

Taxation

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

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

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

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



Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

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

Properties in the course of construction for production supply or administrative purposes ("construction in progress") are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, deposits and other receivables, investments in debt securities, pledged bank deposits and bank balances) and financial guarantee contracts which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually.

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

(i) **Significant increase in credit risk**

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.



Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables, and deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period in accordance with the principles of IFRS 15.

The allocation of the remeasurement of financial guarantee contract between revenue and impairment losses depends on whether the financial guarantee contract is measured at the unamortised amount or the ECL amount at the beginning and end of the reporting period as well as whether impairment losses recognised in prior periods are reversed in the current period. The revenue allocated is recognised as other income and impairment losses is recognised as other gains or losses.



Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgments in applying accounting policies

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgments in applying accounting policies (continued)

Contractual Arrangements

The Group intends to conduct its private high school education business through Zhongshan Consolidated Affiliated Entities, of which that Zhongshan Wenrui is a special purpose vehicle established as a holding company to hold interest in the Proposed Zhongshan High School and intends to be engaged in investment in private high school education as the school sponsor or the holding company thereof in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in Zhongshan Wenrui. The directors of the Company assessed whether or not the Group has control over Zhongshan Wenrui based on whether the Group has the power over Zhongshan Wenrui, has rights to variable returns from its involvement with Zhongshan Wenrui and has the ability to affect those returns through its power over Zhongshan Wenrui. After assessment, the directors of the Company concluded that the Group has control over Zhongshan Wenrui as a result of the Zhongshan Contractual Arrangement and other measures and accordingly, the assets, liabilities and the operating results of Zhongshan Wenrui are included in the consolidated financial statements since the date of Zhongshan Wenrui's incorporation.

Nevertheless, the Zhongshan Contractual Arrangement and other measures may not be as effective as direct legal ownership in providing the Group with direct control over Zhongshan Wenrui and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the operating results, assets and liabilities of Zhongshan Wenrui. The directors of the Company, based on the advice of its legal counsel, consider that the Zhongshan Contractual Arrangement among Dongguan Ruixing, Zhongshan Wenrui and Guangdong Guangzheng are in compliance with the relevant PRC laws and regulations and are legally enforceable as set out in note 1.

Key sources of estimation uncertainty

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for financial guarantee contract

The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the credit analysis of the specified borrowers (taking into account an analysis of each borrower's current financial position and forward looking expectations), the expected payments to reimburse the bank institutions for a credit loss that the bank institutions would suffer in the event of borrowers failing to repay amounts drawn down by the borrowers under the bank facilities provided by the bank institutions (loss given default estimate), estimates of probability of default on the borrowing contracts, exposures at default and discount rate. Management judgment is involved in the selection of those parameters and the application of the assumptions.

The Group determined ECL for financial guarantee contract with assistance from third party qualified valuers. The Management works closely with external valuers to establish the appropriate valuation techniques and inputs to the model to estimate the ECL for financial guarantee contract.

Based on the assessment of the Group and by reference to the higher of loss allowance and amortised balance of financial guarantee contract as at 31 August 2023, the carrying amounts of financial guarantee contracts is RMB229,943,000 (2022: RMB276,973,000). Details of financial guarantee contracts are set out in note 26.

5. Revenue and Segment Information

The Group provides different kinds of services and sales of goods to its customers, including school-related supply chain business, e.g. sales of daily necessities, stationery products and other educational materials; and comprehensive educational services, e.g. provision of extracurricular activities program, study tours and etc.

Revenue represent income from school-related supply chain business and comprehensive educational services less returns 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. For the purposes of resource allocation and assessment of segment performance, the CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CODM. Accordingly, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

5. Revenue and Segment Information (continued)

Revenue

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

	2023 RMB'000	2022 RMB'000
School-related supply chain business	193,602	154,431
Comprehensive educational services	125,667	123,156
	319,269	277,587

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major services:

	2023 RMB'000	2022 RMB'000
<i>Recognised at a point in time</i>		
School-related supply chain business	178,804	138,664
<i>Recognised over time</i>		
— School-related supply chain business	14,798	15,767
— Comprehensive educational services	125,667	123,156
	319,269	277,587

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

5. Revenue and Segment Information (continued)

Revenue (continued)

(ii) Performance obligation for contracts with customers

School-related supply chain business recognised at a point in time

Revenue from school-related supply chain business recognised at a point in time includes sales of daily necessities, e.g. stationery products and other educational materials, revenue is recognised when the control of goods has been transferred, being the time when the goods are accepted by the customers.

School-related supply chain business recognised over time

Revenue from school-related supply chain business recognised over time represents the school buses services provided by the Group.

Comprehensive educational services recognised over time

Revenue from comprehensive educational services includes provision of extracurricular activities program, study tours and etc. The performance obligations of these services are satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period. The Group estimates the refund liabilities by considering the historical experience and are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for fee received for which revenue has not yet been recognised.

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

The contracts for provision of education services and management services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

5. Revenue and Segment Information (continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Customer A	78,678	71,501

Geographical information

The Group primarily operates in the PRC. Revenue of the Group is mainly generated from services and goods provided to the external customers in the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2023 RMB'000	2022 RMB'000 (restated)
Mainland, PRC	103,630	105,912
Hong Kong Special Administrative Region, PRC	4,104	3,249
	107,734	109,161

Note: Non-current assets exclude the financial assets at FVTPL, pledged bank deposits, deferred tax assets and trade receivables, deposits, prepayments and other receivables shown under non current portion.

6. Other Income

	2023 RMB'000	2022 RMB'000
Amortised income of financial guarantee contracts (note 26)	26,868	21,248
Government grants (Note)	7,583	10,079
Others	566	1,661
	35,017	32,988

Note: Government grants mainly represent unconditional subsidies granted by certain local governments for encouraging domestic business development and giving financial support to the Group's operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

7. Other Gains and Losses

	2023 RMB'000	2022 RMB'000
Exchange loss, net	(9,012)	(12,299)
ECL for financial guarantee contracts (note 26)	20,162	(26,380)
Gain on change in fair value of financial assets at FVTPL	3,495	1,624
Dividend income from financial assets at FVTPL	2,125	5,754
Others, net	(269)	(6)
	16,501	(31,307)

8. Finance Income

	2023 RMB'000	2022 RMB'000 (restated)
Bank interest income	7,300	6,133
Interest income on refundable rental deposits	41	60
Interest income on investments in debt securities (note 19)	560	10,075
Interest income on loan to a third party	696	375
	8,597	16,643

9. Finance Costs

	2023 RMB'000	2022 RMB'000
Interest expense on bank borrowings	10,837	8,319
Interest on lease liabilities	59	190
	10,896	8,509

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

10. Taxation

	2023 RMB'000	2022 RMB'000
Taxation comprises:		
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	26,154	26,810
Hong Kong Profits Tax	—	55
Overprovision in prior years — PRC EIT	—	(365)
Overprovision in prior years — Hong Kong Profits Tax	(20)	—
Deferred tax credit (note 27)	(237)	(303)
	25,897	26,197

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

	2023 RMB'000	2022 RMB'000 (restated)
Profit before taxation	189,017	121,292
Tax at PRC EIT rate of 25% (2022: 25%)	47,254	30,323
Tax effect of expenses not deductible for tax purposes	6,472	8,384
Tax effect of income not taxable for tax purposes	(12,389)	(2,640)
Tax effect of tax loss not recognised	1,173	5,802
Utilisation of tax loss previously not recognised	(590)	—
Effect of preferential tax rate	(16,309)	(15,932)
Overprovision in prior years — PRC EIT	—	(365)
Overprovision in prior years — Hong Kong Profits Tax	(20)	—
Others	306	625
Taxation for the year	25,897	26,197

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

10. Taxation (continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

Pursuant to the Announcement of (2020) No. 23 promulgated by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission in April 2020, the subsidiaries of the Group incorporated in Ganzhou, Jiangxi province, the PRC, are eligible to enjoy a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2030.

Pursuant to the Yuecaifa (2017) No. 11 issued by the Department of Finance of Guangdong Province, the Administration of Local Taxation of Guangdong Province, the State Administration of Taxation of Guangdong Province effective from 1 January 2018, the subsidiaries of the Group incorporated in particular areas of Qingyuan, Guangdong province, the PRC, is eligible to enjoy the exemption of the portion of enterprise income tax shared by the locality and accordingly apply a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2025.

Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% for the years ended 31 August 2023 and 2022.

As at 31 August 2023, the Group had estimated unused tax losses of approximately RMB87,413,000 (2022: RMB83,859,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses for both years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB724,345,000 at 31 August 2023 (2022: RMB528,962,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

11. Profit for the Year

	2023 RMB'000	2022 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	16,284	33,548
— retirement benefits scheme contributions	1,452	4,116
— share-based payment expenses	(2,512)	3,090
Total staff costs	15,224	40,754
Depreciation of property, plant and equipment	1,131	1,314
Depreciation of right-of-use assets	4,523	4,309
Total depreciation and amortisation	5,654	5,623
Cost of inventories recognised as an expense	91,149	72,024
Auditor's remuneration	2,118	1,759
Impairment losses under ECL model, net of reversal		
— trade receivables	160	1,338
— deposits and other receivables	1,198	270
— investments in debt securities	(228)	(3,489)
— financial guarantee contracts	(20,162)	26,380
	(19,032)	24,499

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

12. Directors' and Employees' Emoluments

Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 August 2023

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (Note v)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors (Note i)						
Mr. Liu	2,097	—	—	—	—	2,097
Ms. Li (Note ii)	1,565	—	—	—	—	1,565
Mr. Li Jiuchang	225	462	—	579	—	1,266
Mr. Wang Yongchun (Note iii)	75	77	—	(1,865)	—	(1,713)
Independent non-executive directors (Note iv)						
Prof. Sun Kai Lit, Cliff, BBS, J.P.	180	—	—	—	—	180
Mr. Tam King Ching, Kenny	180	—	—	—	—	180
Mr. Huang Weiguo	180	—	—	—	—	180
	4,502	539	—	(1,286)	—	3,755

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

12. Directors' and Employees' Emoluments (continued)

Directors' emoluments (continued)

For the year ended 31 August 2022

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000 (Note v)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors (Note i)						
Mr. Liu	1,944	—	—	—	—	1,944
Ms. Li (Note ii)	1,451	—	—	—	—	1,451
Mr. Li Jiuchang	208	475	—	676	—	1,359
Mr. Wang Yongchun (Note iii)	208	308	—	544	—	1,060
Independent non-executive directors (Note iv)						
Prof. Sun Kai Lit, Cliff, <i>BBS, J.P.</i>	167	—	—	—	—	167
Mr. Tam King Ching, Kenny	167	—	—	—	—	167
Mr. Huang Weiguo	167	—	—	—	—	167
	4,312	783	—	1,220	—	6,315

Notes:

- i. The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.
- ii. Ms. Li is the Chairperson and Chief Executive Officer of the Company during both years.
- iii. Mr. Wang Yongchun was retired and no longer being a director of the Company from 6 February 2023.
- iv. The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.
- v. The bonus payments are determined based on the Group's performance and directors' personal performance.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

12. Directors' and Employees' Emoluments (continued)

Employees' emoluments

The five highest paid individuals of the Group included three directors (2022: four), whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals (2022: one) are as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Salaries and other allowances	1,421	1,117
Retirement benefits scheme contributions	27	14
	1,448	1,131

The number of the five highest paid individuals, other than directors, were within the following band:

	2023	2022
Nil to HK\$1,000,000	2	—
HK\$1,000,001 to HK\$1,500,000	—	1

During the years ended 31 August 2023 and 2022, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividends

During the year ended 31 August 2022, a special dividend in respect of the year ended 31 August 2021 of RMB0.106 (equivalent to HK\$0.127 per share) per share amounting to RMB230,232,000 (equivalent to HK\$277,499,000) was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2023 of RMB0.050 per share (equivalent to HK\$0.055 per share) (2022: nil) amounting to RMB108,908,000 (equivalent to HK\$119,798,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

14. 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:

	2023 RMB'000	2022 RMB'000 (restated)
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	163,120	95,095
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,168,429	2,167,959
Effect of dilutive potential ordinary shares:		
Share award scheme	540	470
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,168,969	2,168,429

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.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

15. Property, Plant and Equipment

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
COST				
At 1 September 2021	2,890	1,108	1,404	5,402
Additions	303	67	400	770
At 31 August 2022	3,193	1,175	1,804	6,172
Additions	2,274	51	127	2,452
At 31 August 2023	5,467	1,226	1,931	8,624
DEPRECIATION AND IMPAIRMENT				
At 1 September 2021	(2,197)	(93)	(897)	(3,187)
Provided for the year	(734)	(291)	(289)	(1,314)
At 31 August 2022	(2,931)	(384)	(1,186)	(4,501)
Provided for the year	(578)	(309)	(244)	(1,131)
At 31 August 2023	(3,509)	(693)	(1,430)	(5,632)
NET BOOK VALUES				
At 31 August 2023	1,958	533	501	2,992
At 31 August 2022	262	791	618	1,671

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

Leasehold improvements	2 years
Motor vehicles	5 years
Furniture and fixtures	5 years

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

16. Right-of-Use Assets

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 31 August 2023			
Carrying amounts	103,198	1,544	104,742
At 31 August 2022 (restated)			
Carrying amounts	105,326	2,164	107,490
For the year ended 31 August 2023			
Depreciation charge	2,128	2,395	4,523
For the year ended 31 August 2022 (restated)			
Depreciation charge	1,064	3,245	4,309
		2023 RMB'000	2022 RMB'000 (restated)
Expenses relating to short-term leases		514	249
Total cash outflow for leases		3,056	3,673
Additions to right-of-use assets		1,774	106,390

For the year ended 31 August 2023 and 2022, the Group leases properties and lands for its operations. Lease contracts of leased properties are entered into for fixed term of 12 months to 50 years for both years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at 31 August 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the year, to which the short-term leases expense of RMB514,000 (2022: RMB249,000) recognised in current year.

For the year ended 31 August 2023 and 2022, the leasehold lands are amortised on a straight-line basis over lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

17. Trade Receivables, Deposits, Prepayments and Other Receivables

	2023 RMB'000	2022 RMB'000 (restated)
Trade receivables (Note i)	2,172	53,008
Less: Allowance for credit losses	(1,498)	(1,338)
	674	51,670
Other deposits	330	1,389
Loan to a third party (Note ii)	30,000	—
Other receivables from a third party (Note iii)	9,053	23,290
Amounts due from Affected Entities (Note iv)	403,023	425,933
Prepayments to a third party for leasehold improvements (Note v)	14,610	—
Prepayments for construction of Proposed Zhongshan High School (Note vi)	180,090	—
Prepayments (Note vii)	19,451	29,302
Others	184	478
	656,741	480,392
Less: Allowance for credit losses	(1,685)	(487)
	655,056	479,905
Total trade receivables, deposits, prepayments and other receivables	655,730	531,575
Current	461,030	531,575
Non-current	194,700	—
	655,730	531,575

Notes:

- (i) The amounts mainly represent receivables from customers, which were from contracts for provision of goods and ancillary services. Receivables from sales of goods and 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) As at 31 August 2023, the amount represents a loan to a third party amounting to RMB30,000,000 that carry interest at 5% per annum and repayable within 12 months, which is non-trade in nature and unsecured.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

17. Trade Receivables, Deposits, Prepayments and Other Receivables (continued)

Notes: (continued)

- (iii) As at 31 August 2023, the amount represents the amounts held in a third party who manage the prepaid charge cards of consumers. The balance will be transferred back to the bank accounts of the Group upon the Group's instruction and based on the balance in the statement mutually agreed by the Group and the third party.
- (iv) As at 31 August 2023 and 2022, the amounts are non-trade in nature, unsecured, interest-free and repayable on demand.
- (v) The prepayments for leasehold improvements are mainly arising from amounts paid to a third party in relation to the design, decoration and construction works to the Group's retail service centers served for students located in different schools.
- (vi) Prepayments for construction of Proposed Zhongshan High School represents the amounts paid to Guangdong Guangzheng and will be applied to pay the relevant contractors for the construction of the Proposed Zhongshan High School. As at 31 August 2023 and up to the date these consolidated financial statements are authorised for issue, the construction work has not yet commenced and is expected to take place in tranches shortly.
- (vii) Other prepayments mainly represent the advances paid to suppliers for purchasing of school supplies, daily necessities and foods that have not been received.

As at 1 September 2021, trade receivables from contracts with customers amounted to RMB4,331,000.

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

	2023 RMB'000	2022 RMB'000
Within 3 months	—	48,788
6 months – 1 year	13	952
Over 1 year	661	1,930
	674	51,670

As at 31 August 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB674,000 (2022: RMB2,882,000) which are past due as at the reporting date.

The credit risk management policy and ECL assessment process of the Group is detailed in note 32(b).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

18. Financial Assets at FVTPL

	2023 RMB'000	2022 RMB'000
Current (Note i)	136,127	132,632
Non-current (Note ii)	100	—
	136,227	132,632

Notes:

- (i) The amounts represent the Group's investment in unlisted private funds as at 31 August 2023 and 2022, which were managed by financial institutions incorporated in Hong Kong. They were mandatorily classified as financial assets at FVTPL as its contractual cash flows are not solely payments of principal and interest. The funds are classified as current at the period ended as the investments are redeemable within 12 months after the end of the reporting period.
- (ii) On 25 March 2023, Xiamen Wisdom Private Fund Management Co., Ltd. (廈門市睿見私募基金管理有限公司) ("Xiamen Wisdom"), a subsidiary of the Company entered into a partnership agreement and a supplemental agreement ("Partnership Agreement") with an independent third party to establish a private fund (the "Fund") with a 5-year expected investment period in the PRC. According to the Partnership Agreement, Xiamen Wisdom subscribed for equity interest in the Fund as general partner at a consideration of RMB100,000. The Fund is classified as non-current and measured at fair value as at 31 August 2023.

As at 31 August 2023, financial assets at FVTPL amounting to RMB27,999,000 (2022: RMB28,721,000) has been pledged as security for the Group's borrowings as set out in note 25.

Details of the currency risk and fair value measurements for the financial assets at FVTPL are set out in note 32(b) and (d), respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

19. Investments in Debt Securities

	2023 RMB'000	2022 RMB'000
Listed debt securities	—	21,197

As at 31 August 2022, the Group's investments in debt securities represented investment in listed guaranteed bonds that carried fixed interest at 13.5% per annum and were classified as current assets, of which will mature within 12 months after the end of the reporting period. During the year ended 31 August 2023, the Group had fully redeemed investments in debt securities.

Finance income amounting to RMB560,000 (2022: RMB10,075,000) was recognised during the year ended 31 August 2023.

The investment in debt securities of carrying amount of RMB21,197,000 as at 31 August 2022 is denominated in United States Dollars ("US\$").

Details of the currency risk and ECL assessment are set out in note 32(b).

20. Pledged Bank Deposits

Pledged bank deposits represent deposits pledged to banks to secure bank facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

As at 31 August 2023, no deposit (2022: RMB61,638,000 (equivalent to HK\$70,067,000)) that has been pledged to secure short-term borrowings are classified as current assets, and deposits amounting to RMB292,146,000 (2022: RMB285,845,000) that have been pledged to secure long-term borrowings are classified as non-current assets.

The pledged bank deposits carried a weighted-average interest rate of 2.15% per annum (2022: 1.86% per annum) at 31 August 2023.

Details of ECL assessment are set out in note 32(b).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

21. Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and bank balances.

As at 31 August 2023, the Group's bank balances carried a weighted-average interest rate of 0.20% (2022: 0.22%) per annum.

	2023 RMB'000	2022 RMB'000 (restated)
RMB denominated bank balances and cash	210,202	258,320
HK\$ denominated bank balances and cash	18,452	63,657
US\$ denominated bank balances and cash	13,572	6,772
	242,226	328,749

Details of ECL assessment are set out in note 32(b).

22. Contract Liabilities

	2023 RMB'000	2022 RMB'000
School-related supply chain business	7,830	3,103
Comprehensive educational services	15,989	10,917
	23,819	14,020

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

The contract liabilities at 1 September 2021 amounted to RMB18,051,000.

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

	At 31 August 2023 RMB'000	At 31 August 2022 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	14,020	18,051

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

22. Contract Liabilities (continued)

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

- 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.

The significant increase in contract liabilities as at 31 August 2023 was mainly due to i) a change in the time to deliver the goods, e.g education materials, to its customers resulting an increase in contract liabilities of RMB4,727,000 and ii) the time to provide comprehensive educational services to students is affected by the novel coronavirus resulting an increase in contract liabilities of RMB5,072,000.

23. Trade and Other Payables and Accrued Expenses

	2023 RMB'000	2022 RMB'000 (restated)
Trade payables (Note i)	68,626	55,455
Accrued staff benefits and payroll	4,456	4,370
Other tax payables	11,614	18,209
Deposits received	2,372	2,585
Amounts due to Affected Entities (Note ii)	126,817	207,521
Other payables	16,875	4,527
	230,760	292,667

Notes:

- 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 31 August 2023 and 2022, the trade payables were aged within 180 days based on invoice date.
- As at 31 August 2023, the amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

24. Lease Liabilities

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	920	2,243
Within a period of more than one year but not more than two years	554	—
	1,474	2,243
Less: Amount due for settlement with 12 months shown under current liabilities	(920)	(2,243)
Amount due for settlement after 12 months shown under non-current liabilities	554	—

25. Borrowings

	2023 RMB'000	2022 RMB'000
Secured bank borrowings	292,151	372,811
Carrying amounts repayable:		
— Within one year	36,980	127,573
— More than one year, but not exceeding two years	255,171	18
— More than two years, but not exceeding five years	—	245,220
	292,151	372,811
Less: Amounts due within one year shown under current liabilities	(36,980)	(127,573)
	255,171	245,238
The exposure of borrowings:		
— Fixed-rate	264,689	245,255
— Variable-rate	27,462	127,556
	292,151	372,811

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

25. Borrowings (continued)

The Group has variable-rate borrowings which carry interest with reference to Hong Kong Interbank Offered Rate ("HIBOR") plus certain base points as at 31 August 2023 and 2022.

At the end of the reporting period, the ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed-rate bank borrowings	2.5%–3.7%	2.2%
Variable-rate bank borrowings	5.6%–8.3%	1.9%–3.1%

As at 31 August 2023 and 2022, the Group's bank borrowings are secured by pledged bank deposits, properties of Guangdong Guangzheng and investment in unlisted private funds that is recognised as financial assets at FVTPL.

Certain borrowings are also guaranteed by the Company, Dongguan Ruixing, Guangdong Guangzheng and Mr. Liu at no cost. The guaranteed amounts provided by the related parties at 31 August 2023 and 2022 are as follows:

Name of related parties	2023 RMB'000	2022 RMB'000
Mr. Liu	27,462	127,556
Guangdong Guangzheng	9,500	—

26. Financial Guarantee Contracts

	2023 RMB'000	2022 RMB'000
Financial guarantee contracts	229,943	276,973

The financial guarantee contracts provided to Affected Entities were recognised in the consolidated financial statements at 31 August 2023 and 2022. As at 31 August 2023, the aggregate amount of outstanding financial guarantees issued to banks in respect of banking facilities granted to Affected Entities that the Group could be required to pay upon amounted to RMB4,300,777,000 (2022: RMB4,604,525,000) if the guarantees were called upon in entirety, RMB2,876,547,000 (2022: RMB3,180,295,000) of the outstanding financial guarantees has been utilised by the Affected Entities.

During the year ended 31 August 2023, amortised income of financial guarantee contracts amounting to RMB26,868,000 (2022: RMB21,248,000) is recognised in other income and ECL for financial guarantee contracts amounting to RMB20,162,000 is reversed (2022: RMB26,380,000 is recognised) in other gains or losses, which are set out in notes 6 and 7, respectively.

Details of the loss allowance for financial guarantee contracts are set out in note 32(b).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

27. Deferred Taxation

The following are the major deferred tax assets recognised and movements thereon during the year:

	ECL Provisions RMB'000
At 1 September 2021	—
Credit to profit or loss	(303)
At 31 August 2022	(303)
Credit to profit or loss	(237)
At 31 August 2023	(540)

28. Share Capital

	Par value	Number of shares	Nominal amount HK\$		
Ordinary shares					
Authorised:					
At 1 September 2021, 31 August 2022, and 31 August 2023	HK\$0.01	10,000,000,000	100,000,000		
	Par value	Number of shares	Nominal amount equivalent to RMB	Shown in the consolidated financial statements as RMB'000	
Issued and fully paid:					
At 1 September 2021, at 31 August 2022 and at 31 August 2023	HK\$0.01	2,178,154,000	21,781,540	19,263,024	19,263

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

29. Share-Based Payments

Share Award Scheme

The Company has adopted the share award scheme (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"). Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

In order to allow the release of shares to beneficiaries upon vesting of each share award under the Share Award Scheme, the Company will allot and issue such number of shares representing up to 10% of the shares in issue of the Company. The maximum number of shares which may be awarded to each of the Selected Participants under the Share Award Scheme in any 12-month period shall not exceed 1% of the number of issued share capital of the Company in issue.

The Company has set up a trustee (the "Trustee") to administrate and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee may also purchase the Company's shares being awarded from the open market using cash contributed by the Company.

Details of share award granted during the years ended 31 August 2023 and 2022 are as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year ended 31 August		Vesting period
			2023	2022	
6.9.2018	HK\$4.38	8,400,000	540,000	470,000	6.9.2019 to 31.8.2028

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

29. Share-Based Payments (continued)

Share Award Scheme (continued)

	Average fair value per share	Date of grant	Outstanding at 1/9/2022 '000	Granted during the year '000	Vested during the year '000 (Note i)	Forfeited during the year '000 (Note ii)	Outstanding at 31/8/2023 '000
Executive directors							
Mr. Li Jiuchang	HK\$4.38	6.9.2018	1,100	—	(200)	—	900
Mr. Wang Yongchun	HK\$4.38	6.9.2018	880	—	—	(880)	—
Employees	HK\$4.38	6.9.2018	3,040	—	(340)	(1,080)	1,620
Total			5,020	—	(540)	(1,960)	2,520

	Average fair value per share	Date of grant	Outstanding at 1/9/2021 '000	Granted during the year '000	Vested during the year '000 (Note i)	Forfeited during the year '000	Outstanding at 31/8/2022 '000
Executive directors							
Mr. Li Jiuchang	HK\$4.38	6.9.2018	1,200	—	(100)	—	1,100
Mr. Wang Yongchun	HK\$4.38	6.9.2018	960	—	(80)	—	880
Employees	HK\$4.38	6.9.2018	3,330	—	(290)	—	3,040
Total			5,490	—	(470)	—	5,020

Notes:

- i. The amount represents awarded shares vested during the year.
- ii. During the year ended 31 August 2023, one director and two employees (2022: nil) of the Group resigned and the corresponding awarded shares were forfeited accordingly.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

29. Share-Based Payments (continued)

Share Award Scheme (continued)

No shares was purchased by the Trustee for the Share Award Scheme during the year ended 31 August 2023 and 2022.

During the year ended 31 August 2023, share-based payment expenses amounted to RMB2,512,000 was reversed (2022: RMB3,090,000 was recognised) under the Share Awarded Scheme and 540,000 shares (2022: 470,000 shares) were vested and will transfer to the Selected Participants upon vesting. As at 31 August 2023, the shares held by the Trustee was 10,195,000 shares (2022: 10,195,000 shares), of which are 1,010,000 shares (2022: 470,000 shares) have been vested and yet to transfer to the Selected Participants, the net total number of shares held by the Trustee was 9,185,000 shares (2022: 9,725,000 shares) but have not yet vested under the Share Award Scheme.

30. Retirement Benefits Plans

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

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

The amounts of contributions made by the Group in respect of the retirement benefits scheme for the years are disclosed in note 11.

31. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 25, net of cash and cash equivalents, pledged bank deposits and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000 (restated)
Financial assets		
Financial assets at FVTPL	136,227	132,632
Financial assets at amortised cost	975,951	1,199,702
	1,112,178	1,332,334

Financial assets at amortised cost as at 31 August 2023 and 2022 respectively are as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Trade receivables	674	51,670
Other deposits	330	1,389
Loan to a third party	29,397	—
Other receivables from a third party	8,871	22,803
Other receivables	184	478
Amounts due from Affected Entities	402,123	425,933
Total trade receivables, deposits and other receivables	441,579	502,273
Investments in debt securities	—	21,197
Cash and cash equivalents	242,226	328,749
Pledged bank deposits	292,146	347,483
Financial assets at amortised cost	975,951	1,199,702
Financial liabilities		
Trade and other payables	214,690	270,088
Borrowings	292,151	372,811
At amortised cost	506,841	642,899
Financial guarantee contracts	229,943	276,973

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, investments in debt securities, trade receivables, deposits and other receivables, cash and cash equivalents, pledged bank deposits, trade and other payables, borrowings and financial guarantee contracts. Details of these financial instruments are disclosed in the respective notes.

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

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

Market risk

(i) Currency risk

Part of the Group's deposits placed with the banks and certain financial assets at FVTPL are denominated in HK\$ and US\$, and investment in debt securities are denominated in US\$, which is different from the functional currency of the Company and most of its subsidiaries (i.e. RMB). Also, certain lease liabilities and borrowings of the Group are denominated in HK\$.

The carrying amounts of the Group's financial instruments and intra-group balances being denominated in HK\$ and US\$ at the end of the reporting period are as follows:

	Liabilities		Assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
HK\$ denominated bank balances and cash	—	—	18,452	63,657
HK\$ denominated pledged bank deposits	—	—	—	61,638
HK\$ denominated other receivables	—	—	301	—
HK\$ denominated borrowings	282,651	372,811	—	—
HK\$ denominated lease liabilities	1,474	2,243	—	—
HK\$ denominated other payables	1,082	—	—	—
HK\$ denominated Intra-group balances	14,337	4,906	14,337	4,906
US\$ denominated bank balances and cash	—	—	13,572	6,772
US\$ denominated investment in debt securities	—	—	—	21,197

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

As at 31 August 2023 and 2022, apart from above, the Group did not have significant amount of monetary liabilities and other monetary assets and liabilities that are denominated in currencies other than RMB.

The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in HK\$ and US\$ against RMB. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding HK\$ and US\$ denominated pledged bank deposits, cash and cash equivalents, financial assets at FVTPL, investments in debt securities and other receivables and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and where RMB strengthens 5% (2022: 5%) against HK\$. A negative number below indicates a decrease in post-tax profit and where RMB strengthens 5% (2022: 5%) against US\$. For a 5% (2022: 5%) weakening of RMB against HK\$ or US\$, there would be an equal and opposite impact on the post-tax profit.

	HK\$		US\$	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Profit or (loss)	13,323	12,488	(679)	(1,398)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings (note 25 for details), lease liabilities (note 24 for details), loan to a third party (note 17 for details), investments in debt securities (note 19 for details) and pledged bank deposits (note 20 for details). The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly cash and cash equivalents (note 21 for details) and variable-rate borrowings (note 25 for details) which carried at prevailing market interest rates. The Group's cash flow interest rate risk is mainly concentrated on fluctuation of the variable-rate bank balances and variable-rate bank borrowings (note 25 for details). It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out in note 32(c).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period and assumed that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2023 would decrease/increase by RMB137,000 (2022: RMB638,000). This is mainly attributable to the Group's exposure to interest rates on its borrowings with variable rate.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in unlisted private funds (note 18 for details). The Group has appointed the management to monitor the price risk and manage the risk exposure by maintaining these investments held.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risk at the reporting date. If the prices of the respective investments had been 5% (2022: 5%) higher/lower, the post-tax profit for the year ended 31 August 2023 would increase/decrease by RMB6,579,000 (2022: increase/decrease by RMB6,395,000) as a result of the changes in fair value of investments at FVTPL.

Credit risk and impairment management

Credit risk refers to the risk that the Group's counterparties or borrowers on liabilities which the Group has guaranteed default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, investments in debt securities, pledged bank deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

The management of the Group makes periodic individual assessment on the recoverability of these financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

The Group has concentration of credit risk as 95.9% (2022: 94.4%) and 98.1% (2022: 96.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively as at 31 August 2023. The remaining trade debtors individually contributed less than 10% of the total trade receivables of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Trade receivables (continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new corporate customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade receivables individually by reference to the Group's internal credit ratings. Impairment of RMB160,000 (2022: RMB1,338,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Deposits and other receivables

The Group has applied 12m ECL in IFRS 9 to measure the loss allowance for deposits and other receivables, investments in debt securities, pledged bank deposits and bank balances, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

The ECL on deposits and other receivables is assessed individually based on historical settlement records, reasons for extended repayment period and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

Deposits and other receivables mainly comprise of staff advances, other deposits, loan to a third party, amounts due from Affected Entities and other receivables. Having considered the financial position, risk characteristics, past repayment history and other factors of staff advances, other deposits, loan to a third party, amounts due from Affected Entities and the other receivables, the Group has provided RMB1,685,000 (2022: RMB487,000) impairment allowance on deposits and other receivables after individually assessment as at 31 August 2023. Impairment loss of RMB1,198,000 (2022: RMB270,000) is recognised during the year ended 31 August 2023.

Investments in debt securities

The Group's debt instruments at amortised cost represent listed guaranteed bonds, after considering the financial position, risk characteristics, past repayment history of the investments, ECL of RMB228,000 (2022: RMB3,489,000) on investments in debt securities is reversed in profit or loss as the Group had fully redeemed investments in debt securities during the year ended 31 August 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Pledged bank deposits and bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are reputable financial institutions. The management of the Group considers the pledged bank deposits and most of the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. As at 31 August 2023 and 2022, the Group performed impairment assessment on pledged bank deposits and bank balances by reference to the average loss rate for respective credit rating grades published by international credit-rating agencies and concluded that the ECL is insignificant.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Financial guarantee contracts

As at 31 August 2023, the financial guarantee contracts provided to the Affected Entities were initially recognised in the consolidated financial statements at fair value. At the end of the reporting period, the management has performed impairment assessment, and concluded that there has been a significant increase in credit risk on the financial guarantee contracts with the maximum amount of RMB1,809,159,000 (2022: RMB1,914,719,000) since initial recognition and the loss allowance for these financial guarantee contracts issued by the Group is measured at lifetime ECL. There has been no significant increase in credit risk since initial recognition of the remaining financial guarantee contracts provided to the Affected Entities, and the loss allowance is measured at an amount equal to 12m ECL in respect of those guarantee contracts.

During the year ended 31 August 2023, amortised income amounting to RMB26,868,000 (2022: RMB21,248,000) was recognised and ECL of RMB20,162,000 was reversed (2022: RMB26,380,000 was recognised) in the profit or loss. Details of the financial guarantee contracts are set out in note 26.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or externally	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

The tables below detail the credit risk exposures of the Group's trade receivables, deposits and other receivables, investments in debt securities, pledged bank deposits, bank balances and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount	2022 Gross carrying amount (restated)
Financial assets at amortised costs						
Trade receivables	17	N/A	Low risk (Note i)	lifetime ECL — not credit-impaired	30	49,830
		N/A	Doubtful (Note i)	lifetime ECL — not credit-impaired	1,378	3,178
		N/A	Loss (Note i)	lifetime ECL — credit-impaired	764	—
Deposits and other receivables	17	N/A	Low risk (Notes ii and iii)	12m ECL	442,590	427,800
		N/A	Watch list (Notes ii and iii)	12m ECL	—	23,290
Investments in debt securities	19	N/A	Low risk (Notes ii and iv)	12m ECL	—	21,420
Pledged bank deposits	20	Baa2 – Aa3	N/A	12m ECL	292,146	347,483
Bank balances	21	Baa2 – AAA	N/A	12m ECL	242,165	328,712
Other item						
Financial guarantee contracts	26	N/A	Low risk (Note v)	12m ECL	2,491,618	2,689,806
		N/A	Doubtful (Note v)	lifetime ECL — not credit-impaired	1,809,159	1,914,719

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Notes:

- (i) The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items based on internal credit rating on individual assessment of each customer.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed individually.

	2023		2022	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Low risk	6.67%	30	2.09%	49,830
Doubtful	53.12%	1,378	9.35%	3,178
Loss	100.00%	764	—	—
		2,172		53,008

The estimated loss rates are estimated based on average of market corporate default rates and are adjusted for forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from industry expert reports and governmental bodies, as well as consideration of various external sources of actual and forecast economic information such as forecast GDP growth that relate to the Group's core operations. Such forward-looking information is used by the management of the Group to assess the forecast direction of conditions at the reporting date. The assessment is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

The following tables show reconciliation of loss allowances that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 September 2021	—	—	—
Changes due to financial instruments recognised as at 1 September 2021			
— Impairment losses recognised	297	—	297
New financial assets originated or purchased	1,041	—	1,041
As at 31 August 2022	1,338	—	1,338
Changes due to financial instruments recognised as at 1 September 2022			
— Transfer to credit-impaired	(47)	47	—
— Impairment losses recognised	603	476	1,079
— Impairment losses reversed	(1,161)	—	(1,161)
New financial assets originated or purchased	1	241	242
As at 31 August 2023	734	764	1,498

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Notes: (continued)

(i) (continued)

Changes in the loss allowance for trade receivables are mainly due to:

	2023		2022
	Increase (decrease) in lifetime ECL		
	not credit-impaired RMB'000	credit-impaired RMB'000	Increase in lifetime ECL not credit-impaired RMB'000
One trade debtor with a gross carrying amount of RMB523,000 (2022: nil) defaulted and transferred to credit-impaired	(47)	47	—
Settlement in full of trade debtors with a gross carrying amount of RMB51,090,000 (2022: nil)	(1,161)	—	—
Existing trade receivables with gross carrying amount of RMB1,918,000 (2022: RMB3,178,000)	603	476	297
New trade receivables with gross carrying amount of RMB254,000 (2022: RMB49,830,000)	1	241	1,041
	(604)	764	1,338

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2023	2022
	Not past due/ No fixed repayment terms RMB'000	Not past due/ No fixed repayment terms RMB'000 (restated)
Deposits and other receivables	442,590	451,090
Investment in listed debt securities	—	21,420

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Notes: (continued)

(ii) (continued)

The Group assessed the loss allowance for deposits and other receivables and investment in listed debt securities on 12m ECL for internal credit rating of low risk and lifetime ECL basis for internal credit rating of watch list (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position of the debtors, its settlement status and other contractual conditions to ensure it is financially viable to settle these financial assets.

For deposits and other receivables, the Group has applied nil to 9.23% (2022: nil to 2.09%) of credit loss rate as at 31 August 2023 and concluded that adequate impairment loss is made for irrecoverable amount. No impairment loss (2022: nil) has been provided for the remaining deposits and other receivables with internal credit rating of low risk for the year ended 31 August 2023.

For investments in debt securities, the Group has applied 1.04% of credit loss rate as at 31 August 2022 and the investments in debt securities have been redeemed during the year ended 31 August 2023, and accordingly the ECL balance is reversed.

(iii) The following tables show reconciliation of loss allowances that has been recognised for deposits and other receivables.

	12m ECL RMB'000 (restated)
As at 1 September 2021	
Changes due to financial instruments recognised as at 1 September 2021	217
— Impairment losses recognised (Note (a))	(217)
New financial assets originated or purchased (Note (b))	487
As at 31 August 2022	
Changes due to financial instruments recognised as at 1 September 2022	487
— Impairment losses recognised (Note (a))	(487)
New financial assets originated or purchased (Note (b))	1,685
As at 31 August 2023	
	1,685

Notes:

- Changes in the loss allowance for deposits and other receivables is mainly due to changes of credit risk with gross carrying amount amounted to RMB23,290,000 (2022: RMB1,259,000) during the year ended 31 August 2023.
- The amounts represent origination of new deposits and other receivables (net of those settled) with gross carrying amount amounted to RMB48,315,000 (2022: RMB23,290,000) resulted in an increase loss allowances of RMB1,685,000 (2022: RMB487,000) during the year ended 31 August 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment management (continued)

Notes: (continued)

- (iv) The following tables show reconciliation of loss allowances that has been recognised for investments in debt securities.

	12m ECL RMB'000
As at 1 September 2021	3,725
Impairment losses reversed (Note)	(3,489)
Exchange adjustments	(13)
As at 31 August 2022	223
Impairment losses reversed (Note)	(228)
Exchange adjustments	5
As at 31 August 2023	—

Notes: The amounts mainly represent redemption of investments in debt securities with gross carrying amount of RMB20,983,000 (2022: RMB110,561,000), resulted in a reversal of loss allowances of RMB228,000 (2022: RMB3,489,000) during the year ended 31 August 2023.

- (v) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

The following table show reconciliation of loss allowances that has been recognised for financial guarantee contracts:

	Lifetime ECL (not credit-impaired) RMB'000
As at 1 September 2021	271,841
Changes due to financial instruments recognised as at 1 September 2021	
— Impairment losses reversed	(101,092)
New financial guarantee contracts originated	30,446
As at 31 August 2022	201,195
Changes due to financial instruments recognised as at 1 September 2022	
— Impairment losses reversed	(30,270)
As at 31 August 2023	170,925

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

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

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 August 2023							
Trade and other payables		214,690	—	—	—	214,690	214,690
Borrowings							
— fixed rate	2.5	563	1,124	14,474	255,660	271,821	264,689
— variable rate	6.8	152	311	28,235	—	28,698	27,462
Lease liabilities	4.8	77	165	805	562	1,609	1,474
Financial guarantee contracts		4,300,777	—	—	—	4,300,777	229,943
		4,516,259	1,600	43,514	256,222	4,817,595	738,258
At 31 August 2022 (restated)							
Trade and other payables		270,088	—	—	—	270,088	270,088
Borrowings							
— fixed rate	2.2	513	—	4,608	269,760	274,881	245,255
— variable rate	2.3	35,337	304	93,734	—	129,375	127,556
Lease liabilities	4.3	285	571	1,427	—	2,283	2,243
Financial guarantee contracts		4,604,525	—	—	—	4,604,525	276,973
		4,910,748	875	99,769	269,760	5,281,152	922,115

The amounts of RMB4,300,777,000 (2022: RMB4,604,525,000) for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(c) Interest rate benchmark reform

As listed in note 32(b), several of the Group's HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank borrowings linked to HIBOR will continue till maturity and hence, not subject to transition.

(d) Fair value measurements of financial instruments

The note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 August 2023	31 August 2022		
Financial assets at FVTPL	Assets RMB27,999,000	Assets RMB28,721,000	Level 2	Quoted price based on financial institution at the end of the reporting period.
Financial assets at FVTPL	Assets RMB108,128,000	Assets RMB103,911,000	Level 3	Net asset value as stated on the quotation report issued by financial institutions.
Financial assets at FVTPL	Assets RMB100,000	Assets —	Level 3	Market approach by reference to recent financing pricing of the investments.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

32. Financial Instruments (continued)

(d) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements

	Total
	RMB'000
At 1 September 2021	40,276
Purchases	97,554
Change in fair value	5,881
Disposals/Settlements	(39,800)
At 31 August 2022	103,911
Purchases	100
Change in fair value	4,217
At 31 August 2023	108,228

Of the total gains or losses for the period included in profit or loss, RMB4,217,000 gain (2022: RMB5,881,000 gain) relates to financial assets at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL are included in 'other gains and losses'.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

33. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Borrowings	Lease liabilities	Amounts due to Affected Entities	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 September 2021	—	174,258	5,477	208,772	—	388,507
Financing cash flows	(231,378)	203,737	(3,424)	(109,742)	(8,319)	(149,126)
Non-cash movement:						
Interest on lease liabilities	—	—	190	—	—	190
Foreign exchange difference	1,146	20,291	—	—	—	21,437
Dividend distribution	230,232	—	—	—	—	230,232
Interest expenses on bank borrowings	—	—	—	—	8,319	8,319
Settlement through pledged bank deposits (note 34(a))	—	(25,475)	—	—	—	(25,475)
Cash received on behalf of Affected Entities	—	—	—	5,200	—	5,200
Adjustment arising from business combination under common control (note 34(b))	—	—	—	103,291	—	103,291
At 31 August 2022 (restated)	—	372,811	2,243	207,521	—	582,575
Financing cash flows	—	(92,740)	(2,603)	20,389	(10,837)	(85,791)
Non-cash movement:						
New leases entered	—	—	1,775	—	—	1,775
Interest on lease liabilities	—	—	59	—	—	59
Foreign exchange difference	—	12,080	—	—	—	12,080
Interest expenses on borrowings	—	—	—	—	10,837	10,837
Cash paid on behalf of Affected Entities	—	—	—	498	—	498
Settlement through net off amounts due from Affected Entities (note 34(c))	—	—	—	(101,591)	—	(101,591)
At 31 August 2023	—	292,151	1,474	126,817	—	420,442

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

34. Major Non-Cash Transactions

- (a) During the year ended 31 August 2022, borrowings of RMB25,475,000 have been settled through deposits pledged to banks to secure bank facilities granted to the Group.
- (b) The amounts represent the unsettled balances payables to Guangdong Guangzheng in relation to the educational land use rights obtained by Zhongshan Wenrui pursuant to Land Agreements, accordingly amounts due to Affected Entities increased by RMB103,291,000 upon the Company became the holding company of Zhongshan Wenrui which was effective from the date of Zhongshan Contractual Arrangement.
- (c) During the year ended 31 August 2023, amounts due to Affected Entities of RMB101,591,000 (2022: nil) have been settled through an agreement entered between the Group and Affected Entities.

35. Related Party Disclosure

During the years ended 31 August 2023 and 2022, the Group entered into the following transactions with Mr. Liu, Ms. Li and related parties, which are controlled by Mr. Liu, Ms. Li and/or their close family members:

Relationships	Nature of transactions	2023 RMB'000	2022 RMB'000
Entities controlled by Mr. Liu	Revenue from organisation of graduation ceremony	638	—
A school within Affected Entities controlled by Mr. Liu and Ms. Li (Note i)	Rental expense	152	—
An entity controlled by Mr. Liu	Hospitality expenses	18	—
An entity controlled by Ms. Li	Interest expenses on lease liabilities	19	—

Relationships	Nature of balances	2023 RMB'000	2022 RMB'000
An entity controlled by Ms. Li	Lease liabilities (note 24)	1,474	—
An entity controlled by Ms. Li	Other deposits	285	—
Mr. Liu	Amount due to a director (note iv)	989	950

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

35. Related Party Disclosure (continued)

Notes:

- i. During the year ended 31 August 2023, Dongguan Ruixing and Dongguan Ruixing Logistics Service Co., Ltd., subsidiaries of the Company, entered into properties lease contracts with Dongguan Guangming School (東莞市光明中學), a school within Affected Entities respectively for a 5-year period. The Group recognised rental expenses of RMB152,000 (2022: nil) for the year ended 31 August 2023 and these lease contracts have been terminated on 1 August 2023 and 1 September 2023.
- ii. During the year ended 31 August 2023, Affected Entities collected amounts on behalf of the Group amounting to RMB5,603,000 (2022: RMB266,000) and the Group collected amounts on behalf of Affected Entities amounting to RMB522,000 (2022: RMB5,200,000).
- iii. On 1 September 2021, the Company and Affected Entities entered into a financial assistant framework agreement for the provision of financial assistance to Affected Entities for one year up to 31 August 2022. On 1 September 2022, the Company and Affected Entities entered into a supplemental agreement for financial assistance for an extended term commencing on 1 September 2022 and expiring on 31 August 2023. Pursuant to financial assistance framework agreement, the Group may, from time to time, provide short term advances or accept, which are non-trade in nature, unsecured, interest free and repayable, to or from Affected Entities up to an annual cap not exceeding RMB1,000,000,000.

As the amounts of the advances are large, their turnover is quick, are short term settlement are expected, their cash flows have been presented net in the consolidated statement of cash flows. As at 31 August 2023, there are advances from Affected Entities which remained outstanding amounted to RMB1,453,000 (2022: RMB60,736,000).
- iv. As at 31 August 2023, amount due to a director is non-trade in nature, unsecured, interest-free and repayable on demand and included in the trade and other payables and accrued expenses in the consolidated financial statements.
- v. During the year ended 31 August 2023, the Group advances to Guangdong Guangzheng amounting to RMB180,090,000 for the purpose of construction of Proposed Zhongshan High School and these amounts will be applied to pay to the relevant contractors by Guangdong Guangzheng on behalf of the Group. As at 31 August 2023, the prepayments for construction of Proposed Zhongshan High School is included in trade receivables, deposits, prepayments and other receivables in the consolidated financial statements.

Amounts due from/to Affected Entities

Details of balances with Affected Entities are set out in notes 17 and 23.

Guarantees in support of the bank borrowings

Details of financial guarantee provided by Mr. Liu and Guangdong Guangzheng in respect of the bank borrowings are set out in note 25.

Details of financial guarantee contracts in support of the bank borrowings of the Affected Entities provided by the Company and Dongguan Ruixing are set out in note 26.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

35. Related Party Disclosure (continued)

Compensation of key management personnel

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

	2023 RMB'000	2022 RMB'000
Short-term benefits	6,731	7,094
Post-employment benefits	32	29
Share-based payment expenses	(2,323)	1,527
	4,440	8,650

36. Particulars of Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group				Principal activities
			Directly		Indirectly		
			2023	2022 (restated)	2023	2022 (restated)	
東莞瑞興商務服務有限公司 Dongguan Ruixing Business Services Co., Ltd. *	The PRC	HK\$1,000,000	—	—	100%	100%	Information technology outsourcing and educational consultancy service (Note iii)
東莞市睿興後勤服務有限公司 Dongguan Ruixing Logistics Service Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
東莞市睿興商務服務有限公司 Dongguan Ruixing ² Business Service Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (Note iii)
東莞市睿興科技服務有限公司 Dongguan Ruixing Technology Service Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy service (Note iii)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

36. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group				Principal activities
			Directly		Indirectly		
			2023	2022 (restated)	2023	2022 (restated)	
東莞市文達教育諮詢有限公司 Dongguan Wenda Education Consulting Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Educational consultancy and activities planning service (Note iii)
贛州興聚企業管理有限公司 Ganzhou Xingju Corporate Management Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
贛州裕順企業管理有限公司 Ganzhou Yushun Corporate Management Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
贛州廣道企業管理有限公司 Ganzhou Guangdao Corporate Management Co., Ltd. *	The PRC	RMB — (Note i)	—	—	100%	100%	Information technology service and education consultancy service (Note iii)
贛州凱發企業管理有限公司 Ganzhou Kaifa Corporate Management Co., Ltd. *	The PRC	RMB1,000,000	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
清遠眾輝商務服務有限公司 Qingyuan Zhonghui Commercial Trading Co., Ltd	The PRC	RMB — (Note i)	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
清遠昌潤商務服務有限公司 Qingyuan Changrun Commercial Trading Co., Ltd	The PRC	RMB — (Note i)	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
清遠博翔商務服務有限公司 Qingyuan Boxiang Commercial Trading Co., Ltd	The PRC	RMB — (Note i)	—	—	100%	100%	Provision of school supply chain related service and educational consultancy service (Note iii)
Bright Education (HK) Co. Limited 光正教育(香港)有限公司	Hong Kong	HK\$1	—	—	100%	100%	Investment holding (Note ii)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

36. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group				Principal activities
			Directly		Indirectly		
			2023	2022 (restated)	2023	2022 (restated)	
Wisdom Bright Asset Management Limited 睿見資產管理有限公司	Hong Kong	HK\$10,980,000	100%	100%	—	—	Investment advice and fund management activities (Note ii)
<i>Zhongshan Consolidated Affiliated Entities</i>							
中山市文睿教育投資有限公司 Zhongshan Wenrui Education Investment Co., Ltd. *	The PRC	RMB5,000,000	—	—	100%	100%	Education investment (Note iii)

* The English names are for identification purpose only.

Notes:

- i. As at the date of issuance of these consolidated financial statements, no registered capital has been paid.
- ii. These subsidiaries operate in Hong Kong.
- iii. These subsidiaries are limited liability companies incorporated and operates in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries have issued any debt securities during the year and at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

37. Statement of Financial Position and Reserves of the Company

	2023 RMB'000	2022 RMB'000
Non-current assets		
Property, plant and equipment	2,554	1,018
Right-of-use assets	1,544	2,164
Investments in subsidiaries	9,560	9,560
	13,658	12,742
Current assets		
Prepayments and other receivables	295	1,321
Amounts due from subsidiaries	13,512	4,116
Amounts due from Affected Entities	6,008	6,008
Financial assets at FVTPL	108,128	103,911
Investments in debt securities	—	21,197
Pledged bank deposits	—	61,638
Cash and cash equivalents	20,414	58,066
	148,357	256,257

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

37. Statement of Financial Position and Reserves of the Company (continued)

	2023 RMB'000	2022 RMB'000
Current liabilities		
Other payables and accrued expenses	6,696	5,241
Lease liabilities	920	2,243
Borrowings	18	92,386
Financial guarantee contracts	149,597	173,270
	157,231	273,140
Net current liabilities	(8,874)	(16,883)
Total assets less current liabilities	4,784	(4,141)
Capital and reserves		
Share capital	19,263	19,263
Reserves	(270,204)	(268,642)
	(250,941)	(249,379)
Non-current liabilities		
Lease liabilities	554	—
Borrowings	255,171	245,238
	4,784	(4,141)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 August 2023

37. Statement of Financial Position and Reserves of the Company (continued)

Movement in the Company's reserves

	Share premium RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2021	458,338	(27,264)	(440,711)	(9,637)
Loss and total comprehensive expense for the year	—	—	(31,863)	(31,863)
Recognition of share-based payments	—	3,090	—	3,090
Share vested under share award scheme	—	(141)	141	—
Dividend recognised as distribution	(230,232)	—	—	(230,232)
At 31 August 2022	228,106	(24,315)	(472,433)	(268,642)
Profit and total comprehensive income for the year	—	—	950	950
Reversal of share-based payments	—	(2,512)	—	(2,512)
Share vested under share award scheme	—	(162)	162	—
At 31 August 2023	228,106	(26,989)	(471,321)	(270,204)

38. Events After the Reporting Period

On 14 April 2022, the Company entered into a subscription agreement with GLAM-HKCFC MBS FUND (the "Glam Fund"), pursuant to which the Company agreed to subscribe for 117,000 participating shares designated as Class A share of the Glam Fund (the "Class A Participating Shares") at a total subscription amount of HK\$117 million. The investment in the Glam Fund is recognised as financial assets at FVTPL as set out in note 18.

On 29 November 2023, the Company has entered into a sale and purchase agreement with Marvel Bonus Holdings Limited (the "Marvel Bonus"), a company incorporated in British Virgin Islands with limited liability, pursuant to which the Company agreed to transfer the 117,000 Class A Participating Shares in the Glam Fund to Marvel Bonus at a consideration of HK\$120 million (the "Disposal"). The completion of the Disposal shall take place on the 35th day after the date of the sale and purchase Agreement upon the condition precedents are fulfilled (or waived) (or such other date as may be agreed in writing by the Company and Marvel Bonus), and upon the completion of the Disposal, the Company will cease to hold any interest in the Glam Fund. For further details of the Glam Fund, please refer to the Company's announcement dated 29 November 2023.