Management Discussion and Analysis

BUSINESS REVIEW

Overview

Established in 2003, we were the largest listed education group in South China operating premium, private primary and secondary schools as measured by student enrolment. Our target students are primarily from the middle class or above families in China. For the year ended 31 August 2021, we had a total of approximately 73,931 students including the number of students enrolled in other schools to which the Group provides management services.

On 14 May 2021, the PRC State Council announced the issuance of 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.

Since the publication of the Implementation Regulations, we continued to seek guidance from the government authorities and discuss with our PRC legal advisors and auditors to assess the impact of the Implementation Regulations. As at the date of this report, we have come to the conclusion that the legal enforceability of the Contractual Arrangements is in high doubt and the Company should cease to execute the Contractual Arrangements to ensure full compliance with the Implementation Rules since the effective date of such rules. Accordingly, the financial results of the Affected Entities will no longer be consolidated into the Group's consolidated financial statements since 1 September 2021, and the carrying amount related to the net assets of the Affected Entities were deconsolidated from the consolidated financial statements of the Group as of 31 August 2021. For more details, please refer to notes 1 and 11 to the consolidated financial statements and the section headed "Regulatory Update".

Despite the above, our core principles "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) remain unchanged. At the date of this report, the operations of the schools operated by the Affected Entities remain normal, and we believe the management of these schools remain fully dedicated to the students, teachers, and our society.

We are committed to complying with all applicable PRC laws and regulations. Our Remaining Business has been conducted through our wholly-foreign-owned-entities in the PRC, and, as advised by our PRC legal advisors, the business is in compliance with the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Implementation Regulations, and other applicable PRC laws and regulations. Our Remaining Business aims to offer high quality educational services to students as a valuable supplement to the curriculum educational services provided by schools to promote an all-round development of students. Students' 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. For details of our future development, please refer to the section headed "Outlook".

For details of the financial performance of our Remaining Business and Affected Entities during the current year, please refer to the section headed "Financial Review".

Provision of Management Services to Independent Third Party Schools

The Group has entered into management services agreements with certain private schools owned by independent third parties in respect of the provision of management services by the Group to the relevant schools in return for management fee income with effect from the 2020/2021 school year. For the year ended 31 August 2021, there were approximately 4,236 students in 10 other schools which have entered into management services agreements with the Group.

This is a new service line commenced by the Group during the year and forms part of the Remaining Business.

Addition of a Private Primary School

The Group has entered into an agreement with certain independent third parties pursuant to which, among others, the independent third parties agreed to transfer 70% sponsor interest (the "**Sponsor Interest**") of 惠州市惠陽區實驗小學 (Huiyang Experimental Primary School) ("**Huiyang Primary School**") in Huizhou city to the Group for a cash consideration of approximately RMB130.9 million. Huiyang Primary School is in close proximity to the local government of Huiyang district, Huiyang Sports Centre and Huizhounan Railway Station, and is situated on a site area of approximately 45 mu (equivalent to approximately 30,000 square metres) with a construction area of approximately 35,000 square metres. Huiyang Primary School currently has 2,569 primary school students. The Company believed that with Huiyang Primary School's long standing operating history, good reputation and its close proximity to Shenzhen, the addition of Huiyang Primary School may have synergy effect with the Group's Huizhou Guangzheng Preparatory School in Huizhou and may further expand the Group's coverage in Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**").

The transfer of the Sponsor Interest has been completed in January 2021.

The Huiyang Primary School was part of the Affected Entities which were deconsolidated from the Group on 31 August 2021.

Schools Operated by the Affected Entities

During the year ended 31 August 2021, we had a total of 69,695 students enrolled in 15 boarding schools in 13 campuses operated by the Affected Entities and an aggregate student capacity of approximately 86,500 following the addition of Huiyang Primary School in January 2021.

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

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

Student Enrolment of Schools Operated by the Affected Entities

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective school year. On such basis, the student enrolment of self-owned schools has increased from 60,116 for the year ended 31 August 2020 to 69,695 for the year ended 31 August 2021, representing an increase of 15.9%. The increase was primarily due to the increase in Huizhou Guangzheng Preparatory School by over 3,000, the increase in Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School by over 2,000 following the phase by phase completion of the construction projects to expand the school capacity, and the acquisition of Huiyang Primary School in January 2021 with 2,569 primary school students. The following table sets forth the student enrolment by section for the years ended 31 August 2021 and 2020:

Student Enrolment by Section	School Year 2020/2021	% of Total	School Year 2019/2020	% of Total
High school	15,303	22.0	13,534	22.5
Middle school	27,134	38.9	25,376	42.2
Primary school	26,874	38.6	20,875	34.7
International programmes	384	0.5	331	0.6
Total number of students	69,695	100.0	60,116	100.0

FINANCIAL REVIEW

Loss for the year of the Group amounted to RMB2,278.6 million for the year ended 31 August 2021 (profit for the year ended 31 August 2020: RMB501.7 million), comprised of loss from Remaining Business of RMB222.1 million (profit from Remaining Business for the year ended 31 August 2020: RMB40.3 million), and loss from Affected Entities of RMB2,056.5 million (profit from Affected Entities for the year ended 31 August 2020: RMB461.3 million).

Financial Review of the Remaining Business

Revenue

	For the year ended 31 August			
By Service lines	2021 RMB'000	% of Total	2020 RMB'000	% of Total
Ancillary services	216,835	98.7	179,496	100
Management service fees	2,831	1.3	—	—
Total revenue	219,666	100	179,496	100

Ancillary services revenue of the Remaining Business mainly includes the provision of extracurricular activities, arrangement of school buses, social practice, and summer and winter camps.

The Group's revenue from the Remaining Business increased by RMB40.2 million, or 22.4%, from RMB179.5 million for the year ended 31 August 2020 to RMB219.7 million for the year ended 31 August 2021. During the current and prior years, such revenue was mainly derived from ancillary services provided to students in the schools operated by the Affected Entities. The increase of revenue was mainly due to the increase in the number of students we provided services to and the impact of the novel coronavirus ("**COVID-19**") on last year's operations.

Cost of Revenue

Cost of revenue increased by RMB13.6 million, or 21.1%, from RMB64.4 million for the year ended 31 August 2020 to RMB78.0 million for the year ended 31 August 2021 which was in line with the increase in revenue.

Gross Profit

As a result of the foregoing, gross profit increase by 23.1% from 115.1 million for the year ended 31 August 2020 to RMB141.7 million for the year ended 31 August 2021. Our gross profit margin remained stable at 64.5% for the year ended 31 August 2021 compared with that of 64.1% for the year ended 31 August 2020.

Other Income

Other income mainly includes 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 increase in government grants.

Other Gains and Losses

Other gains and losses primarily consist of (i) gain on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") arising from interest income from investment products of RMB42.3 million, (ii) net exchange losses of RMB26.6 million resulting from the depreciation of Hong Kong dollars (HK$) and United States Dollars (US$) against RMB during the year ended 31 August 2021.

Selling Expenses

Selling expenses primarily consist of expenses in relation to the marketing and promotion of our services.

Selling expenses increased from RMB1.9 million for the year ended 31 August 2020 to RMB4.1 million for the year ended 31 August 2021.

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 increased by 40.5% from RMB38.1 million for the year ended 31 August 2020 to RMB53.5 million for the year ended 31 August 2021, primarily due to the impact of COVID-19 on our operations during the prior year.

Finance Income

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

Finance income decreased from RMB8.7 million for the year ended 31 August 2020 to RMB8.2 million for the year ended 31 August 2021.

Loss on deconsolidation of Affected Entities

The loss was from recognition of financial guarantee contracts upon the deconsolidation of Affected Entities. Please refer to notes 11 and 31 to the consolidated financial statements for details.

Finance Costs

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

Finance costs decreased from RMB50.0 million for the year ended 31 August 2020 to RMB1.5 million for the year ended 31 August 2021, primarily due to the full repayment of the convertible loan notes during the year ended 31 August 2020.

Loss before Taxation

As a result of the foregoing, loss before taxation amounted to RMB158.7 million for the year ended 31 August 2021.

Taxation

Income tax expense of the Group increased by 32.3% from RMB47.9 million for the year ended 31 August 2020 to RMB63.4 million for the year ended 31 August 2021.

Loss for the Year from Remaining Business

As a result of the above factors, loss for the year of the Group from the Remaining Business amounted to RMB222.1 million for the year ended 31 August 2021.

Core Net Profit from Remaining Business

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

	For the year ended 31 August	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit for the year	(2,278,566)	501,681
Less:		
Loss/(profit) for the year from Affected Entities	2,056,480	(461,333)
(Loss)/profit for the year from Remaining Business	(222,086)	40,348
Adjustments for:		
Loss on deconsolidation of Affected Entities (Note 1)	271,841	—
Exchange loss from Remaining Business	26,569	3,182
Share-based payments	2,832	5,298
Gain on change in fair value of convertible loan notes	—	(10,972)
Additional interest expenses on convertible loan notes based on effective coupon rate	—	22,579
Core net profit from Remaining Business	79,156	60,435

Note 1: The adjustment represented recognition of financial guarantee contracts upon the deconsolidation of Affected Entities. Please refer to notes 11 and 31 to the consolidated financial statements for details.

Core net profit from Remaining Business increased by RMB18.7 million, or 31.0%, from RMB60.4 million for the year ended 31 August 2020 to RMB79.2 million for the year ended 31 August 2021. Core net profit margin of Remaining Business increased from 33.7% for the year ended 31 August 2020 to 36.0% for the year ended 31 August 2021.

Financial Review of the Affected Entities

Revenue

	For the year ended 31 August			
By Service lines	2021 RMB'000	% of Total	2020 RMB'000	% of Total
Tuition and boarding fees	1,579,183	77.3	1,292,413	80.1
Ancillary services	464,898	22.7	320,819	19.9
Total revenue	2,044,081	100	1,613,232	100

Tuition and boarding fees

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

Ancillary Services

Ancillary services revenue of the Affected Entities mainly includes fees received from on campus canteen services.

Compared with that for the year ended 31 August 2020, revenue of the Affected Entities for the year ended 31 August 2021 increased by 26.7% primarily due to the increase in overall student enrolment.

Loss/Profit for the Year of the Affected Entities

The business operation of schools of the Affected Entities remained stable during the current year. Before the one-off loss recognised upon deconsolidation of the net assets of the Affected Entities, profit contributed by the Affected Entities increased by 23.7% from RMB461.3 million for the year ended 31 August 2020 to RMB570.9 million for the year ended 31 August 2021, which is primarily due to the increase in revenue.

Taking into account the one-off loss on deconsolidation of Affected Entities of RMB2,627.4 million, loss for the year of the Affected Entities amounted to RMB2,056.5 million for the year ended 31 August 2021 (profit of the Affected Entities for the year ended 31 August 2020: RMB461.3 million).

Capital Expenditure

For the year ended 31 August 2021, the Group paid approximately RMB1,427.3 million for the acquisition of property, plant and equipment and paid approximately RMB21.4 million for the right-of-use assets for the schools operated by the Affected Entities. Capital expenditure was mainly incurred by the Affected Entities during the year ended 31 August 2021.

Liquidity, Financial Resources and Capital Structure

The Group recorded net cash inflow from operating activities of RMB1,003.5 million for the year ended 31 August 2021.

During the year ended 31 August 2021, the capital expenditures for the acquisition of property, plant and equipment and right-of-use assets were financed partly by cash flow from operating activities and partly by new bank borrowings raised.

For the year ended 31 August 2021, the Group recorded a net decrease in cash and cash equivalents of RMB703.3 million, primarily due to the decrease of cash and cash equivalents of the Affected Entities upon its deconsolidation as at 31 August 2021.

As at 31 August 2021, the Group's total pledged bank deposits, bank balances and cash amounted to RMB485.2 million, of which the majority were denominated in HK$ and RMB(as at 31 August 2020: RMB1,126.1 million).

As at 31 August 2021, the Group's total bank borrowings amounted to RMB174.3 million repayable within one year. The Group's bank borrowings carried variable interest rates ranging from 1.5% to 2.7% 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. The Group held these investment products for short-term cash management purpose, which were classified as financial assets at FVTPL or investments in debt securities as at 31 August 2021.

The Group recorded net current assets of RMB573.3 million as at 31 August 2021 (net current liabilities as at 31 August 2020: RMB63.1 million) primarily as a result of the deconsolidation of the Affected Entities as at 31 August 2021.

Included in the net current assets of the Group as at 31 August 2021 the following balances were related to the Affected Entities:

(i) As as 31 August 2021, there were outstanding financial guarantees provided by the Group to the Affected Entities in respect of certain banking facilities granted by banks to the Affected Entities, details of which were disclosed in note 31 to the consolidated financial statements. The fair value of financial guarantee contracts of RMB271.8 million has been recognised as a current liability as at 31 August 2021 and the same amount was included in loss on deconsolidation of Affected Entities in the consolidated statement of profit or loss for the year ended 31 August 2021.

    Such guarantees were provided prior to the deconsolidation, when the Affected Entities were still members of the Group. Subsequent to the deconsolidation and as at the date hereof, such guarantees remain in existence without renewal or variation of the terms thereof. As at the date of this report, the operations of the Affected Entities remain normal and the Group does not expect any material cash outflows as a result of these financial guarantee contracts.

(ii) As at 31 August 2021, amounts due from the Affected Entities of RMB664.6 million and due to the Affected Entities of RMB208.8 million were recognised upon the deconsolidation and included in trade receivables, deposits, prepayments and other receivables of current assets and trade and other payables and accrued expenses of current liabilities, respectively. Barring unforeseeable circumstances and assuming all things remain largely equal, the Group currently expects that the net receivables from the Affected Entities will be gradually settled in due course no later than 2 years from the commencement of the deconsolidation.

Subsequent to the deconsolidation, no new guarantee or other financial assistance has been provided by the Group to any of the Affected Entities.

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 2021 was 30.1% (as at 31 August 2020: 90.2%).

The decrease in gearing ratio was primarily due to the deconsolidation of the Affected Entities as at 31 August 2021.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK$ and US$. As at 31 August 2021, certain bank balances and cash and investment products were denominated in HK$ or US$. 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 31 to the consolidated financial statements, the Group did not have any material contingent liabilities that are required to be disclosed.

Pledge of Assets

As at 31 August 2021, 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.

OUTLOOK

As a result of the Implementation Regulations and taking into account of the opinions from our PRC legal advisors, we have ceased to control any of our schools of the Affected Entities through the Contractual Arrangements since 31 August 2021, which has significantly reduced the risks and uncertainties relating to our current Contractual Arrangements. We will explore future opportunities in setting up independent high schools and vocational education schools in a manner that are in compliance with the applicable laws and regulations of the PRC.

We have accumulated valuable management experience from the past 20 years of operation of schools with the ability to provide an array of value-added services to schools and students, including school catering management, educational supply chain management, school property management, teachers training and recruitment, etc. In the past we mainly provided services to students in our own brand schools under Guangdong Guangzheng. In the future, we will integrate our resources and shift our strategic focus towards building up a comprehensive educational supply chain platform and continuously enhancing the quality of our educational products and services offerings, to serve more students not only in the schools of Guangdong Guangzheng. We aim to become a one-stop educational services provider to promote the all-round development of students.

Future Capital Expenditure and Financing

We will operate under an asset-light model and expect that the Group's future capital expenditure will primarily be financed by cash flow generated from operating activities.

Staff Recruitment, Training and Retention

We realize the importance of our staff in provision of high quality education services. We have a mentoring program 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 discussion groups, seminars and outdoor training camps, 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

Looking into the future, we will increase our investments to strengthen our professional service team, build up educational service platforms and expand our service offerings in the educational sector. Leveraging on our strong execution ability and years of experiences in the industry, we will continue to provide high quality and diversified educational services, not only to create economic benefits to our shareholders, but also to create value to the students and society as a whole.

REGULATORY UPDATE

The Implementation Regulations

On 14 May 2021, the PRC State Council announced the issuance of 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.

Since the publication of the Implementation Regulations, we continued to seek guidance from the government authorities and discuss with our PRC legal advisors and auditors to assess the impact of the Implementation Rules.

Taking into account that: (i) Guangdong Guangzheng is a special purpose vehicle established as a holding company to hold interest in the other Affected Entities and is engaged in investment in both compulsory education and high school education as the school sponsor or the holding company thereof; (ii) the Contractual Arrangements with Guangdong Guangzheng are narrowly tailored because it is only used to enable the Group to control the Affected Entities which engage in the operation of compulsory education and high schools; and (iii) all of the high school education service is provided in conjunction with compulsory education under the same school entities, as advised by our PRC legal advisors, the Contractual Arrangements with Guangdong Guangzheng and their respective equity holders are likely to be against the spirit of the Implementation Regulations and would more likely than not violate the Implementation Regulations. The legal enforceability of the Contractual Arrangements is in high doubt from 1 September 2021, the effective date of the Implementation Regulations. Considering all relevant facts and circumstances, our PRC legal advisors are of the opinion that should the Group continue to execute the Contractual Arrangements, it could have a high risk of being judged by the relevant government authorities to violate the Implementation Regulations and impose fines, confiscation of relevant income, or other requirements on the Group.

Therefore, we assessed the implications of this new regulation on our financial statements and concluded that, based on all relevant facts and circumstances, the ability of the Group to use its power from the Contractual Arrangements to direct the relevant activities that would most significantly affect returns of the Affected Entities had ceased on 31 August 2021, immediately before the Implementation Regulations became effective.

Taking into account the advice from the Group's PRC legal advisors, the Board is of the opinion that ceasing to execute any of the Contractual Arrangements is an appropriate and necessary compliance measure, which has followed the spirit of the Implementation Regulations, and will reduce the risk of any non-compliance with the applicable PRC laws and regulations to an acceptable low level, and therefore in the interest of the Company and its shareholders as a whole given the circumstances.

The Opinion

In July 2021, the General Office of the Chinese Communist Party and the PRC State Council published the Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "**Opinion**"). The Opinion contains certain requirements and restrictions related to online and offline after-school tutoring services.

Our Remaining Business is not engaged in any after-school tutoring services relating to compulsory education, and we will continue to comply with all applicable PRC rules and regulations in relation to the provision of educational services.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the addition of Huiyang Primary School (which had been deconsolidated as at 31 August 2021) as disclosed in note 38 to the consolidated financial statements, the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2021.

INVESTMENTS HELD

As at 31 August 2021, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities of approximately RMB201.8 million in aggregate. For the reasons for holding these investments products, please refer to the section headed "Liquidity, Financial Resources and Capital Structure" above.

EMPLOYEE BENEFITS

As at 31 August 2021, the Group, including both the Remaining Business and Affected Entities had approximately 6,800 employees (as at 31 August 2020: approximately 6,600), among which approximately 700 employees were relating to the Remaining Business. 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) of both the Remaining Business and Affected Entities for the year ended 31 August 2021 amounted to approximately RMB816.3 million (for the year ended 31 August 2020: RMB617.3 million).

USE OF PROCEEDS

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

As at 31 August 2021, the Company has applied the net proceeds of approximately RMB334.4 million from the Placing as follows:

- Approximately RMB46.7 million has been utilised towards construction and development of the schools of the Affected Entities prior to the deconsolidation in the PRC; and

- Approximately RMB287.7 million has been utilised for general corporate purpose.

We anticipated to use up the unutilized net proceeds from the Placing within 2 years from the completion date of the Placing. We intended to use up the unutilized net proceeds for general corporate purpose.