



CHINA CHUNLAI EDUCATION GROUP CO., LTD. 中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1969

2019 ANNUAL REPORT



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Company Profile

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province, and participate in the operation of one college in Hubei province and one college in Jiangsu Province. The total student enrolment of the Group's colleges increased from 29,673 for the 2014/2015 school year to 49,880 for the 2018/2019 school year. To capture growth opportunities, each of the Group's current colleges in Henan Province has acquired or is in the process of acquiring additional land and other resources to further increase student enrolment. The Group's employment-oriented curricula are focused on equipping our students with practical skills that meet the demand of economic development in China.

The Group's revenue increased from RMB487.8 million for the year ended 31 August 2018 to RMB559.4 million for the year ended 31 August 2019.

Corporate Information



BOARD OF DIRECTORS

Executive Directors

Mr. Hou Junyu (侯俊宇) (*Chief Executive Officer*)

Ms. Jiang Shuqin (蔣淑琴)

Non-executive Director

Mr. Hou Chunlai (侯春來) (*Chairman*)

Independent non-executive Directors

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

Mr. Lau, Tsz Man (劉子文)

AUDIT COMMITTEE

Mr. Lau, Tsz Man (劉子文) (*Chairman*)

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

REMUNERATION COMMITTEE

Ms. Fok, Pui Ming Joanna (霍珮鳴) (*Chairlady*)

Ms. Jiang Shuqin (蔣淑琴)

Mr. Lau, Tsz Man (劉子文)

NOMINATION COMMITTEE

Mr. Hou Junyu (侯俊宇) (*Chairman*)

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVE

Mr. Hou Junyu (侯俊宇)

Mr. Wong Yu Kit (黃儒傑)

AUDITOR

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Corporate Information

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PRINCIPAL BANKERS

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and Yongming Road, Anyang City
Henan Province
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COMPANY WEBSITE

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STOCK CODE

1969

Five Year Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS	Year ended 31 August				2019 RMB'000
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	
Revenue	336,252	378,632	460,889	487,791	559,380
Cost of revenue	(127,901)	(144,922)	(170,043)	(204,363)	(265,730)
Gross profit	208,351	233,710	290,846	283,428	293,650
(Loss)/profit before taxation	(62,776)	109,758	151,649	119,773	169,310
(Loss)/profit and total comprehensive (expense)/income for the year	(62,776)	109,758	151,649	118,948	164,734
Adjusted net profit ⁽¹⁾	76,141	88,184	154,735	143,144	159,463
Profitability Margins					
Gross profit margin	62.0%	61.7%	63.1%	58.1%	52.5%
Adjusted net profit margin ⁽¹⁾	22.6%	23.3%	33.6%	29.3%	28.5%
ASSETS AND LIABILITIES					
Non-current assets	1,145,443	1,105,986	1,201,369	1,474,688	2,472,356
Current assets	290,325	485,831	582,339	600,457	980,728
Current liabilities	416,091	460,012	780,021	790,975	1,931,054
Net current (liabilities)/assets	(125,776)	25,819	(197,682)	(190,518)	(950,326)
Total assets less current liabilities	1,019,677	1,131,805	1,003,687	1,284,170	1,522,030
Total equity	183,775	293,533	445,182	594,834	1,287,363
Non-current liabilities	835,902	838,272	558,505	689,336	234,667
Total equity and non-current liabilities	1,019,677	1,131,805	1,003,687	1,284,170	1,522,030
Selected Major Items					
Property, plant and equipment	563,550	642,198	707,306	878,131	1,390,998
Bank balances and cash	233,185	371,710	267,344	544,620	473,619
Restricted bank balances	–	–	100,000	–	–
Borrowings	849,504	861,777	992,329	952,106	1,520,111
Deferred revenue and contract liabilities	212,072	243,520	195,776	358,366	455,725
Liquidity					
Gearing ratio ⁽²⁾	462.3%	293.6%	222.9%	160.1%	118.1%

Notes:

- (1) Adjusted net profit is calculated as profit for the year excluding the impact from certain non-cash or non-recurring expenses. For details of the reconciliation of the profit for the year to the adjusted net profit of the Group, please refer to the section headed "Financial Review" in this annual report.
- (2) The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

Financial Highlights

	Year ended 31 August		
	2019	2018	Change (%)
	(RMB in thousands, except percentages)		
Revenue	559,380	487,791	+14.7%
Gross profit	293,650	283,428	+3.6%
Profit before taxation	169,310	119,773	+41.4%
Profit for the year	164,734	118,948	+38.5%
Non-IFRS measure:			
Adjusted net profit ¹	159,463	143,144	+11.4%

Note:

Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange gain and (iii) listing expenses. For details of the reconciliation of the profit for the year to the adjusted net profit of the Group, please refer to the section headed "Financial Review" in this annual report.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("IFRS"), the Company also uses adjusted net profit as an additional financial measure. The Company presents this financial measure because it is used by management of the Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as they help management of the Group and in comparing financial results across accounting periods and to those of peer companies. However, the Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

Management Discussion and Analysis

MARKET OVERVIEW

The formal education system in the PRC comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be further categorised into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes.

The Private Higher Education Industry in China

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavour in developing the regulatory framework for private higher education. The number of student enrolments in private higher education in China has continued to increase in recent years, with more and more students having chosen to go to private universities or colleges instead of public schools. According to Frost & Sullivan, the total number of private higher education institutions in China grows continuously, and the development of private higher education is primarily driven by a number of factors, including (i) support by PRC government policies and initiatives; (ii) increasing resident income and demand for higher education; (iii) growing market demand for technical talents; and (iv) increasing diversification and strengthened education quality. With the help of these factors, the rapid growth in higher education in China is expected to continue, the private higher education landscape remains competitive.

BUSINESS REVIEW

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and participate in the operation of College of Engineering and Technology of Yangtze University (長江大學工程技術學院) ("**Hubei College**"), an independent college of Yangtze University in Hubei Province, and Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) ("**Tianping College**"). We are in the process of acquiring the sponsor interest of Hubei College and Tianping College. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2017/2018 and 2018/2019 school years, the average initial employment rate of our higher education programmes was approximately 93.8% and 95.8%, respectively, substantially above the overall average for higher education in China.

Management Discussion and Analysis

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which was co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2018/2019 school year, Shangqiu University had a total enrolment of 19,605 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours programme that aims to promote comprehensive and individualised education of its selected students. Chunlai Institute offers courses in, among others, management, world history, introduction to traditional Chinese culture, conversational English and art. To increase the competitiveness of its enrollees, Chunlai Institute also offers courses that prepare students for graduate school entrance exams and civil service examinations.

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 38 bachelor's degree programmes, 25 junior college to bachelor's degree transfer programmes, 25 junior college diploma programmes, 18 combined vocational education and junior college diploma programmes and five vocational education programmes. For the 2018/2019 school year, Anyang University had a total enrolment of 22,043 students.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 17 bachelor's degree programmes, 6 junior college to bachelor's degree transfer programmes and 8 junior college diploma programmes. For the 2018/2019 school year, Shangqiu University Kaifeng Campus had a total enrolment of 8,232 students.

Management Discussion and Analysis

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2017/2018 and 2018/2019 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately %)
	2018/2019	2017/2018		
Shangqiu University				
Bachelor's degree programmes	10,103	9,776	327	3.3%
Junior college to bachelor's degree transfer programmes	1,216	1,150	66	5.7%
Junior college diploma programmes ⁽²⁾	4,884	5,717	(833)	(14.6%)
Vocational education programmes ⁽³⁾	3,402	2,606	796	30.5%
School subtotal	19,605	19,249	356	1.8%
Anyang University				
Bachelor's degree programmes	11,589	11,512	77	0.7%
Junior college to bachelor's degree transfer programmes	2,439	1,680	759	45.2%
Junior college diploma programmes ⁽²⁾	3,303	3,529	(226)	(6.4%)
Vocational education programmes ⁽³⁾⁽⁴⁾	4,712	2,803	1,909	68.1%
School subtotal	22,043	19,524	2,519	12.9%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	6,096	4,995	1,101	22.0%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	974	396	578	146.0%
Junior college diploma programmes ⁽⁷⁾	1,162	1,046	116	11.1%
School subtotal	8,232	6,437	1,795	27.9%
Total number of students	49,880	45,210	4,670	10.3%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2017/2018 and 2018/2019 school years, respectively.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.

Management Discussion and Analysis

- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.

For the 2018/2019 school year, the number of students increased by 10.3% from 45,210 in the prior school year to 49,880, achieving the Company's goal and realizing steady improvement in performance. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

The Group believes the educational philosophies of its schools and its well-developed curricula as well as its high graduate employment rates enable the Group to attract high-quality students who are seeking a pathway to satisfactory employment. In addition, the quality faculty team is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of the schools.

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 14 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe would assist us to continuously attract outstanding students. Other than referrals from alumni network, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2018/2019 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 96.2% for the bachelor's degree programmes.

Our Teachers

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 31 August 2019, we had 1,666 full time teachers and 524 part-time teachers.

Management Discussion and Analysis

Acquisition of Sponsor Interest of Tianping College

On 19 August 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (the “**School Sponsor**”), a consolidated affiliated entity of the Company, entered into an agreement with Suzhou University of Science and Technology (蘇州科技大學) (“**Suzhou University of Science and Technology**”) and Suzhou University of Science and Technology Education Development Foundation (蘇州科技大學教育發展基金會), which was amended by a supplemental agreement dated 20 August 2019 between the School Sponsor and Suzhou University of Science and Technology (collectively, the “**Formal Agreement**”). Pursuant to the Formal Agreement, the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during a certain preparatory period for converting Tianping College into a standalone private ordinary college without the name of Suzhou University of Science and Technology (the “**Preparatory Period for Conversion**”) for a total consideration of RMB800,111,100 (equivalent to approximately HK\$909,217,159). The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC (the “**Acquisition**”). Further details of the Acquisition are set out in the Company’s announcements dated 23 July 2019 and 20 August 2019 and the major transaction circular to be published in due course.

FUTURE DEVELOPMENT

In order to continuously increase our total enrolment, we plan to acquire additional land use rights and construct new educational and living facilities. We consider that the increase in capacity under the expansion plan is essential to accommodate our growth strategy of increasing student enrolment going forward. Each of our colleges generally requires its students to live on campus in dormitories. Therefore, a college’s student enrolment is largely limited by the capacity of its student dormitories. Taking into account of the gender specificity of our student dormitories and the gender mix of our students, there is currently limited capacity for a significant growth in student enrolment. We expect to increase the capacity of our colleges progressively to strike a reasonable balance between student enrolment and utilisation. We believe the planned increase in capacity is appropriate and will enable our colleges to grow sustainably.

We consider that, given our track record of delivering quality private higher education and industry reputation, the education authorities in the PRC will be receptive to our application for increasing admission quota provided that we are able to demonstrate that we have sufficient school capacity, appropriate facilities available and quality education programmes to offer, which are among the key objectives of our expansion plans.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

For the year ended 31 August 2019, we recorded a revenue of RMB559.4 million and a gross profit of RMB293.7 million. The gross profit margin was 52.5% for the year ended 31 August 2019 as compared with 58.1% for the corresponding period in 2018.

The adjusted net profit of the Group for the year ended 31 August 2019 was RMB159.5 million, representing an increase of RMB16.3 million or 11.4% from the corresponding period in 2018. The adjusted net profit margin of the Group was 28.5% and 29.3% for the years ended 31 August 2019 and 31 August 2018, respectively. The increase in the adjusted net profit was mainly due to the increase of the Group's student enrolment.

The net profit of the Group amounted to RMB164.7 million and RMB118.9 million for the years ended 31 August 2019 and 31 August 2018, respectively. The net profit margin of the Group amounted to 29.4% and 24.4% for the years ended 31 August 2019 and 31 August 2018, respectively.

Revenue

Our revenue increased by 14.7% from RMB487.8 million for the year ended 31 August 2018 to RMB559.4 million for the year ended 31 August 2019, primarily due to the increase of the Group's student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 30.9% from RMB80.9 million for the year ended 31 August 2018 to RMB105.9 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 6,437 for the 2017/2018 school year to 8,232 for the 2018/2019 school year. As Shangqiu University Kaifeng Campus increased its capacity in student enrolment from 7,848 for the 2017/2018 school year to 9,965 for the 2018/2019 school year, it received a significantly larger admission quota for the 2018/2019 school year, which was the primary reason for the increase in its student enrolment. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Anyang University increased by 17.1% from RMB210.1 million for the year ended 31 August 2018 to RMB246.1 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 19,524 for the 2017/2018 school year to 22,043 for the 2018/2019 school year. As Anyang University increased its capacity from 20,528 for the 2017/2018 school year to 23,806 for the 2018/2019 school year, it received a larger admission quota for the 2018/2019 school year, which contributed to the increase in its student enrolment. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2018/2019 school year.

Revenue from Shangqiu University increased by 5.3% from RMB196.8 million for the year ended 31 August 2018 to RMB207.3 million for the year ended 31 August 2019. The increase was primarily due to an increase in student enrolment from 19,249 for the 2017/2018 school year to 19,605 for the 2018/2019 school year. The capacity of Shangqiu University is 22,164 for the 2018/2019 school year.

Overall, revenue from tuition fees and boarding fees of the Group increased by 15.2% and 10.2%, respectively from the year ended 31 August 2018 to the year ended 31 August 2019.

Management Discussion and Analysis

Cost of Revenue

Our cost of revenue increased by 30.0% from RMB204.4 million for the year ended 31 August 2018 to RMB265.7 million for the year ended 31 August 2019. As a percentage of revenue, our cost of revenue increased from 41.9% for the year ended 31 August 2018 to 47.5% for the year ended 31 August 2019. These increases were primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

Gross Profit and Gross Profit Margin

Our gross profit increased by 3.6% from RMB283.4 million for the year ended 31 August 2018 to RMB293.7 million for the year ended 31 August 2019, and our gross profit margin decreased from 58.1% for the year ended 31 August 2018 to 52.5% for the year ended 31 August 2019, primarily due to the combined effect of increase in the Group's student enrolment and increase in teaching staff costs.

Other Income

Our other income increased by 383.0% from RMB9.9 million for the year ended 31 August 2018 to RMB47.8 million for the year ended 31 August 2019, primarily due to the consultancy income amounted to RMB15.3 million starting from the 2018/2019 school year, which arises from our provision of technical and management consultancy services to Hubei College.

Other Gains and Losses

We recorded other losses of RMB0.1 million for the year ended 31 August 2018, while we recorded other gains of RMB22.8 million for the year ended 31 August 2019. The other gains for the year ended 31 August 2019 were primarily attributable to net foreign exchange gains.

Selling Expenses

Our selling expenses decreased by 8.7% from RMB4.0 million for the year ended 31 August 2018 to RMB3.6 million for the year ended 31 August 2019, primarily because we started to establish a long-term cooperation with a number of advertisers to enjoy discounts.

Administrative Expenses

Our administrative expenses increased by 47.2% from RMB88.8 million for the year ended 31 August 2018 to RMB130.7 million for the year ended 31 August 2019, primarily due to increases in depreciation and amortization, staff costs and travelling expenses.

Listing Expenses

We recorded listing expenses of RMB5.7 million for the year ended 31 August 2019 in connection with the Listing. We recorded RMB23.5 million of listing expenses for the year ended 31 August 2018.

Management Discussion and Analysis

Finance Costs

Our finance costs decreased by 24.9% from RMB80.6 million for the year ended 31 August 2018 to RMB60.6 million for the year ended 31 August 2019, primarily due to lower average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalization.

Taxation

We recorded income tax of RMB0.8 million for the year ended 31 August 2018 as compared to income tax of RMB4.6 million for the year ended 31 August 2019 due to service revenue and other income.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 38.5% from RMB118.9 million for the year ended 31 August 2018 to RMB164.7 million for the year ended 31 August 2019.

Adjusted Net Profit

Our adjusted net profit increased by 11.4% from RMB143.1 million for the year ended 31 August 2018 to RMB159.5 million for the year ended 31 August 2019. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation (ii) foreign exchange gain and (iii) listing expenses. The following table reconciles profit for the year to adjusted net profit for both years:

	For the year ended 31 August	
	2019	2018
	(RMB in thousands)	
Profit for the year	164,734	118,948
Add:		
Share-based compensation	11,852	697
Foreign exchange gain	(22,837)	–
Listing expenses	5,714	23,499
Adjusted net profit	159,463	143,144

Liquidity and Source of Funding and Borrowing

As at 31 August 2019, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB544.6 million and RMB473.6 million as of 31 August 2018 and 2019, respectively. The Company generally deposit the Group's excess cash in interest-bearing bank accounts and current accounts.

Management Discussion and Analysis

The Group's principal uses of cash have been for the funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this annual report, and the announcements of the Company dated 23 July 2019 and 20 August 2019), the funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Company believes the liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, the proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in the student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

Gearing Ratio

As at 31 August 2019, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the year, was approximately 118.1%, representing a decrease of 42 percentage points as compared with 160.1% as at 31 August 2018. The decrease was mainly due to an increase in retained earnings and share premium account.

Significant Investments

Save as disclosed in this annual report, the Group did not make or hold any significant investments during the year ended 31 August 2019.

Material Acquisitions and Disposals

On 19 August 2019, the School Sponsor entered into the Formal Agreement with Suzhou University of Science and Technology. Pursuant to the Formal Agreement, the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during the preparatory period for conversion. Further details of the acquisition are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this annual report, and in the announcements of the Company dated 23 July 2019 and 20 August 2019.

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2019.

Pledge of Assets

On 19 June 2019, Shangqiu University (the "**Borrower**") entered into a loan agreement with Zhongyuan Bank Co., Ltd., Shangqiu Branch (中原銀行股份有限公司商丘分行) (the "**Lender**") in relation to a term loan facility in an aggregate amount of RMB180,000,000 (the "**Loan**") with an initial annual interest rate of 6.525% which shall be adjusted every month with reference to the benchmark lending rate promulgated by the People's Bank of China made by the Lender to the Borrower. On 21 December 2018, the Borrower and the Lender entered into an accounts receivables pledge agreement (the "**Pledge Agreement**"), pursuant to which the Borrower agreed to pledge its account receivables in favour of the Lender so as to guarantee its repayment of any liabilities (including but not limited to the principal amount which shall be no more than RMB225,000,000 and the corresponding interest, penalty and other compensation, if any) under any facility agreement to be entered into between the Borrower and the Lender during the period between 21 December 2018 and 21 December 2019. Further details of the Loan and the Pledge Agreement are set out in the announcement of the Company dated 19 June 2019.

Management Discussion and Analysis

On 27 December 2019 and 25 December 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), one of the Group's consolidated affiliated entities, as borrower ("**Henan Shangqiu**") and Zhongyuan Bank Co., Ltd., Shangqiu Branch (中原銀行股份有限公司商丘分行) as lender ("**Zhongyuan Bank**") entered into (i) a loan agreement (the "**First Loan Agreement**"), pursuant to which Zhongyuan Bank has agreed to make available a term loan facility in an amount of RMB150,000,000 (the "**First Loan**") to Henan Shangqiu and (ii) a loan agreement (the "**Second Loan Agreement**" and together with the First Loan Agreement, the "**Loan Agreements**"), pursuant to which Zhongyuan Bank has agreed to make available a term loan facility in an amount of RMB40,000,000 (the "**Second Loan**" and together with the First Loan, the "**Combined Loans**") to Henan Shangqiu. In connection with the Combined Loans, on 25 December 2019, each of Shangqiu University and Anyang University respectively entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which each of Shangqiu University and Anyang University agreed to pledge its account receivables in favour of Zhongyuan Bank for Henan Shangqiu's liabilities under the Loan Agreements (including but not limited to the Combined Loans, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Combined Loans and the related account receivables pledge agreement are set out in the announcement of the Company dated 27 December 2019.

Save as disclosed in this annual report, as at 31 August 2019, the Group had no other bank borrowings and no assets of the Group were pledged to secure its loans and banking facilities.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2019.

Foreign Exchange Exposure

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollars and Hong Kong Dollar which are currencies other than the functional currency of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Future Plans for Material Investments

Except as disclosed in this annual report, the Company has no other plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the education business of the Group, mainly due to domestic travel restrictions and various precautionary measurements undertaken by respective local authorities which inter alia, include closure of schools and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans for the students during the schools' closure period, which include implementation of on-line modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group subsequent to the year ended 31 August 2019 and up to the date of this annual report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the operation and financial position of the Group, and in the event that there is any significant impact, the Company will update the market as and when appropriate.

On 5 June 2020, the Company obtained the registration certificate to Hubei Jiankang Vocational College (湖北健康職業學院), a private higher education vocational school (民辦高等職業學校) in the PRC, from the Hubei Provincial Civil Affairs Department (湖北省民政廳). For further details, please refer to the announcement of the Company dated 9 June 2020.

Save as disclosed in this annual report, there was no other significant events that might affect the Group since the end of the year ended 31 August 2019.

Directors and Senior Management

The Board consists of two executive Directors, one non-executive Director and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Hou Junyu (侯俊宇), aged 28, was appointed as an executive Director of the Company on 15 November 2017 and the chief executive officer of the Company and chairman of the nomination committee on 12 February 2018. Mr. Hou has served as the vice chairman of the Board and chief executive officer of the School Sponsor since February 2014 and leads the day-to-day operation of the Group as well as spearheading the Group's key decisions. Since August 2012, Mr. Hou has been the associate dean of Shangqiu University, where he was responsible for managing human resources, finance and student affairs. From February 2013, he has also served as the associate dean of Anyang University, where he is responsible for student admissions and enrolment, human resources and the academy's financial affairs.

Mr. Hou attended secondary school education in the PRC and studied undergraduate course in business management and economics in the University of Sussex from October 2008 to June 2012. Mr. Hou returned to the PRC in 2012 with a view to taking up the management of the Company's operations and has since devoted his full efforts to the development and operations of the Group, and has therefore not completed the undergraduate course in the University of Sussex. Mr. Hou is the son of Ms. Jiang and Chairman Hou.

Ms. Jiang Shuqin (蔣淑琴), aged 54, was appointed as an executive Director of the Company and a member of the remuneration committee on 12 February 2018. Ms. Jiang has served as an executive director of the School Sponsor since the establishment of the Group and has been the financial controller of each of the PRC Operating Schools since their establishment. Ms. Jiang is primarily responsible for the strategic development, daily management and overseeing financial operations of the Group. Ms. Jiang has over 13 years of experience in the education industry and financial management. Ms. Jiang attended senior secondary education in the PRC. She is the spouse of Chairman Hou, mother of Mr. Hou, sister-in-law of Mr. Yang Xinzhong and cousin of Mr. Jiang Yongqi.

NON-EXECUTIVE DIRECTOR

Mr. Hou Chunlai (侯春來), aged 51, is the founder of the Group. Chairman Hou was appointed as the Company's non-executive Director and chairman of the Board on 12 February 2018. He is responsible for overseeing the corporate development and strategic planning of the Group. Mr. Hou is also concerned with the following positions:

- standing director of China Association for Private Education (since November 2011); and
- director of China Association for Private Education, Higher Education Committee (January 2010 to January 2015).

Chairman Hou is also actively engaged in civil affairs in the PRC. In particular, Chairman Hou had been a delegate of the Twelfth Henan People's Congress (河南省第十二屆人民代表大會) during the period from December 2012 to December 2017. Chairman Hou was awarded 'Advanced Individual' of Henan Private Education (河南省民辦教育先進個人) by the Education Department of Henan Province (河南省教育廳) in October 2016.

Chairman Hou graduated from Nankai University (南開大學) in December 2006 with a master's degree in business administration and obtained the qualification as an associate professorship of Shangqiu University in November 2013. Chairman Hou is the spouse of Ms. Jiang, father of Mr. Hou and cousin of spouse of Mr. Wan Peng.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jin Xiaobin (金曉斌), aged 65, was appointed as an independent non-executive Director, a member of the audit committee and a member of the nomination committee on 12 February 2018, taking effect on 31 August 2018. Dr. Jin is primarily responsible for supervising and providing independent judgement to the Board.

Dr. Jin is currently the principal of Shanghai Economics Development Research Institute (上海時代經濟發展研究院院長) and has been adjunct advisor of Fudan University (復旦大學), course professor of University of Science and Technology of China (中國科學技術大學), adjunct advisor for master students of Shanghai University of Finance Economics (上海財經大學), adjunct professor of Tongji University (同濟大學), invited research fellow of Peking University (北京大學) and of the Chinese Academy of Social Sciences (中國社會科學院), and visiting scholar of the Wharton School of University of Pennsylvania and the Australian Securities Institute.

Dr. Jin has more than 20 years of operating and management experience in securities industry. Dr. Jin joined Haitong Securities Co., Ltd. (海通證券股份有限公司) ("**Haitong**"), a company listed on the Stock Exchange (stock code: 6837) and the Shanghai Stock Exchange (stock code: 600837) in 1998 and had held several positions in Haitong and its subsidiaries from December 1998 to August 2015, including head of research institute of Haitong, general manager of brokerage business headquarters, assistant to the general manager of Haitong, general manager of M&A financing department, secretary to Board of Directors of Haitong, deputy director of the investment banking committee of Haitong, joint company secretary and the authorised representative of Haitong, vice president of Haitong, the chairman of Haitong Jihe Equity Investment Fund Management Co. Ltd. (海通吉禾股權投資基金管理公司) and the chairman of Haitong New Energy Equity Investment Fund Management Co. Ltd. (海通新能源股權投資基金管理公司). Dr. Jin was appointed as a director of A-Jex Investment Limited (愛建香港有限公司), a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, Shanghai AJ Group Co., Ltd (上海愛建集團股份有限公司) (stock code: 600643), in April 2018.

Dr. Jin obtained a doctor's degree in economics from Fudan University in January 1997, a master's degree in economics from Fudan University in July 1993 and professional certification in the major in political education from Shanghai Second Institute of Education (上海第二教育學院) in July 1988. Dr. Jin worked at and conducted postdoctoral researches in finance in Shanghai University of Finance and Economics from December 1996 to July 1999. Dr. Jin has been a deputy researcher recognised by Shanghai University of Finance and Economics since June 1998 and has been an expert with special allowance from the State Council since June 2002. Dr. Jin worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1972 to April 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from July 2000 to July 2002, from December 2002 to December 2004 and from July 2005 to July 2007. He also acted as a professional evaluation expert of securities companies in the Securities Association of China (中國證券業協會) from January 2011 to January 2012 and a member of Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange from November 2013 to November 2015. He has acted as a member of the Culture and Media Industry Committee of China Corporate Listing Association (中國上市公司協會文化傳媒行業委員會) and is a fellow member of The Hong Kong Institute of Chartered Secretaries.

Directors and Senior Management

Ms. Fok, Pui Ming Joanna (霍珮鳴), aged 40, was appointed as an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and member of the nomination committee on 12 February 2018, taking effect on 31 August 2018. Ms. Fok is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Fok has more than 13 years of experience in business development and recruitment planning. From October 2004 to October 2006, Ms. Fok has been a manager of Servcorp Limited (世服宏圖商務服務北京) 有限公司), where she was responsible for the sales, marketing, recruitment and training. Ms. Fok has been working at different offices of PageGroup (米高蒲志國際顧問公司), an international recruitment firm listed on the London Stock Exchange (LSE: PAGE), from 2007 to 2019. From April 2007 to October 2009, Ms. Fok served as a recruitment consultant of Michael Page International (Japan) K.K. (東京米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to human resources and information technology. From December 2009 to September 2012, Ms. Fok served as a senior recruitment consultant of Michael Page (Shanghai) Recruitment Co., Limited (上海米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to accounting and finance. From November 2012 to August 2014, Ms. Fok served as the associate director of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the planning of recruitment projects across sectors including business services, information technology, medical, electronics, manufacturing and retail. From June 2017 to 14 April 2019, Ms. Fok was the associate director of the human resources department of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the design and implementation of training programmes for the recruiting consultants. Ms. Fok was appointed as an associate director of the Talent Acquisition Department of Colliers International Pacific Limited with effect from 29 April 2019.

Ms. Fok has obtained a bachelor's degree of science from University of British Columbia in May 2001 and a master's degree of public management from Tsinghua University in July 2004.

Mr. Lau, Tsz Man (劉子文), aged 36, was appointed as an independent non-executive Director, chairman of the audit committee and a member of the remuneration committee on 12 February 2018, taking effect on 31 August 2018. Mr. Lau is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Lau has more than 11 years of experience in accounting and finance. Since August 2016, Mr. Lau has been director of Wincy Education Holdings Limited (凱晴教育控股有限公司), and since April 2017, Mr. Lau has been the chief financial officer of Nobao Energy Holdings (China) Limited (挪寶能源控股(中國)有限公司).

From September 2006 to November 2014, Mr. Lau had worked at Deloitte Touche Tohmatsu (Hong Kong branch and Shanghai branch), where he was responsible for auditing. From November 2014 to March 2016, Mr. Lau was the chief accounting officer and financial controller of Shunfeng International Clean Energy Limited, a company listed on the Stock Exchange (stock code: 1165), where he was responsible for finance and accounting.

Mr. Lau is a certified public accountant, and is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lau obtained a bachelor's degree of business administration in marketing from City University of Hong Kong in July 2006.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Zhang Jie (張潔), aged 50, was the vice chairman of Henan Shangqiu Chunlai Education Corporation from October 2018 until her appointment as the vice chief executive officer of the Company from 30 April 2019. Ms. Zhang obtained a bachelor's degree from Wuhan University of Technology (formerly known as Wuhan Automotive Polytechnic University (武漢汽車工業大學)) and an EMBA degree from Xi'an Jiaotong University. In November 1993, she joined the Shengda College of Economics, Business & Management of Zhengzhou University (now known as Zhengzhou Shengda University of Economics, Business & Management), and served as the chief accounting officer from November 1994 to July 1998 and director of the accounting function from August 1998 to January 2004. In February 2004, she served as the director of the preparatory office of Chenggong College of Henan University of Economics and Law (now known as Zhengzhou Business University), responsible for overall preparation of the establishment of the college. In February 2007, she served as the vice president of Shengda College of Economics, Business & Management of Zhengzhou University (now known as Zhengzhou Shengda University of Economics, Business & Management), in charge of finance, enrollment, employment, modern education technology center, laboratory construction, equipment management office and related executive functions. In 2010, she was fully responsible for and successfully completed the separation and independent operation of the decoupling between Shengda College of Economics, Business & Management of Zhengzhou University and Zhengzhou University. In March 2016, she was responsible for and successfully completed the set-up and the fulfilment of the teaching conditions for the teaching evaluation of Zhengzhou Shengda University of Economics, Business & Management required by the Ministry of Education.

Mr. Yang Xinzong (楊新忠), aged 50, was appointed as the general manager of the Company on 12 February 2018 and has been the vice chairman of the School Sponsor since September 2013. Mr. Yang is responsible for overseeing external relations and coordinating processes and operating across our organisation. Mr. Yang has over 12 years of experience in the education industry. Mr. Yang worked at Shangqiu University between September 2005 and September 2009, where he served as the vice principal.

From March 2010 to August 2013, Mr. Yang was the person-in-charge for the construction preparation of Shangqiu University Kaifeng Campus (商丘學院應用科技學院). From September 2013 to September 2014, Mr. Yang served as the secretary of the Communist Party Committee at the Shangqiu University Kaifeng Campus (商丘學院應用科技學院). Mr. Yang graduated from Henan Normal University (河南師範大學) in July 1993 with a bachelor's degree of Arts, majoring in Chinese language and literature. Mr. Yang is brother-in-law of Ms. Jiang.

Mr. Wang Jie (王傑), aged 35, was appointed as the office manager of the Company on 12 February 2018 and has been the office manager of the School Sponsor since 18 December, 2012. Mr. Wang is responsible for overseeing our daily general office operations. Mr. Wang has over 11 years of experience in the education industry. From August 2006 to September 2007, Mr. Wang worked as an ideological and political instructor at Shangqiu University. Mr. Wang then served between September 2007 and February 2008 as the deputy office manager of Shangqiu University. From February 2008 to June 2015, Mr. Wang served as office manager of Shangqiu University. In addition to these positions, between March 2012 and December 2013, Mr. Wang also assumed the role of Head of Propaganda for the United Front Work Department of the CPC Central Committee at Shangqiu College (中共商丘學院黨委宣傳統一戰線工作部).

Mr. Wang graduated from Henan Agriculture University in 2006 with a bachelor's degree of Agriculture, majoring in Forestry.

Directors and Senior Management

Mr. Jiang Yongqi (蔣永旗), aged 34, was appointed as the head of human resources department of the Company on 12 February 2018 and has been the supervisor of human resources department of the School Sponsor since November 2015. Mr. Jiang is responsible for overseeing daily human resources operations. Mr. Jiang has over 10 years of experience in education and human resources management. From September 2007 to November 2011, Mr. Jiang worked in educational administration in the Dean's Office at Shangqiu University. From November 2011 to August 2012, Mr. Jiang served as the deputy section chief for the personnel department at Shangqiu University. Between August 2012 and August 2013, Mr. Jiang served as deputy manager of the personnel department at Shangqiu University. Mr. Jiang proceeded to serve as the manager of the personnel department at Shangqiu University between August 2013 and August 2016. Between November 2014 and August 2016, Mr. Jiang served as the associate dean at Shangqiu University. Mr. Jiang is qualified in China as a constructor (建造師) and he also obtained the first-class certificate of senior level of human resources management (企業人力資源管理師一級) issued by Hubei Occupational Skill Testing Authority (湖北職業技能鑒定(指導)中心) in October 2016. Mr. Jiang graduated from Henan Urban Construction Institute (河南城建學院) in July 2016 majoring in engineering cost. Mr. Jiang is a cousin of Ms. Jiang.

Mr. Wan Peng (萬鵬), aged 38, was appointed as manager of office planning and development of the Company on 12 February 2018 and was the manager of office planning and development of the School Sponsor since November 2015 until his resignation on 30 April 2019. Mr. Wan was responsible for overseeing office daily development plans until his resignation on 30 April 2019. Mr. Wan has over 12 years of industry experience. Between September 2005 and July 2009, Mr. Wan served as the deputy head of the Shangqiu University's school office. From August 2009 to October 2015, Mr. Wan served as the associate dean of Shangqiu University Kaifeng Campus. Mr. Wan graduated with a professional certification in financial management from Open University of China (國家開放大學) in January 2018, through long distance learning. The spouse of Mr. Wan is cousin of Chairman Hou.

Mr. Liu Wei (劉偉), aged 38, was appointed as the head of business support services department of the Company on 12 February 2018 and has been the general manager of the business support services department of the School Sponsor since 16 April 2013. Mr. Liu is responsible for overseeing our general business support services. Mr. Liu has over 12 years of experience in administration and business support. Prior to joining of the Group, Mr. Liu worked in the Chengguan Town, Yucheng County municipal government. Between September 2005 and March 2006, Mr. Liu worked in the business support services department at Shangqiu University. From April 2006 to March 2013, Mr. Liu served as the head of the general affairs department at Shangqiu University. Mr. Liu graduated with a professional certification in financial management from Open University of China (國家開放大學) in January 2018, through long distance learning.

Directors and Senior Management

Mr. Zhao Zhen (趙振), aged 35, was appointed as the chief financial officer of the Company on 12 February 2018 and was the deputy chief financial officer of the School Sponsor from September 2016 to February 2018. Mr. Zhao is primarily responsible for overseeing financial operations of the Group. Mr. Zhao has over 10 years of experience in financial management and in the education industry. He worked at Shangqiu University from September 2007 to August 2009 where he served as an accountant in the finance department. From March 2008 to August 2009, Mr. Zhao also served as the head of the treasury within the finance department at Shangqiu University. Between August 2009 and December 2015, Mr. Zhao served as the head of finance department at Anyang University. Since January 2016, Mr. Zhao has been the vice principal of Anyang University.

Mr. Zhao is also a qualified intermediate accountant (中級會計師) of the PRC since April 2015. Mr. Zhao has received numerous awards, including being named by Henan Provincial Department of Education (河南省教育廳) the “2016 Annual Private Education Advanced Individual” (2016年度民辦教育先進個人) and being recognised in January 2017 with the title of “advanced personal” (先進個人) by the Anyang City Examination of Accounting Exercise Leading Group (會計專業技術資格考試領導小組). Mr. Zhao graduated from Zhengzhou University with a bachelor's degree of management, majoring in accounting, in June 2007. Mr. Zhao also received a postgraduate degree in Business Management from Wuhan Institute of Technology in December 2017.

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑), was appointed as the company secretary of the Company on 22 June 2018. Mr. Wong is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over 10 years of experience in the corporate services field. Mr. Wong obtained a bachelor's degree in Business Administration and Management from the University of Huddersfield of the United Kingdom and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

CHANGES TO DIRECTOR'S INFORMATION

With effect from 1 May 2020, the director's fee of the independent non-executive Directors, namely Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man, have been increased to HK\$400,000, HK\$400,000 and HK\$500,000 per year respectively.

Save as disclosed above, as at the date of this annual report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of Directors



The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the Reporting Period.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this annual report are:

Executive Directors:

Mr. Hou Junyu (侯俊宇) (*Chief Executive Officer*)

Ms. Jiang Shuqin (蔣淑琴)

Non-executive Director

Mr. Hou Chunlai (侯春來) (*Chairman*)

Independent Non-executive Directors:

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

Mr. Lau, Tsz Man (劉子文)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 17 to 22 of this annual report.

PRINCIPAL ACTIVITIES

The Group's main operating activities include its wholly-owned sponsored schools, including Anyang University, Shangqiu University and Shangqiu University Kaifeng Campus, which were established in the PRC and engaged in private higher education. The Group also participates in the operation of Hubei College, an independent college of Yangtze University in Hubei province and Tianping College, an independent college of Suzhou University of Science and Technology in Jiangsu province.

Analysis of the principal activities of the Group during the Reporting Period is set out in Note 9 to the consolidated financial statements.

Report of Directors

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events After the Reporting Period" in the section headed "Management Discussion and Analysis" in this annual report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed in the Environmental, Social and Governance Report on pages 58 to 105 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 5 of this annual report. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 29 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with teachers, students and other stakeholders that have a significant impact on the Company and on which the Company's success depends. Further details are set out in the "Environmental, Social and Governance Report" section of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Report of Directors

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" in this annual report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to maintain or increase student enrolment in our colleges;
- our ability to maintain or increase tuition fees;
- our ability to maintain or increase utilisation of our facilities;
- our capital expenditure programmes and future capital requirements;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- our ability to control costs;
- our ability to remit dividends; and
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate.

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

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 18 to the consolidated financial statements.

Report of Directors

The book value of the properties held by the Group for owner occupation at 31 August 2019 as included in the consolidated financial statements in this annual report was RMB736.2 million.

CHARITABLE DONATION

During the Reporting Period, the Group made charitable donations of approximately RMBnil million (2018: nil).

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period and up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme and the Share Award Scheme of the Group as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 August 2019 (2018: nil).

No Shareholder has waived or agreed to waive any dividends for the year ended 31 August 2019.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has also taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the Reporting Period are set out in Note 36 to the consolidated financial statements. The distributable reserves of the Company as at 31 August 2019 were nil.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2019 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 28 to the consolidated financial statements.

Report of Directors

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.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily are our students. Our five largest customers accounted for less than 30% of our revenue for each of the years ended 31 August 2018 and 2019. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2018 and 2019.

Our suppliers primarily comprise suppliers of textbooks, uniforms and teaching equipment, and construction companies for building campus facilities. For the years ended 31 August 2018 and 2019, purchases from our five largest suppliers amounted to RMB161.4 million and RMB464.9 million, respectively, which represented 71.4% and 79.1% of our total purchases in the respective periods. During the same periods, purchases from our largest supplier amounted to RMB46.9 million and RMB265.0 million, respectively, which represented 20.7% and 45.1% of our total purchases in the respective periods. Our largest supplier during the Reporting Period is a construction company that we engaged to construct campus facilities.

None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Reporting Period and up to the date of this annual report.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 August 2018 and 2019, we had 2,897 and 3,509 employees, respectively. As of 31 August 2019, all of our employees were located in Henan Province. The following table sets forth the total number of employees by function as of 31 August 2019:

Function	Number of employees	% of total
Teachers	2,190 ⁽¹⁾	62.4%
Administrative staff	512	14.6%
Ancillary teaching staff ⁽²⁾	350	10.0%
Other staff	457	13.0%
Total	3,509	100.0%

Notes:

- (1) Including 1,666 full-time teachers and 524 part-time teachers.
- (2) Ancillary teaching staff includes employees providing assistance in academic activities, such as librarians, laboratory assistants and equipment maintenance staff members.

Report of Directors

The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee which is based on the Group's performance and the executives' respective contributions to the Group.

The Company also has adopted a Pre-IPO Share Option Scheme and a Share Award Scheme.

The total remuneration cost incurred by the Group for the Reporting Period was RMB207.9 million (for the year ended 31 August 2018: RMB143.9 million).

PRE-IPO SHARE OPTION SCHEME

In order to incentivize the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 9 August 2018. The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

As at 31 August 2019, share options for 35,950,000 Shares were granted to 27 participants under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme subsequent to the Listing Date.

A summary of the terms of the Pre-IPO Share Option Scheme is set out below:

Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 35,950,000 Shares, representing approximately 3% of the total number of issued Shares of the Company as at 31 August 2019.

Exercise Period

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 20 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme.

Report of Directors

Payment on Acceptance of Share Option

An amount of RMB1.00 is payable upon acceptance of the grant of an option.

Determination of Exercise Price

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme is HK\$0.00001 per Share or such other price as may be determined by the Board.

Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is effective for 20 years until 9 August 2038.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme. For further details on the movement of the options during the Reporting Period please see Note 30 to the consolidated financial statements.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at the Listing Date	Exercised during the Reporting Period	Forfeited/Cancelled/Lapsed during the Reporting Period	Outstanding as at 31 August 2019
Directors								
Chairman Hou	Non-executive Director and chairman of the Board	9 August 2018	20 years from the date of grant	HK\$0.00001	8,000,000	-	-	8,000,000
Ms. Jiang	Executive Director	9 August 2018	20 years from the date of grant	HK\$0.00001	8,000,000	-	-	8,000,000
Mr. Hou	Executive Director and chief executive officer	9 August 2018	20 years from the date of grant	HK\$0.00001	6,000,000	-	-	6,000,000
Other grantees in aggregate		9 August 2018	20 years from the date of grant	HK\$0.00001	13,950,000	-	-	13,950,000
TOTAL					35,950,000	-	-	35,950,000

None of the options granted referred to above had been forfeited or cancelled or had lapsed during the Reporting Period.

Report of Directors

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the resolutions in writing of the Shareholders on 24 August 2018. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

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

Number of Shares Available under the Share Award Scheme

The aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme (excluding share which have been forfeited in accordance with the Share Award Scheme) will not exceed 84,000,000 Shares (representing 7% of the aggregate nominal amount of the issued capital of the Company as at the Listing Date) without further Shareholders' approval (the "**Share Award Scheme Limit**").

Under the current Share Award Scheme Limit, new Shares of up to 84,000,000 Shares may be issued by the Company within ten years of the Listing Date.

Maximum Entitlement of Participant

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

Duration and Termination

The Share Award Scheme shall be valid and effective for a period of 10 years (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Share Award Scheme.

Restrictions

No Award shall be made to selected participants with respect to a grant of an Award under the Share Award Scheme: (i) where any director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations; (ii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (iii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Report of Directors

Vesting and Lapse

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the vesting dates of any Awards will be accelerated to an earlier date.

Share Award Grants

As at 31 August 2019, no Shares have been granted or agreed to be granted under the Share Award Scheme.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme and the senior management personnel are eligible participants of the Share Award Scheme. Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 15 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2019, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director or chief executives of our Company is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Report of Directors

Interest in the Company

Name of Director	Capacity/Nature of Interest	Relevant Company	Number of Shares ⁽⁴⁾	Approximate Percentage of Shareholding in the Company ⁽¹⁾
Mr. Hou	Interest in a controlled corporation	Chunlai Investment ⁽²⁾	900,000,000 (L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000 (L)	0.50%
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse ⁽³⁾	N/A	8,000,000 (L)	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse ⁽³⁾	N/A	8,000,000 (L)	0.67%

Notes:

- (1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 31 August 2019.
- (2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the Shares in which Chunlai Investment is interested by virtue of the SFO.
- (3) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.
- (4) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Interest in Associated Corporations

Name of Director	Capacity/Nature of Interest	Name of associated corporation	Amount of issued share capital/ registered capital/ sponsor capital in the associated corporation	Percentage of holding in the associated corporation
Mr. Hou	Beneficial owner	Chunlai Investment	US\$1	100%
	Beneficial owner	The PRC Holdco	RMB30,000,000	100%
	Beneficial owner ⁽¹⁾	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner ⁽¹⁾ and interest of spouse ⁽²⁾	The School Sponsor	RMB33,780,000	29.7%
	Beneficial owner ⁽¹⁾ and interest of spouse ⁽²⁾	The School Sponsor	RMB33,780,000	29.7%

Notes:

- (1) The sponsor interest of the School Sponsor is held as to 69.3% by Mr. Hou (RMB78,821,820), as to 19.8% by Chairman Hou (RMB22,520,520), as to 9.9% by Ms. Jiang (RMB11,260,260) and as to 1% by the PRC Holdco (RMB1,137,400). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.
- (2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

Report of Directors

Save as disclosed above, as at 31 August 2019, so far as is known to the Directors or the chief executives of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 August 2019, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Approximate Number of Shares ⁽³⁾	Percentage of Shareholding ⁽¹⁾
Mr. Hou ⁽²⁾	Interest in a controlled corporation	900,000,000 (L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000 (L)	0.50%
Chunlai Investment	Beneficial owner	900,000,000 (L)	75%
Xiang Rong International limited	Beneficial owner	66,037,000 (L)	5.50%

Notes:

- (1) The percentages are calculated on the basis of 1,200,000,000 Shares in issue as at 31 August 2019.
- (2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the same number of shares in which Chunlai Investment is interested by virtue of the SFO.
- (3) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive and non-executive Directors entered into a service contract with our Company on 23 February 2018. The initial term of their service contracts shall commence from the date of their appointment as an executive Director or a non-executive Director (as the case may be) and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier.

Report of Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on 23 February 2018. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner.

None of the Directors proposed for re-election at the annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' RETIREMENT BENEFITS

During the Reporting Period, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: nil).

DIRECTORS' TERMINATION BENEFITS

During the Reporting Period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2018: nil).

CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the Reporting Period, no consideration was provided to or receivable by third parties for making available Directors' services (2018: nil).

Report of Directors

INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

During the Reporting Period, there were no loans, quasi-loans or other dealings in favor of the Directors, their controlled bodies corporate and connected entities (2018: nil).

CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of the Controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

The independent non-executive Directors confirmed that they have reviewed the information provided by the Controlling Shareholders and were satisfied that there were no conflicts of interests between the Group and the Controlling Shareholders throughout the Reporting Period.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

MANAGEMENT CONTRACT

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

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.

Report of Directors

Contractual Arrangements

Reasons for the Contractual Arrangements

We currently conduct our private education business through our consolidated affiliated entities in the PRC because PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. Currently, PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign cooperative joint venture ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign cooperative joint venture ownership in the private education sector have, with very limited exceptions, been withheld in practice. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our consolidated affiliated entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations.

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, our wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, our consolidated affiliated entities, under which substantially all economic benefits arising from the businesses of our consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our consolidated affiliated entities to WFOE.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 43 to 50 of the Prospectus.

- The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.
- Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- The Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as direct ownership.
- The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Our exercise of the option to acquire the equity interests or sponsor interests (as the case may be) of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs.

Report of Directors

- Any failure by our consolidated affiliated entities or their respective shareholders or sponsors to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.
- The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations and value of your investment.
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.
- The School Sponsor is a private non-enterprise entity (民辦非企業單位), the sponsor interest of which is not capable of being pledged in favour of WFOE under PRC laws. Our Contractual Arrangements implement alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements where the school sponsor is an enterprise, the equity interest of which is subject to equity pledge arrangements.
- We rely on dividend and other payments from the WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of the WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.
- If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2019 are as follows:

- (a) an irrevocable power of attorney dated 22 February 2018 executed by Mr. Hou, Chairman Hou and Ms. Jiang in favour of the PRC Holdco, pursuant to which the PRC Holdco (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Mr. Hou, Chairman Hou and Ms. Jiang in relation to the School Sponsor at the discretion of the PRC Holdco (or its designated person(s));
- (b) an irrevocable power of attorney dated 22 February 2018 executed by the PRC Holdco in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of the PRC Holdco in relation to the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus) at the discretion of WFOE (or its designated person(s));
- (c) an irrevocable power of attorney dated 22 February 2018 executed by Mr. Hou in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Mr. Hou in relation to the PRC Holdco at the discretion of WFOE (or its designated person(s));
- (d) an irrevocable power of attorney dated 22 February 2018 executed by the School Sponsor in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of the School Sponsor in relation to Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus) at the discretion of WFOE (or its designated person(s));

Report of Directors

- (e) an exclusive management consultancy and business cooperation agreement dated 22 February 2018 entered into by and between (i) WFOE, (ii) the PRC Holdco, (iii) the subsidiary entities of the PRC Holdco as described in the exclusive management consultancy and business cooperation agreement, including the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus), the list of which is to be updated from time to time pursuant to the exclusive management consultancy and business cooperation agreement to include entities that the PRC Holdco invests in and controls (including via contractual arrangements), including but not limited to companies, schools and related entities which the PRC Holdco and the School Sponsor directly or indirectly hold more than 50% investment interests thereof ((ii) and (iii) collectively, the “Consolidated Affiliated Entities”), and (iv) Mr. Hou, pursuant to which WFOE agreed to provide to the Consolidated Affiliated Entities exclusive corporate management consultancy, educational management consultancy, intellectual property licensing as well as technical and business support, and in return, the Consolidated Affiliated Entities shall pay service fees to WFOE;
- (f) an exclusive call option agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou, Chairman Hou, Mr. Jiang, the PRC Holdco and the School Sponsor, pursuant to which WFOE (or its designated third party) was unconditionally and irrevocably granted an exclusive option to purchase all or part of the equity interests or sponsor interests (as the case may be) in any of the PRC Holdco, the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus);
- (g) an equity pledge agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou and the PRC Holdco, pursuant to which Mr. Hou unconditionally and irrevocably pledged all of his equity interests in the PRC Holdco to WFOE;
- (h) a receivables pledge agreement dated 22 February 2018 entered into by and between WFOE, Shangqiu University (including Shangqiu University Kaifeng Campus) (“**Shangqiu University**”), Anyang University (together with Shangqiu University, the “**Schools**”) and the School Sponsor, pursuant to which the School Sponsor and the Schools agreed to, among other things, grant first priority pledge to WFOE over, (i) the Schools' existing and future receivables from tuition fees and boarding fees, (ii) the Schools' existing and future creditor's rights arising from leasing the Schools' properties, (iii) the Schools' existing and future creditor's rights arising from its services and (iv) the relevant proceeds received by the School Sponsor from third parties due to sale, transfer, assignment or any other forms of disposal of the sponsor interests in the schools held by it.

During the Reporting Period, there was no material change in the Contractual Arrangements. There was also no termination of the Contractual Arrangements, nor was there any failure to terminate when the restrictions that led to the adoption of the Contractual Arrangements are removed.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 183 to 190 of the Prospectus.

Mitigation actions taken by the Company

The Company's management works closely with Mr. Hou and its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Report of Directors

Revenue and Assets subject to the Contractual Arrangements

The revenue, profit before tax and total assets subject to the Contractual Arrangements are set out as follows:

	Year ended 31 August 2019 <i>RMB'000</i>	Year ended 31 August 2018 <i>RMB'000</i>
Revenue	559,380	487,791
Profit before tax	159,121	147,055
	As at 31 August 2019 <i>RMB'000</i>	As at 31 August 2018 <i>RMB'000</i>
Total assets	2,937,777	2,065,882

For the year ended 31 August 2019, the revenue and profit before tax subject to the Contractual Arrangements amounted to approximately 100% (2018: 100%) and 94% (2018: 123%) of the revenue and profit before tax of the Group.

As at 31 August 2019, the total assets subject to the Contractual Arrangements amounted to approximately 85.08% (2018: 99.55%) of the total assets of the Group.

Listing Rule Implications

Mr. Hou is an executive Director and our Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules.

Report of Directors

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the Reporting Period, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.


Confirmations from the Company's Independent Auditor

ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**"), the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Zhonghui Anda has issued their unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules and confirming the matters as stated in Rule 14A.56 of the Listing Rules.

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2019:

- (a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (c) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap, if any, as set by the Company.

Save as disclosed above, during the Reporting Period, no related party transactions disclosed in Note 34 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.



Report of Directors

QUALIFICATION REQUIREMENT

Draft Foreign Investment Law

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law (中華人民共和國外商投資法) (“**FIL**”), which came into effect on 1 January 2020. On 26 December, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (中華人民共和國外商投資法實施條例) (the “**Implementation Regulations**”), which came into effect on 1 January, 2020. The FIL and the Implementation Regulations replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and the Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Though the FIL does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of “foreign investment”, which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council without elaboration on the meaning of “other methods”. The Implementation Regulations is also silent on whether foreign investment includes contractual arrangements. Therefore, the FIL and the Implementation Rules still leave leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. Given that the FIL and the Implementation Rules are relatively new, uncertainties still exist in relation to its interpretation and implementation, the Company believes that any attempt to evaluate the potential impact that they will have on the Contractual Arrangements and the business of our Group would be premature. The Board will continuously monitor any future laws, administrative regulations or provisions promulgated by the State Council in relation to the contractual arrangements and seek guidance from our PRC Legal Adviser to ensure compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

The foreign investor in a Sino-foreign joint venture school for PRC students at higher education institutions must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). The foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

On the basis that (a) the principals and other chief executive officers of our PRC Operating Schools, Hubei College and Tianping College are PRC nationals; and (b) the representatives or the directors of our PRC Operating Schools, Hubei College and Tianping College are appointed by PRC entities, our PRC Legal Adviser is of the view that our PRC Operating Schools, Hubei College and Tianping College are in full compliance with the Foreign Control Restriction as stipulated above.

Report of Directors

Our PRC Legal Adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

The Group is implementing a business plan with a view to expanding our education operations overseas. The Group believes that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirement.

The Group is also in the process of communicating or negotiating with certain experienced and reputational overseas education service providers in various forms of potential cooperation, including but not limited to expanding our school network abroad. Our subsidiary in Hong Kong, Chunlai (Hong Kong), will serve as the main control hub of our overseas business and will be responsible for, among other things:

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organising international classes or courses;
2. investing in or acquiring overseas education businesses as and when appropriate;
3. holding our overseas intellectual property rights and licensing them to our international partners; and
4. recruiting and employing overseas education business professionals and advisers outside of PRC.

CHANGE OF SCHOOL SPONSOR OF HUBEI COLLEGE SUBJECT TO MOE APPROVAL

As disclosed in the Prospectus, the Company is in the course of applying for the change of school sponsor of Hubei College, subject to MOE approval. As of 31 August 2019, the application is pending the final approval of the MOE and registration with the provincial civil affairs authorities. Based on our understanding of the process involved and communication with the relevant government authorities (including the consultations as mentioned in the Prospectus), we do not expect any material impediment to completing the administrative procedures in respect of the application.

Report of Directors

REGULATORY UPDATE

On 7 November 2016, the 2016 Decision, namely the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改的決定》) was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. The 2016 Decision has made certain amendments to the Law for Promoting Private Education. According to the 2016 Decision, school sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities.

Under the 2016 Decision, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Pursuant to the Henan Implementation Opinions, Private HEIs in Henan Province shall complete the re-registration procedures by the end of year 2022. Despite the issuance of the Henan Implementation Opinions, the Hubei Implementation Opinions, Implementation Opinions of Jiangsu Government on Encouraging Social Groups to Engage in Education and Promoting the Healthy Development of Private Education (江蘇省政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見) and Implementation Rules for Classification and Registration of Private Schools in Jiangsu Province (江蘇省民辦學校分類登記實施細則), the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Henan, Hubei and Jiangsu provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations.

As of 31 August 2019, there is no update in relation to the Group's re-registration as a for-profit or non-profit private school.

UPDATE ON NON-COMPLIANCE MATTERS

Buildings

As of 31 August 2019, we owned buildings with a total ground floor area of approximately 0.61 million square metres. We have not obtained building ownership certificates for a substantial portion of our buildings primarily because they were not constructed in full compliance with applicable rules and regulations in the PRC. We commenced construction of these buildings on land when the relevant land use right certificates were still under application, as our management believed that it was a practice acceptable to the relevant local authorities and in compliance with local policies.

We are proactively liaising with the relevant government authorities with a view to complying with the relevant requirements as soon as practicable. As of 31 August 2019, we were in the process of applying for the relevant construction land use planning permits (建設用地規劃許可) and construction planning permits (建設工程規劃許可) for our non-compliant buildings.

We consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company's subsequent interim and annual reports.

Report of Directors

SUSPENSION OF TRADING

The Company published an announcement on 2 December 2019 stating its inability to comply with Rule 13.49 of the Listing Rules to publish its annual results for the year ended 31 August 2019 no later than three months after the end of the financial year of the Company, i.e. on or before 30 November 2019. Shares of the Company have been suspended from trading since 2 December 2019 pursuant to Rule 13.50 of the Listing Rules. Further, on 13 January 2020, the Company announced that given the delay in the publication of the annual results for the year ended 31 August 2019, the annual report of the Company for the year ended 31 August 2019 ("**2019 Annual Report**") would not be ready by 31 December 2019, and such delay in despatching 2019 Annual Report constituted non-compliance with Rule 13.46(2)(a) of the Listing Rules. For further details, please refer to the announcements of the Company dated 2 December 2019, 13 January 2020, 27 March 2020, 9 April 2020, 29 May 2020 and 9 July 2020.

The Company has published its unaudited annual results for the year ended 31 August 2019 on 29 April 2020, unaudited interim results for the six months ended 29 February 2020 on 29 April 2020 (as supplemented by a supplemental announcement dated 3 May 2020 and an update announcement dated 20 August 2020 on the annual results for the year ended 31 August 2019 and the interim results for the six months ended 29 February 2020).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware and save as disclosed in this annual report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

Report of Directors

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Stock Exchange on 13 September 2018. The net proceeds from the Global Offering amounted to approximately HK\$552.6 million. As of 31 August 2019, the utilization breakdown of the net proceeds from the Global Offering is set out below.

	Net proceeds from the Global Offering <i>RMB million</i>	Unutilized amount as of 13 September 2018 <i>RMB million</i>	Utilization during the year ended 31 August 2019 <i>RMB million</i>	Unutilized amount as of 31 August 2019 <i>RMB million</i>
Acquisition of land use rights and building educational and living facilities for our current colleges	244.9	241.1	(84.4)	156.7
Acquisition of or cooperation with other universities in China	146.9	144.7	(144.7)	0.0
Repayment of loans	49.0	48.2	(48.2)	0.0
Working capital and general corporate purposes	49.0	48.2	(0.7)	47.5
Total	489.8	482.2	(278.0)	204.2

The remaining balance of the net proceeds (approximately RMB204.2 million) was held as short term deposits. The Group expects to gradually apply the remaining net proceeds in the manner set out in the Prospectus in accordance with its actual business needs.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group have been audited by ZHONGHUI ANDA CPA Limited (“**Zhonghui Anda**”), who has been appointed by the Board as the new auditor of the Group with effect from 12 January 2020 to fill the vacancy arising from the resignation of Deloitte Touche Tohmatsu on 10 January 2020, and in accordance with the Articles of Association, who will retire and, being eligible, offer themselves for re-appointment at the annual general meeting.

By the order of the Board

Mr. Hou Chunlai

Chairman

Hong Kong
20 August 2020

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 August 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices. During the Reporting Period and up to the date of this annual report, the Company has complied with all the applicable code provisions set out in the CG Code.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

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

During the Reporting Period and up to the date of this corporate governance report, the composition of the Board comprises the following Directors:

Executive Directors

Mr. Hou Junyu (侯俊宇) (*Chief Executive Officer*)

Ms. Jiang Shuqin (蔣淑琴)

Non-executive Director

Mr. Hou Chunlai (侯春來) (*Chairman*)

Independent non-executive Directors

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

Mr. Lau, Tsz Man (劉子文)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 22 of this annual report.

Ms. Jiang Shuqin is the spouse of Chairman Hou and mother of Mr. Hou. Mr. Hou is the son of Chairman Hou and Ms. Jiang. Save as disclosed, none of the members of the Board is related to one another.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Hou Chunlai (侯春來) and the position of Chief Executive Officer is held by Mr. Hou Junyu (侯俊宇). The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the Reporting Period and up to the date of this annual report, eight Board meetings and one general meeting were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period and up to the date of this annual report is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the year ended 31 August 2019 and up to the date of annual report				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors:					
Mr. Hou Junyu	8/8	N/A	N/A	2/2	1/1
Ms. Jiang Shuqin	8/8	N/A	2/2	N/A	1/1
Non-executive Director:					
Mr. Hou Chunlai	8/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Dr. Jin Xiaobin	8/8	7/7	N/A	2/2	1/1
Mr. Fok, Pui Ming Joanna	8/8	7/7	2/2	2/2	1/1
Mr. Lau, Tsz Man	8/8	7/7	2/2	N/A	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times during the Reporting Period 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 Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive and non-executive Directors entered into a service contract with the Company. The initial term of his service contract shall commence from the date of his appointment as an executive Director or a non-executive Director (as the case may be) and continue for a period of three years after or until the third annual general meeting of the Company, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting 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. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Accordingly, Ms. Jiang Shuqin and Mr. Hou Chunlai will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing 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 makes decisions objectively in the interests of the Company.

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

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

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 are established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

Audit Committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board.

The audit committee comprises three independent non-executive Directors, namely Mr. Lau, Tsz Man, Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna. Mr. Lau, Tsz Man is the chairman of the audit committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the Reporting Period and up to the date of this annual report, the audit committee met seven times to review, among others, (i) the annual results and annual report for the year ended 31 August 2018, (ii) the interim results and interim report for the six months ended 28 February 2019, (iii) the unaudited annual results for the year ended 31 August 2019 and the interim results for the six months ended 29 February 2020, and (iv) the audited annual results for the year ended 31 August 2019 and the update on the interim results for the six months ended 29 February 2020, together with the Company's annual report for the year ended 31 August 2019 and the Company's interim report for the six months ended 29 February 2020.

The audit committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes) for the Reporting Period.

Remuneration Committee

The Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee is to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The remuneration committee comprises one executive Director, namely Ms. Jiang Shuqin, and two independent non-executive Directors, namely Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man. Ms. Fok, Pui Ming Joanna is the chairlady of the remuneration committee.

During the Reporting Period and up to the date of this annual report, the remuneration committee met twice with all members of the committee attended to assess the performance and review the remuneration policy and package of the executive Directors and senior management of the Group, and to review the remuneration of the non-executive Directors.

Details of the remuneration payable to each Director of the Company for the year ended 31 August 2019 are set out in Note 15 to the consolidated financial statements.

Corporate Governance Report

The remuneration of the members of senior management by band for the year ended 31 August 2019 is set out below:

Remuneration bands (RMB)	Number of persons
Nil to 1,000,000	2

Nomination Committee

The Company has established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises one executive Director, namely Mr. Hou Junyu, and two independent non-executive Directors, namely Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna. Mr. Hou Junyu is the chairman of the nomination committee.

During the Reporting Period and up to the date of this annual report, the nomination committee met twice with all members of the committee attended to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the directors standing for re-election at the annual general meeting of the Company held in 2019.

Nomination Policy

The Company has adopted a nomination policy (the “**Nomination Policy**”) in accordance with the Corporate Governance Code, which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations.

The Nomination Policy aims to:

- set out the criteria and process in the nomination and appointment of Directors;
- ensure that the Board maintains a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the continuity of the Board and appropriate leadership at the Board level.

Corporate Governance Report

Nomination Procedures

- (i) The nomination committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate with reference to the criteria as set out below to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the nomination committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The nomination committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the nomination committee and/or the Board should evaluate such candidate with reference to the criteria as set out below to determine whether such candidate is qualified for directorship.

Where appropriate, the nomination committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company recognizes and embraces the benefits of having a diverse Board and views diversity at the Board level as an important element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity will be considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional (including regional and industry) experience, skills, knowledge and length of service ("**Diversity Perspectives**").

Corporate Governance Report

The nomination committee will meet annually to discuss and agree measurable objectives for implementing diversity on the Board. The Board may adopt and/or amend from time to time (as applicable) such Diversity Perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2019.

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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 Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Corporate Governance Report

During the year ended 31 August 2019, 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
Executive Directors:		
Mr. Hou Junyu	✓	✓
Ms. Jiang Shuyin	✓	✓
Non-executive Director:		
Mr. Hou Chunlai	✓	✓
Independent Non-executive Directors:		
Dr. Jin Xiaobin	✓	✓
Ms. Fok, Pui Ming Joanna	✓	✓
Mr. Lau, Tsz Man	✓	✓

During the Reporting Period, all of the Directors also participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

DIVIDEND POLICY

In accordance with code provision E.1.5 of the CG Code, the Company adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends to the Shareholders.

The Board shall have regard to the following factors of the Group when considering the declaration and payment of dividends:

- past financial results;
- past and forecasted cash flows;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends (including contractual restrictions, i.e. from financing-related agreements); and
- any other factors that the Board may consider relevant.

Corporate Governance Report

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong (“**Deloitte**”) as the external auditor for the year ended 31 August 2019. Deloitte has tendered its resignation with effect from 10 January 2020, and the Company appointed Zhonghui Anda as the new auditor of the Group with effect from 12 January 2020 to fill the vacancy arising from the resignation of Deloitte. A statement by Zhonghui Anda about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 106 to 110.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended 31 August 2019 until its resignation on 10 January 2020 are set out below:

Services rendered for the Company	Fees paid and payable <i>RMB '000</i>
<hr/>	
Audit services:	
Audit services	2,200
Non-audit services:	
Tax advisory services	990
Interim review services	590
<hr/>	
Total	3,780

Details of the fees paid/payable in respect of the audit and non-audit services provided by Zhonghui Anda from the date of its appointment on 12 January 2020 until the date of this annual report are set out below:

Services rendered for the Company	Fees paid and payable <i>RMB '000</i>
<hr/>	
Audit services:	
Audit services	1,688
Non-audit services:	
Interim review services	538
<hr/>	
Total	2,226

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures 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.

Corporate Governance Report

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the audit committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the audit committee (and the Board) on the effectiveness of these systems for the year ended 31 August 2019. The Board had conducted a review of the effectiveness of the internal control system of the Company in respect of the year ended 31 August 2019 and considered the system effective and adequate. The Board will conduct a review of the effectiveness of the risk management and internal control system of the Company on an annual basis.

The Group has established an internal control department and maintain an internal audit function for the year ended 31 August 2019. Each of its schools has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each of the Group's schools is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties and shall not respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

COMPANY SECRETARY

Mr. Wong Yu Kit ("**Mr. Wong**"), of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as its company secretary, and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

Mr. Hou, an executive Director and the chief executive officer, is the primary point of contact of the Company for Mr. Wong.

For the year ended 31 August 2019, Mr. Wong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Putting Forward Enquiries to the Board and Contact Details

Shareholders may send written enquiries to the Company for the attention of the Board at the Company's head office and principal place of business in China.

Contact Details

Address : No. 66, Beihai East Road
Shangqiu City
Henan Province
PRC

Email : IR@chunlaiedu.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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 endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles of Association during the Reporting Period and up to the date of this annual report. An up to date version of the Company's Articles of Association is also available on the Company's website (www.chunlaiedu.com) and the Stock Exchange's website (www.hkexnews.hk).

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

1. ABOUT THIS REPORT

China Chunlai Education Group Co., Ltd. (hereinafter referred to as “Chunlai Education”) and its subsidiaries (hereinafter referred to as “Group”, “our Group”, “the Group”, “we”, “us” or “our”) are institutions providing private higher education. The Group is pleased to present its second Environmental, Social and Governance Report (hereinafter referred to as the “ESG Report” or “this Report”), which summarises our initiatives, strategies and objectives relating to environmental, social and governance issues, and describes our vision and commitment to fulfilment of sustainable development philosophy, as well as our corporate social responsibilities.

Reporting Standard

This Report is published in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The reporting contents covered herein are in compliance with the “comply or explain” principle required in the ESG Reporting Guide. An index for major categories of ESG Reporting Guide prepared in accordance with the contents of this Report is inserted in the last chapter of this Report for readers' easy reference. You should read this Report together with the chapter headed “Corporate Governance Report” in this Annual Report to have a comprehensive understanding of the Group's environmental, social and governance performance.

Reporting Scope

This Report describes the sustainable development policies related to core businesses and the overall performance of performing corporate social responsibility from 1 September 2018 to 31 August 2019 (hereinafter referred to as the “Year” or the “Reporting Period”). Unless otherwise specified, this Report covers the businesses directly controlled by Chunlai Education, and the data collection of the Key Performance Indicators (KPIs) under the Subject Area – Environmental covering Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, all of which are located in Henan Province.

Language of this Report

This Report is available in two languages, including Traditional Chinese and English versions. Should there be any inconsistency between them, the Traditional Chinese version shall prevail.

Feedback on this Report

We highly value your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us through the following channels:

Address: No. 66, Beihai East Road, Shangqiu City, Henan Province

E-mail: cljyjt@chunlaiedu.com

Tel: (86)0370-3555128

Environmental, Social and Governance Report

2. INTRODUCTION TO THE GROUP'S BUSINESS

Chunlai Education

Chunlai Education is a leading private provider of higher education in China. Since its inception in 2004, the Group has grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and participate in the operation of College of Engineering and Technology of Yangtze University. Since its establishment, the Group adheres to its educational philosophy of "continuously improving the quality of talent cultivation and the ability to serve society through character building and talent fostering, persisting with scientific development, reform and innovation, education in full legal compliance to embark on its journey to internal, innovative and distinctive development", vigorously promotes educational reform and comprehensively optimizes teaching methods. The Group provides students with academic programmes including bachelor's degree, junior college to bachelor's degree transfer, junior college diploma, combined vocational education and junior college diploma and vocational education.

In 2018, with the successful listing of the Group on the Hong Kong Stock Exchange, the Group entered the international capital market, which commenced a brand new chapter in and injected new momentum for our future development. Each college has been preparing construction projects to expand and construct multiple new teaching facilities and staff and student dormitories in order to raise our market share and meet the long-term demand as a result of the growth in student numbers.

2.1 An Overview of our Colleges

Shangqiu University

The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which obtained approval from the MOE in 2005 to be established as an independent college and was later renamed as Shangqiu University in 2011. Shangqiu University currently has 16 teaching units, offers 45 bachelor's degree programmes and 28 junior college diploma programmes, and currently offers 2 provincial-level specialty majors, 11 provincial-level brand majors, 3 provincial-level comprehensive reform pilot majors, and 3 provincial-level experimental teaching demonstration centers. In the 2018/2019 school year, a total of 19,605 students were enrolled. The engineering programmes of Shangqiu University are highly recognized by Henan Province. In order to strengthen practical training and improve the quality of talent cultivation, Shangqiu University has entered into cooperation agreements with a number of enterprises to build approximately 300 off-campus practical training bases, and the employment rate of graduates achieved 96% and above.

On 21 December 2018, China Education Daily reported the new ideas and new methods adopted by Shangqiu University in educational and teaching reform and talent cultivation on the topic of "Taking Roots in Central China, Cultivating Talents through Deepened and Refined Approaches – Exploration and Practice of Cultivating High-Quality and Application-Oriented Talents at Shangqiu University", which demonstrated the new achievements of Shangqiu University in serving local and regional economic construction and social development.

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Anyang University

The predecessor of Anyang University was the College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "College of Humanities and Management"). In 2009, a new campus was established at the current location of Anyang University. Anyang University currently has 16 schools and two departments, offers 41 bachelor's degree programmes and 32 junior college diploma programmes, and currently offers 7 provincial-level brand majors, 1 provincial-level comprehensive reform pilot major, 5 provincial-level featured online open courses, 1 provincial-level first-class undergraduate major, 1 provincial-level experimental teaching demonstration center, 1 provincial-level key subject (In Nurturing), 3 provincial-level excellent grass-roots teaching organizations and 2 municipal-level key laboratories.

Anyang University is known for its liberal arts programmes with multiple recognitions from provincial-level institutions. In the 2018/2019 school year, a total of 22,043 students were enrolled. In response to the development of the aviation industry in the Anyang area, the School of Aeronautical Engineering was launched in 2014. Anyang University has specifically expanded student dormitories, classrooms, other teaching facilities and acquired electric gliders and other electronic equipment for the programmes. Anyang University held oracle calligraphy art exhibitions at the UNESCO Morocco Artificial Intelligence Forum and the United Nations Headquarter in New York in December 2018 and April 2019, respectively, and received extensive attention and reports from more than 150 domestic and overseas media.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus, established in 2013, is a branch college of Shangqiu University. The college adheres to the strategy of "establishing the school with quality, developing the school with talents, and prospering the school with unique characteristics". It has six schools and two departments, and offers 25 bachelor's degree programmes and 18 junior college diploma programmes. In the 2018/2019 school year, a total of 8,232 students were enrolled. In order to strengthen practical training and improve the quality of talent cultivation, the college adheres to the application-oriented talent training model, cooperates with the education projects, the teacher quality improvement projects and the industry-university-research cooperation education projects, and strengthens the school-enterprise cooperation and the integration of industry and education. Looking forward, the college is planning to file an application to transform Shangqiu University Kaifeng Campus into an independent Private HEI. All current campus expansion plans at the college are implemented with the objective to be qualified as a Private HEI and to lay the groundwork for increased enrolment rate.

Environmental, Social and Governance Report

2.2 Awards and Recognitions

We are committed to improving the teaching quality of various colleges and maintaining the good reputation of the Group. Over the years, we have been recognized by all parties and have won many awards in the past, including honours such as “2014 Outstanding Educational Institution (2014年度先進辦學單位)”, “2015 Outstanding Private School (2015年度優秀民辦學校)”, “2015 Most Beautiful University Campus in Henan Province (2015年河南省最美大學校園)”, “2016 Model School of Henan Province (河南省2016年度文明學校)”, “2015-2016 High-Quality Characteristic School (2015-2016年度優質特色學校)”, “2016 QQ Smart Campus Orientation in 100 Schools – ‘National Demonstration School’ (2016QQ智慧校園百校迎新“全國示範院校”)” and “2017 1st Golden Candle Award for High-Quality Employment Demonstration University in Henan Province (2017年河南省首屆“金燭獎”高質量就業示範高校)”. Moreover, each of college of Chunlai Education adheres to the principles on emphasising innovative scientific development, and continuing to get inventions that combine high level of practicality and artistic value, many of which have already applied for patents. The colleges will continue to input resources in presenting more inventions that can contribute to society. These recognitions have encouraged us to march on and constantly enhance our competitive edge and development potential in the industry. In 2019, the Group received numerous awards, mainly including:

Awards and recognitions received by China Chunlai Education Group:

Awards and Recognitions	Hosting/Awarding Organisation
2018 Leading Brand in Education Industry (2018年度教育行業領軍品牌)	zynews.cn, henan.sina.com.cn (中原網、新浪河南)

Awards and recognitions received by Shangqiu University:

Awards and Recognitions	Hosting/Awarding Organisation
2018-2019 Most Influential Private School in China (2018-2019年中國最具影響力民辦學校)	China Education and Teaching Quality Evaluation Center (中國教育教學質量評估中心)
Outstanding Private Higher Education Institute in Henan During 40 Years of Reform and Opening Up (改革開放40年河南優秀民辦高校)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Henan Private Education Research Base (河南省民辦教育研究基地)	Henan Province Private Education Association (河南省民辦教育協會)
Safe Campus in Henan Province (河南省平安校園)	Education Department of Henan Province, Public Security Department of Henan Province, Leading Group for Safe Construction of Henan Province (河南省教育廳、河南省公安廳、 河南省平安建設工作領導組)
Outstanding University in Stability Maintenance in Henan Province (河南省高校維穩工作先進單位)	Public Security Department of Henan Province (河南省公安廳)
Outstanding Institute in Network Security of Education and Research Computer Network in Henan Province (河南省教育科研計算機網絡安全先進單位)	Education and Research Computer Network Center of Henan Province (河南省教育科研計算機網絡中心)

Environmental, Social and Governance Report

Awards and Recognitions	Hosting/Awarding Organisation
Excellent Organizational Institute of 2018 National Computer Skill Application Competition for College Students (2018年全國大學生計算機技能應用大賽優秀組織單位)	The Training Center of Software Industry Association of China (中國軟件行業協會培訓中心)
2018 Excellent Volunteer Service Team in Shangqiu City (商丘市2018年度優秀志願服務團隊)	Shangqiu Municipal Civilization Office (商丘市文明辦)
May 1st Labour Medal (五一勞動獎章)	Shangqiu Municipal Federation of Trade Unions (商丘市總工會)

Awards and recognitions received by Anyang University:

Awards and Recognitions	Hosting/Awarding Organisation
Outstanding Private Higher Education Institute in Henan During 40 Years of Reform and Opening Up (改革開放40年河南優秀民辦高校)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Top Ten School Newspapers of Private Schools in the Province for 2018-2019 School Year (2018-2019學年全省民辦學校十佳校報)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Excellent Website of Private Higher Education Institutes in the Province for 2018-2019 School Year (2018-2019學年全省民辦高校優秀網站)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Top Ten Websites of Private Schools in the Province for 2018-2019 School Year (2018-2019學年全省民辦學校十佳網站)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Excellent WeChat Public Platform for Private Schools in the Province for 2018-2019 School Year (2018-2019學年全省民辦學校優秀微信公眾平台)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Standardized Demonstration Canteen for Students (標準化示範學生食堂)	Education Department of Henan Province (河南省教育廳)
Demonstration Institute in National Unity and Progress (民族團結進步創建示範單位)	Education Department of Henan Province (河南省教育廳)
Henan Private Education Research Base (河南民辦教育研究基地)	Henan Province Private Education Association (河南省民辦教育協會)
Second Prize of Excellent Achievements in the 2nd Campus Culture Construction of General Colleges and Universities in Henan Province (河南省第二屆普通高等學校校園文化建設優秀成果二等獎)	The University Working Committee of CPC Henan Provincial Committee (中共河南省委高校工委), the Education Department of Henan Province (河南省教育廳)
Excellent Organization of "Striving to be a Good Teacher like Li Fang" Theme Essay ("爭做李芳式的好老師"主題徵文優秀組織獎)	The University Working Committee and the Education Department of Henan Province (河南省高工委、教育廳)
Red Flag Youth League Committee of Henan Province (河南省五四紅旗團委)	Henan Provincial Youth League Committee (共青團河南省委)
Excellent Organization at the Grass-roots Level during the New Year (新春走基層"優秀組織獎")	China Youth Daily (中國青年報社)

Environmental, Social and Governance Report

Awards and Recognitions	Hosting/Awarding Organisation
2019 Outstanding Institute for Party Construction in Private Education Industry in the Province (2019年度全省民辦教育行業“黨建工作”先進單位)	Henan Province Private Education Research Association (河南省民辦教育研究會)
2019 Outstanding Institute for Characteristic School in Private Education Industry in the Province (2019年度全省民辦教育行業“特色辦學”先進單位)	Henan Province Private Education Research Association (河南省民辦教育研究會)
2019 Outstanding Institute for Teaching in Private Education Industry in the Province (2019年度全省民辦教育行業“教學工作”先進單位)	Henan Province Private Education Research Association (河南省民辦教育研究會)
Won one second prize and one third prize at the contest of 2019 “CCB Cup” “Internet +” Competition in Henan Province (“建行杯”2019年河南省“互聯網+”大賽)	Education Department of Henan Province (河南省教育廳)
Our school was approved as a project construction institute for master's degree in 2019-2021 (2019-2021年碩士學位授予立項建設單位)	Education Department of Henan Province (河南省教育廳)
The “Red Culture Education Project” (紅色文化育人工程) of our school won 2018 Excellent Brand of Ideological and Political Work of Universities in the Province (2018年全省高校思想政治工作優秀品牌)	Education Department of Henan Province (河南省教育廳)

Awards and recognitions received by Shangqiu University Kaifeng Campus:

Awards and Recognitions	Hosting/Awarding Organisation
2018 Outstanding Institute in the Municipal Social Science System (2018年度全市社科系統先進單位)	Kaifeng Municipal Federation of Social Sciences (開封市社會科學界聯合會)
Kaifeng Excellent Young Volunteer Service Group (開封市優秀青年志願者服務集體)	Kaifeng Municipal Youth League Committee (開封市團市委)
Standardized Demonstration Canteen for Students of General Colleges and Universities in Henan Province (河南省普通高等學校標準化示範學生食堂)	Education Department of Henan Province (河南省教育廳)
Excellent Organisation in the 2019 National English Competition for College Students (2019年全國大學生英語競賽優秀組織獎)	The College English Teaching and Research Association of China (高等學校大學外語教學研究會)
Second Prize in 2nd National University-Enterprise Value Creation Regional Contest (第二屆全國高校企業價值創造區域賽二等獎)	Teaching Guidance Sub-Committee of Accounting Major, Ministry of Education (教育部會計學專業教學指導分委員會)
Kaifeng Municipal Red Flag Youth League Committee (開封市五四紅旗團委)	Kaifeng Municipal Youth League Committee (開封市團市委)

Environmental, Social and Governance Report

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

3.1 Sustainable Development Strategy

Since its inception, Chunlai Education has always been adhering to the social responsibility of “contributing to society and making it a better place”. We are committed to education and at the same time actively participate in social welfare undertakings. We hope that sustainable development is regarded as an important task of the overall business operation. Over the years, the Group has always insisted on serving the society and exchanging opinions with stakeholders through various channels to formulate the Group's sustainable development strategy.

3.2 Communication with Stakeholders

The Group focuses on communicating with different external and internal stakeholders (including shareholders, students, parents, employees, investors, government and regulatory authorities, suppliers and the general public), which is the key to the success of the Group. The Group strives to maintain contact, cooperation and establish a solid relationship with the stakeholders, and adopts an open and proactive attitude to listen to and understand their areas of concern, so as to determine the scope of environmental, social and governance coverage of this Report. The following are the communication and response channels of key stakeholders this year.

Key Stakeholders and Communication and Response Channels

Stakeholders	Main concerns	Major communication and response channels
Government and regulatory authorities	Compliance with laws and regulations Positive impacts on the society	Meetings Rating of the schools Visiting the schools
Shareholders/investors	Compliant and sound operation Information transparency Business growth	Annual general meeting of shareholders and other general meetings of shareholders Interim report and annual report Corporate communications, such as letters/circulars to shareholders and meeting notices Result announcements Environmental, social and governance (ESG) meetings Meetings of investors Senior management meetings Shareholder visits

Environmental, Social and Governance Report

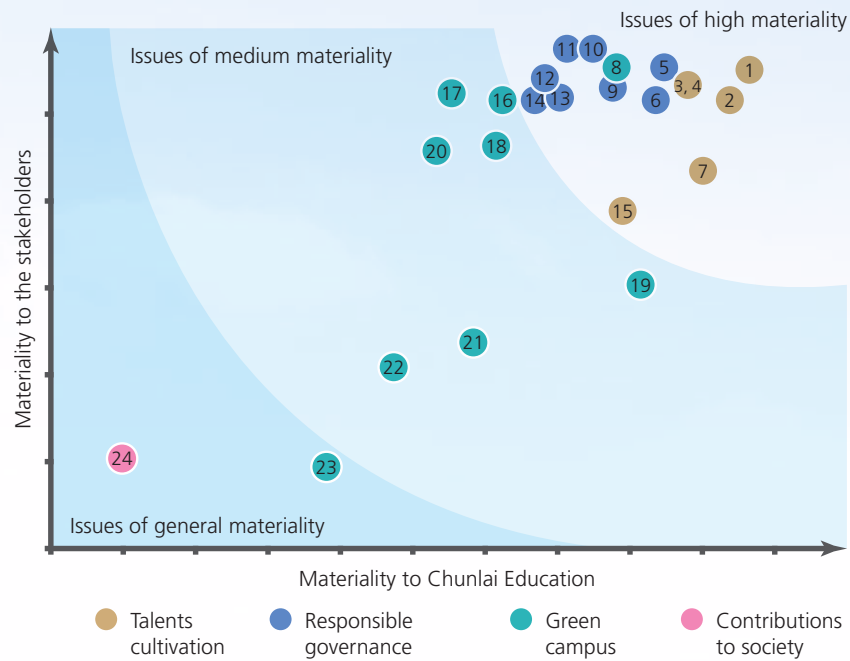
Stakeholders	Main concerns	Major communication and response channels
Teachers/other employees	Career development Salary and benefits Healthy and safe working environment	Training courses Meetings and interviews
Students/parents	Education quality Education resources Qualification of teachers Healthy and safe learning environment	Satisfaction survey Regular visits Feedback in the class Parents' meeting Online platform Phone E-mail
Suppliers	Fair and unbiased procurement Sustainable supply chain	Supplier management procedures Supplier/contractor evaluation system On-site visits Meetings
Business partners	Mutually beneficial and win-win cooperation	Exchange activities Meetings Visits Lectures
Community and public	Participation in charity Promotion of community development	Education fund/scholarship Donations Activities organized by the school Seminars/lectures/workshops Meetings School website Media information

3.3 Materiality Assessment

In order to further determine the materiality of corporate environmental, social and governance practices and disclosure, in the report, targeted environmental, social and governance issues were proposed to respond to the concerns and needs of stakeholders. Chunlai Education commissioned independent consultancy firm to conduct materiality assessment on the environmental, social and governance issues, and collected the views and focus of the Group's environmental, social and governance work of various internal and external stakeholders through questionnaires, and in consideration of the results of different communication channels with various stakeholders, the Group formulated a matrix of important issues during the Reporting Period. The results are as follows:

Environmental, Social and Governance Report

Materiality Matrix of ESG Issues of the Group



The Important Issues in 2019 ESG Report of Chunlai Education

Issues of high materiality	1	Health and safety of the students	Issues of high materiality	13	Promotion and information disclosure	
	2	Occupational health and safety		14	Market Competitiveness	
	3	Employment system with equal opportunities		15	Employees' training and development	
	4	Qualifications and professional ethics of the teachers		Issues of medium materiality	16	Waste management
	5	Information and privacy protection			17	Pollution reduction and emissions reduction
	6	Anti-corruption and compliant operations			18	Use of materials/resources
	7	Labour rights			19	Green building in campus
	8	Environmental education			20	Water consumption and efficiency
	9	Education quality control			21	Energy consumption and efficiency
	10	Protection of intellectual property		22	Greenhouse gas emissions	
	11	Handling of educational opinions		Issues of general materiality	23	Climate change
	12	Responsible procurement			24	Community investment and participation

Environmental, Social and Governance Report

Based on the above materiality assessment results, the direction of environmental, social and governance of Chunlai Education in this year are divided into four categories, including "Leading Educational Philosophy", "Accomplishing Responsible Governance", "Constructing a Green Campus" and "Jointly Creating a Harmonious Society". This report reflects the Group's annual environmental, social and governance priorities and contributions in these four categories.



4. LEADING EDUCATIONAL PHILOSOPHY

Pursuing the philosophy of providing practical education, Chunlai Education is committed to the development of students' practical skills that meet the needs of China's economic development, with a view to giving our graduates an upper hand in the job market. We believe that nurturing excellent teaching staff and attracting high-level faculty are of paramount importance to the success of the Group. Therefore, with a particular emphasis on the compliance with practices on employment, labor and occupational health and safety, we strictly follow the laws and regulations such as Labour Law of the People's Republic of China 《中華人民共和國勞動法》, Labor Contract Law 《勞動合同法》, the Implementation Regulations for the Labor Contract Law 《勞動合同法實施條例》, the Law on the Protection of Minors 《未成年人保護法》, the Regulations on the Prohibition of Child Labor 《禁止使用童工規定》, and the Regulation on Sanitary Work of Schools 《學校衛生工作條例》.

4.1 Outstanding Education Institution

By implementing the strategy of "Strengthening the School with Talents", the Group makes unremitting efforts in putting the improvement of quality of all employees and their benefits as the first priority of the Group so as to attract high-level talents. Key areas such as competitive human resource management policies, employee management, remuneration management, annual appraisal, promotion channel, recruitment criteria and procedure, employee compensation and benefits as well as employee training plans are set out in the Employee Manual 《職工手冊》 in detail. In order to introduce more high-level talents, Shangqiu University and Anyang University have respectively implemented the "Administrative Regulations for Introducing High-level Talents" 《高層次人才引進管理辦法》 to fortify a team of highly qualified personnel.

Environmental, Social and Governance Report

Shangqiu University 2019 Teaching Staff Union Congress

The leadership and all the faculty of Shangqiu University attended the 2019 faculty union congress where they conducted an overall review of the progress and effectiveness of various undertakings achieved by the school in the 2018-2019 school year. By outlining the targets (including appraisal of school management) to be achieved by the school in the new school year, the Group implemented a fundamental task of moral education by optimizing the discipline and professional structure, comprehensively improving the aptitude of teachers in imparting knowledge and improving the level of informationisation of education and the teaching quality, which provided clear guidelines for upholding the school's quality teaching in the new school year.

Faculty Congress of the Second Semester of the 2018-2019 School Year of Anyang University

The leadership of Anyang University and all the faculty attended the faculty congress where the leadership summed up the outstanding achievements made by the college in terms of teaching, scientific research, talents, recruitment and employment in the past year, and mapped out the overall vision of school undertakings in the new year, including continuing to lead the construction of the Party's working style and push forward its clean and honest administration; continuously improving the quality of teaching and research; strengthening the construction of faculty; continuing to implement information management and continuing to strive to build the college into a high-level application-oriented private college.

4.2 Healthy and Safe Campus

Chunlai Education has been attaching great importance to the physical and mental health of its faculty by strictly abiding by the laws and regulations on the safety of schools, teachers and students, such as the Occupational Disease Prevention Law, School Health Work Regulations, Fire Protection Law, Safety Production Law, etc. We have implemented a series of health and safety measures and arrangements, and have also formulated a School Safety Management System for campus facilities, electricity, water, heating power and gas use, and are committed to building a healthy and safe campus and optimizing the health of employees and students, canteen food safety, teaching environment safety. During the reporting period, the Group did not have any cases of workplace fatalities due to work-related injuries. Although there was a work-related accident that resulted in the loss of one working day, our school was extremely concerned about the incident and reported it to the Work Injury Insurance Center in real time, and such employees are entitled to the employee's social plan. In the future, we will strengthen the preventive measures to avoid similar accidents.

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Faculty Health Checkup

The Group places great emphasis on the health of its employees. Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus regularly arrange mandatory medical checkup for faculty on cardiopulmonary, liver and kidney, blood glucose, and blood lipids. Professional advice and consulting services on health care were given based on the individual's physical condition and medical examination report, disease prevention and treatment so that staff can have a better understanding of their health status, achieving "early treatment and early prevention of disease" to ensure faculties are in good health.



Prevention of Occupational Diseases of Teachers

Anyang University also simultaneously held publicity activities in respect of teachers' knowledge of occupational disease prevention during physical checkup, and medical staff conducted a Q&A on the spot for teachers seeking consultation on health. The Medical Office of Shangqiu University also produced a booklet of "Health Education Propaganda-How to Prevent Occupational Diseases Among Teachers?", allowing teachers to identify common symptoms of occupational diseases and convey preventive measures.

Student Health and Safety

Comprehensive epidemic prevention measures can protect students and reduce operational risks. The Group made reference to the Epidemic Prevention and Control Law, Public Health Response Regulations and other regulatory documents to formulate the Epidemic Prevention and Control Contingency Plan, focusing on the prevention and treatment, the implementation of health education and the establishment of a complete monitoring and reporting mechanism, which also detailed the treatment methods and steps to deal with various situations of contingency to achieve the goal of "early detection, early report and early treatment".

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Freshman Admission Checkup

According to the Notice on the Due Performance of the Epidemic Prevention and Control in the Fall of 2018, the Provincial Department of Education conducted medical checkup for freshmen in our school to ensure that they have a better understanding of their physical health and have a sound body and mind to fit in with campus life.

Lecture on Tuberculosis Prevention and First Aid Knowledge Training- Anyang University



In order to further improve students' awareness and prevention of tuberculosis, Anyang University invited doctors from Anyang Tuberculosis Prevention Institute to teach students about the basics of tuberculosis and prevention and control. Nearly 350 students participated in this lecture. In addition, in order to let the teachers and students fully understand the first aid knowledge and enhance emergency response capabilities, the college held a special lecture on first aid knowledge training. Medical staff in the infirmary and nearly 400 students participated in the training.

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Fire Safety Month

In order to strengthen fire safety publicity and education and enhance the fire safety awareness of restaurant staff, faculty and students, Shangqiu University and Shangqiu University Kaifeng Campus designated April as the "Fire Safety Month", and organized a safety education activity on the theme of "Common Efforts to Build a Firewall with Dedication and Building a Life Safety Net" (共築心中防火牆·搭起生命安全網), and also conducted fire drills on the campus under the leadership of fire brigade instructors. More than 300 student representatives participated in the event.



Campus Canteen Environment and Food Safety

As the saying goes, "food is the paramount concern of the people and safety is the paramount concern for food." We attach great importance to the canteen environment and food safety, and strictly abide by the Food Safety Law of the People's Republic of China, Regulations on the Hygienic Management of School Canteens and Student Group Dining, and Food Safety and Nutrition Health Management Regulations. All three of our colleges have set up a food management supervision group composed of student members to formulate and improve the meal management system through food inspection, inspection of the canteen environment, feedback collection and routine meetings to safeguard the safety and quality of meals for teachers and students.

The college has also established Food Safety Management System (《食品安全管理制度》), Food Safety Self-inspection and Self-inspection and Reporting System (《食品安全自檢自查與報告制度》), Food Safety Speedy Inspection Management System (《食品安全快速檢測管理制度》), "Six Ts Law" Management System (《"六T法"管理制度》), etc., setting out the requirements and steps that need to be strictly followed to monitor and enforce food safety with an accountability system. In order to further ensure the campus environment and food hygiene safety, the college's catering management company has obtained multiple international system certifications related to food safety management, including Food Safety Management System Certification (《食品安全管理體系認證》), HACCP System Certification (《HACCP體系認證》), Quality Management System Certification (《質量管理體系認證》) and Occupational Health and Safety Management System Certification (《職業健康安全體系認證》), etc.

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In addition, we organized a number of food safety and nutrition health publicity activities this year to successfully promote the concept of food safety and nutrition health to teachers and students of the college. Shangqiu University and Shangqiu University Kaifeng Campus held a food safety publicity week in April 2019, with the theme of "Balanced Dietary Nutrition and Protection of Physical Health"(平衡膳食營養·保障身體健康), advocating a green, healthy, safe and nutritious diet concept with "the Four Most Stringent Rules" (四個最嚴) to safeguard the "Security on the Tip of the Tongue"(舌尖上的安全). Activities include:

- Gourmet Cooking Competition

The competition is divided into a professional group participated by catering chefs and a non-professional group participated by teachers and students. The competition is based on the principles of nutrition, health and reasonable diet. Food health and safety messages are passed on throughout the campus.



- Transparency Kitchen

By inviting student representatives and teachers to visit the kitchen workshop to understand the food production supervision and process of our school restaurant which implements transparency management, we promote "hygienic environment, food safety, healthy diet" and push forward salt reduction, oil reduction and sugar control and balanced healthy diet, boosting the health and safety of our school teachers and students alike.

- "Your Health is My Concern"

Through the physical exercises of running on the "Sports World Campus" app, the running kilometers recorded by teachers and students under the application can be converted into discounts for dining in the campus cafeteria. If the daily running record is 3 kilometers, you can enjoy a 12% discount in the campus restaurant on the same day.

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– Food Safety and Health Education Seminars

In various lectures, the college has broadcast food safety videos, showing the achievements of food safety quality improvement, and training knowledge and skills for school restaurant employees. The Food Safety Law 《食品安全法》, School Food Safety and Nutrition and Health Management Regulations 《學校食品安全與營養健康管理規定》 provide special training on the requirements and specifications of school meals, and successfully pass on food safety and health knowledge to faculty and students.

4.3 Employment System with Equal Opportunities

In the recruitment process, the Personnel Department verifies the qualifications of newly hired teachers and staff. Employment of child labour and forced labour is strictly prohibited. We will also regularly review staff overtime and their labour intensity. Moreover, we have zero-tolerance towards discrimination in the workplace, forced labour, harassment and other acts. During the Reporting Period, the Group did not record any violation related to discrimination, employment of child labour or forced labour.

Recruitment Management and Promotion System

The Group formulated the Administrative Measures on Recruitment 《招聘管理辦法》 and formed a recruitment leading group. We always regard merit-based appointments, and value morality in conducts as the top priority, and in addition, we ensure equal employment opportunities for candidates regardless of their gender, age, nationality or race. After passing the resume screening stage, applicants are required to provide relevant materials such as identification document, transcripts of studies, recommendation letters and certificates to the human resources department for record and stringent verification, so that we can ascertain that the candidates do possess genuine and relevant qualifications and avoid employment of child labour. In addition, the Board, school principals, the human resources department, and the office of academic affairs and the manager of the hiring college will take part in the teacher recruitment interviews to evaluate the applicants based on factors such as their character, educational background, work experience and expertise. Once the appointments of applicants are reviewed and confirmed by the Board, we will sign an employment agreement and employment contract with the potential employee so as to protect the interests of our staff.

In addition, in order to improve work efficiency and motivate employees' determination to strive forward, we have also established a fair, just and open Staff Promotion Method and Implementation Method for the Construction of Middle-level Reserve Cadre Team, employees with excellent performance and ethics can be promoted through recommendation or selection.

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Information of the Group's staff for the year is set out below:

Staff category	Number of staff
All staff	3,509
By gender	
Female	2,007
Male	1,502
By employment category	
Short-term contract/part-time	524
Junior level	427
Intermediate level	394
Senior level	455
Other	1,709
By age group	
Under the age of 30	1,476
Aged 30-50	1,291
Over the age of 50	742
By region	
Central China region	2,417
North China region	928
East China region	78
Northeast China region	55
Northwest China region	24
South China region	5
Other regions (including Hong Kong, Macau and Taiwan)	2

We treat the continuation (or not) in service of each teaching staff with cautiousness and care about their well-being. When a staff tenders a resignation, the person in charge of the unit will try his best to retain the staff and engage in a dialogue with him/her to understand the reasons for the resignation. By finding out the improvement measures, we try to increase the sense of belonging of our existing teaching staff. The management also continuously monitors the turnover rate and continues to communicate with the staff to establish a good employment relationship. Employee turnover rate for the year is as follows:

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Staff category	Turnover rate
All staff	15.5%
By gender	
Female	16.7%
Male	14.0%
By age group	
Under the age of 30	22.6%
Aged 30-50	14.1%
Over the age of 50	4.0%
By region	
Central China region	15.7%
North China region	14.0%
East China region	28.2%
Northeast China region	20.0%
Northwest China region	12.5%
South China region	0%
Other regions (including Hong Kong, Macau and Taiwan)	0%

4.4 Comprehensive Benefits and Salaries

Chunlai Education firmly believes that the teaching staff is an important asset of the Group and retains talents with comprehensive benefits and salaries. The Group has formulated the Performance Assessment Management Measures 《績效考核管理辦法》 reward and punishment system, which evaluates the virtues and performance of teachers and staff by objective, transparent and fair criteria to issue performance bonuses, and encourages teachers and staff to work actively and perform their duties. In addition, according to the economic situation, the actual situation of the school and the industry, we regularly adjust the salaries of all employees, reward them for their past efforts devoted to the college, stabilize the backbone team, stimulate work enthusiasm and enhance cohesion.

Benefits and Allowances

Chunlai Education provides employee benefits that exceed the legal minimum requirements. In addition to daily rest days, employees enjoy paid annual leave, statutory paid sick leave, maternity leave, accompanying leave and wedding and funeral leave, and also enjoy Teacher's Day, Mid-Autumn Festival and Spring Festival benefits. In order to be considerate of the needs of new mothers at work, female employees can apply for breastfeeding leave after maternity leave. In order to encourage on-the-job training, we have also set up study vacations and give full-time teaching staff a week off every semester. The Group has formulated the "Interim Measures for the Administration of Social Insurance" to provide insurance package that comprises five insurances and the housing fund for the qualified teaching staff who have signed valid contracts. Non-local talents with high professional titles also enjoy transportation allowances and travel to and from their hometowns on national holidays and winter and summer holidays.

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4.5 Training of Teaching Staff

We provide comprehensive career planning, and also encourage teaching staff to improve their academic qualifications and professional abilities through continuous learning and on-the-job training. We provide opportunities for young teachers to broaden their horizons and enhance their development capabilities such as observation classes, demonstration classes, skill contests, and excellent lesson plan comparison activities; senior teachers will be selected to study for degrees in well-known universities and research institutes at home and abroad to study for degrees, study visits, and conduct academic exchanges and cooperative research. The training program can establish a foundation for key disciplines and teaching quality projects to further enhance the college's applied education level.

"Thirteenth Five-Year Plan" Construction of Teaching Staff

Adhering to the Party's socialist school running direction and the policy of "Standardizing School Running, Accelerating Construction, Improving Quality and Accentuating the Outstanding Features", the Group has mapped out the "Thirteenth Five-Year Plan for construction of teaching staff". Revolving around the three stages of "Introducing Talents, Educating Talents, and Using Talents" as the key undertakings of the plan, the Group introduced high-level talents and improved the construction of "double-qualified" teaching staff, setting up an annual target to cultivate the number of teaching or research teams in an effort to maintain outstanding talents of the college.

Shangqiu University 2019 "Young Eagle" (雏鹰) Training Camp



In order to improve the professional qualities and teaching abilities of newly recruited young teachers and their teaching quality, Shangqiu University held a "Young Eagle" (雏鹰) workshop for new teachers this year. The training method combines basic teaching training, online learning, practice exercises and special trainings of colleges and other activities to improve the quality of new teachers' education and teaching and strengthen the construction of teaching staff.

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The category, content and purpose of the comprehensive teaching staff training plan provided by the Group are as follows:

Training category	Training content and purpose
Pre-employment training	A training meeting for newly hired staff is held every year to enable newly recruited staff to initially grasp the basic principles and methods of teaching in colleges and universities, to conduct education and training on teacher ethics and morality, and to encourage young teachers to fully perform their duties and dedication.
Apprenticeship	During the first academic year, a new teacher will be teamed up with an experienced mentor. The new teacher will be able to adapt to the new environment faster through experience sharing on lessons preparation, attending lectures, teaching in class, counselling, Q&A and homework review and marking.
Training on higher education teaching qualification	We provide our new teachers with certified training courses and examinations for further education and help them obtain teaching qualifications of higher education.
National training demonstration unit	Train newly hired teachers so that they can master the correct professional concepts and education and teaching skills, and cultivate good teacher ethics, academic standards and psychological qualities.
Training on teaching methods and skills	To train up younger teaching staff on learning to combine traditional teaching theories, skills and approaches, to enhance English proficiency and to improve teaching skills and quality of business service, by working with modern educational information technology applications.
Academic visits and further studies overseas	We offer overseas academic visits and further studies opportunities to selected teachers for further study to broaden their knowledge of other countries and keep pace with trends and developments in international education, scientific research and administration and put more efforts in training young and middle-aged backbone teachers.
Training on professional practical skills	Setting up research directions in practice and developing potential projects as well as enhancing school-corporation collaboration by nominating teachers to companies and scientific research institutions of corresponding professional specialisations for on-the-job training.

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The following table summarizes the training we provided this year:

Staff category	Percentage of staff trained	Average training hours completed per staff
By gender		
Female	57.2%	167 hours
Male	39.5%	170 hours
By employment category		
Junior level	36.3%	128 hours
Intermediate level	70.3%	126 hours
Senior level	60.0%	24 hours

We greatly strengthened the training of teaching staff during the year. Both the proportion of staff trained and the average training hours completed per staff have greatly increased from last year. In particular, we have strengthened the training of junior and intermediate staff in academic and management aspects, enhancing the quality and teaching level of teaching staff.

5. ACCOMPLISHING RESPONSIBLE GOVERNANCE

5.1 Construction of Anti-corruption System

The Group attaches great importance to the discipline and ethics of all employees. We strictly comply with the regulations on anti-corruption and promoting integrity, such as the Clean and Honest Governance and Self-discipline Standard of Communist Party of China 《中國共產黨廉政自律準則》, the 'Ten Impermissible Rules' Regarding Integrity and Self-Discipline to Be Abided by Party Members, Leaders and Cadres in University 《高校黨員領導幹部廉潔自律“十不准”》, and the Regulations on Appeals and Reclaims Initiated by Discipline Inspection Group of Communist Party of China 《中國共產黨紀律檢查機關控告申訴工作條例》 and other relevant requirements. In order to ensure that teaching staff strictly abide by the laws, regulations and rules of integrity and self-discipline, we have developed the “Implementation Measures of the Accountability System for Establishing Party Conduct and Upholding Integrity” 《黨風廉政建設責任制實施辦法》. We regard the teachers' good moral cultivation as importance. Teachers shall treat every student in a fair and impartial manner and be forbidden to solicit any gifts and money from students and their parents. The behaviours in breach of professional ethics such as fraud, money laundering, extortion, bribery, and embezzlement are stringently banned by the Group.

In order to effectively implement the monitoring system, we have formulated the Measures for Public Complaints and Whistle-Blowing 《信訪舉報工作辦法》. Whistleblowers may report through personal visit, phone calls, pail box or email and other confidential channels. The reported cases will be handled by authorities of discipline inspection and supervision in accordance with the Party Constitution, state laws, regulations, policies and school rules within 60 days.

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During the year, to ensure that all employees strictly abide by relevant regulations, the anti-corruption education, corruption prevention and monitoring measures have been taken by us included:

Education, prevention and monitoring measures	Specific contents
Case Study-based Reform on both Symptoms and Root Causes	To conduct in-depth study of various cases, take rectified measures, establish a sound system, strengthen supervision and inspection, and achieve anti-corruption on both the symptoms and root causes and promote integrity
Integrity Warning Education Activities	To deliver integrity publicity to school leaders and strengthen their law and discipline and integrity awareness through deeds of a person with positive integrity and the typical corruption case
"Anti-Corrupted Campus" Publicity and Education Activities	To promote integrity culture across the campus by demonstrating good experience and introducing role models and strengthening the integrity awareness of teachers and students
Study the Regulation of the Communist Party of China on Disciplinary Actions 《中國共產黨紀律處分條例》	To study this regulation at the learning conference and enforce disciplinary actions against violations and offences in a fair, serious and impartial manner for which employees are reminded and cautioned and will consciously abide by it
Leading Group of the Responsibility System for Establishment of a Clean and Honest Party	To regularly inspect, examine and supervise the implementation of the responsibility system for the establishment of a clean and honest Party by the lower-level leading team to ensure that the system is properly carried out
Accountability for Work of Clean and Honest Governance	To hold accountable for identified failure of performance of clean and honest governance in a proper way and promptly urge to take rectification measures

During the reporting period, the Group has not involved in any corruption case, which fully manifested the effective implementation of clean and honest governance and educational work.

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5.2 Information Disclosure Security

In order to improve the overall security protection of information system of the Group and achieve targeted level of control over information security, Chunlai Education strictly abides by the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems 《中華人民共和國計算機信息系統安全保護條例》, Overall Plan on National Information Security System 《國家系統信息安全體系總體方案》, Opinions of the State Informatisation Leading Group for Strengthening Information Security Assurance Work 《國家信息化領導小組關於加強信息安全保障工作的意見》, and other state laws and regulations, and has set up the Information Security Management System for Henan Chunlai Education Technology Co., Ltd. 《河南春來教育科技有限公司信息安全管理制度》 and Verification and Management System for Online Information Release by China Chunlai Education Technology Co., Ltd. 《中國春來教育科技有限公司信息上網發佈審核管理制度》 so as to attain a unified security strategy management, improve the overall information security, and ensure the implementation of information security control measures.

Information Security Assurance

Taking “comprehensive prevention that emphasises both management and technology based on safety-first and a precautionary mindset” as an overall approach, we ensure that the intranet and extranet information systems maintain stable and reliable running and keep the confidentiality of information to protect the information system from damages caused by online fraud, detectives, viruses, hackers, malicious code and others. In order to effectively implement the information security management system, we have established a network security and informatization leading group in charge of reviewing and verifying information security strategies and regulations, and managing and supervising the implementation of such system. The key measures we took on information security are as follows:

- To strengthen network security management and virus prevention, such as installation of software firewall and anti-virus software for systems and computers, and perform real-time scanning, filtering and regular inspection
- To regularly provide on-the-job training and education on network and information security in respect of knowledge and technology for different employees
- To regularly carry out the National Network Security Publicity Week
- To conduct regular safety examination and inspection to eliminate loopholes and hidden dangers
- To set up information security incident handling methods and emergency management procedures, and regularly conduct emergency plan training and drill
- To establish effective information feedback channels, and report to relevant leaders upon occurrence of any security threats, incidents and failures

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Strict Confidentiality Measures

In order to protect our information security and prevent data leakage, we have developed the following major confidentiality measures:

- With respect to internal sensitive information files and important documents, system access control and industry-standard encryption technology are used to prevent information from being accessed and copied without proper authorization
- All key personnel are required to sign a security and confidentiality agreement, and will be bound by such agreement upon reassignment and resignation
- Non-temporary external personnel must sign a security and confidentiality agreement before entering the workplace

Protection of Intellectual Property Rights

We regard the protection of intellectual property rights with high importance and strictly comply with the Guidelines for Genuine Software Management 《正版軟體管理工作指南》 issued by the State Intellectual Property Office. We ensure that all faculty members' computers are equipped with secured and genuine computer software. We ensure that the products we purchased are in line with the relevant state regulations with safety product sales licenses and intellectual property certifications in accordance with the Regulations on Information System Construction Safety Management 《信息系統建設安全管理規定》 and Regulations on Equipment Safety Management 《設備安全管理規定》.

Technology research and development is one of our major developmental directions, and we continue to bear fruits with collective efforts from teachers and students. We apply patents for the invented products and technologies to ensure originality and recognition of efforts of the research and development work. During the Reporting Period, we achieved splendid results for research and development by maintaining existing registered patents for a total of 35 inventions and obtained new patents for 21 other inventions.

5.3 Handling Opinions on Teaching

We always regard feedbacks on teaching as a key driver for the Group's improvement. We have a standard procedure in place to handle complaints and feedbacks. During the reporting period, we received 22 complaints, of which 10 were related to teaching. Upon receipt of complaints, we will handle the cases with rigorous seriousness in a timely manner, which includes holding discussion meetings, reviewing the details of the case and providing solutions and improvement plans, and complete to handle all cases as soon as possible. To maintain the quality of service offered by each college, we also constantly keep track of, respond to and improve upon complaints to deliver the best teaching service to enhance our competitiveness.

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Strengthening Communication with Teachers, Students and Parents

As an operator of higher education institution, the teachers, students and parents, are extremely concerned about the career development of our graduates. The annual tracking survey of the employment of graduates can reflect whether the programmes offered by the Group can meet the demand of the employment market. It also enables us to design courses for the new semester under a better understanding of social trends. In order to promote the employment of graduates, we held a graduate employment training session for the year to enhance the guidance capabilities and professional level of the college instructors for employment of graduates. The school has also set up various communication channels for teachers, students and parents, such as satisfaction surveys, regular visits and parent meetings to collect opinions and advice on teaching from teachers, students and parents, upon which management of the Group will give timely feedback and develop solutions, thus providing a more inclusive channel for teachers, students and parents to participate in school development and management. We also utilise highly transparent and monitored Internet information technologies, such as campus network and the OA system, to share internal teaching information, and thus realising an open and transparent communication model for school affairs.

Building Brand Image

Adhering to the principle of “live, work and form a career with honesty, diligence and pragmatism”, Chunlai Education built a quality education brand. Our programmes reflect our education philosophy of emphasising practicality to ensure that the information we release while promoting our brand, such as talent training programmes for all professionals, college data indicators and qualifications of our teaching staff, is complete, authentic and accurate for the public in order to eradicate all false and misleading descriptions which will the public.

5.4 Suppliers' Management

In order to ensure the quality of suppliers, enhance the quality and efficiency of procurement, and improve the suppliers' management system, the Group has formulated the Suppliers' Management System 《供應商管理制度》 and the Procurement Management System 《採購管理制度》. Prior to procurement, we will conduct a review of the suppliers based on the established supplier evaluation criteria, taking into account quality, price, delivery time, technology, flexibility, service and strategies to meet state sustainable development in respect of compliance, safety and environmental protection. Such suppliers will become our qualified suppliers subject to our evaluation standards. The criteria is conducive to enhancing the suppliers' awareness of social responsibility in line with green procurement, and establishing a sustainable supply chain. The business license is required to be rendered by the selected supplier for qualification assessment and will be recorded in the supplier files. We will also conduct regular assessment and review of suppliers, implement an elimination mechanism, and replace unqualified suppliers so as to ensure that suppliers continue to meet the criteria and mitigate the risks exposed to our operations. In the case that the supplier is identified to have committed fraud, malpractice or poor integrity, it will be blacklisted and terminated to be employed. In addition, we have also developed monitoring method and bidding process for the procurement to ensure that the procurement process is fair and equitable.

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The suppliers of the Group are mainly located in Henan and Beijing, and the products and services we procured mainly include textbooks, uniforms, teaching equipment, office facilities, software service and others. Selection of local suppliers will not only serve to vitalise the region's economy, but also reduce carbon emissions released during transportation and mitigate the impact on the environment. We strictly conformed with the Suppliers' Management System (《供應商管理制度》) and the Procurement Management System (《採購管理制度》) to select qualified suppliers, thereby enhancing procurement quality and efficiency. The following chart shows the composition of our suppliers for the year:

Regions of suppliers	Numbers of suppliers
Henan	84
Beijing	8
Jiangsu	2
Hebei	1
Chongqing	1
Shenzhen	1

6. CONSTRUCTING A GREEN CAMPUS

6.1 Implementing Energy Conservation and Emissions Reduction

Energy conservation and emissions reduction are the requirements of our country and the needs of the times. As a responsible pioneer in higher education sector, Chunlai Education attaches great importance to environment protection and takes actions for this target. We have been focusing on all impacts and potential risks on the environment and surrounding ecosystem as a result of the operations of school buildings with the concept of "Striving for scientific development, for reform and innovation, and for education based on laws", and encouraging all teachers and students to reduce energy consumption and emissions and use resources efficiently. The Group has been strictly complying with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and relevant environmental laws and regulations in which our businesses operate, such as the Regulation on the Prevention and Control of Atmospheric Pollution of Henan Province (《河南省大氣污染防治條例》). There was no material environmental violation during the Reporting Period.

Environmental, Social and Governance Report

Combating Climate Change

Many countries around the world have signed the historically significant agreement to combat climate change, the Paris Agreement (《巴黎協議》), which was approved at the twenty-first session of the United Nations Climate Change Conference (COP21) held in Paris in determination to jointly combat climate change. The People's Republic of China also expressed a deep commitment to its undertakings in relation to honouring the agreement, through issuing significant policies such as National Planning in Response to Climate Changes (2014-2020) (《國家應對氣候變化規劃(2014-2020年)》) and National Strategies in Response to Climate Changes (《國家適應氣候變化戰略》) successively in an effort to tackle climate change. In response to the nation's energy conservation and emissions reduction campaign, the Group launched its first investigation of greenhouse gas emissions on three colleges of the Group including Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) developed by World Resources Institute and World Business Council for Sustainable Development and ISO14064-1 determined by the International Standardisation Organisation.

After the investigation, the Group's greenhouse gas emissions can be categorised into direct emissions (Scope 1), indirect emissions (Scope 2) and other indirect emissions (Scope 3). The greenhouse gas emissions are produced by burning natural gas and fuel consumption of vehicles and landscaping equipment of the Group (Scope 1), power consumption in operation and gas consumption (Scope 2), as well as water consumption, waste landfill and paper consumption (Scope 3), respectively. The summary of greenhouse gas emissions during the Reporting Period is as follows:

Greenhouse gas emissions performance	Unit	2019
Amount of greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	968.83
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	14,326.98
Other indirect greenhouse gas emissions (Scope 3)	tCO ₂ e	6,344.09
Total amount of greenhouse gas emissions (Scope 1, 2 & 3)	tCO ₂ e	21,639.90
Intensity of greenhouse gas emissions		
Per square metre of floor area (Scope 1, 2 & 3)	tCO ₂ e/m ²	0.01

Scope 1: Direct greenhouse gas emissions from sources that are owned and controlled by the Group.

Scope 2: Indirect greenhouse gas emissions resulted from the generation of electricity, heating, cooling or steam purchased by the Group.

Scope 3: Greenhouse gas emissions indirectly resulted from source that are relevant to the Group's activities but are not owned or directly controlled by it.

Environmental, Social and Governance Report

Reducing Emissions

The Group has been committing to protecting the environment and reducing emissions, and strictly complying with relevant laws and regulations, such as the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》 and the Action Plan for Environmental Pollution Prevention and Control of Shangqiu City in the Year 2017 《商丘市2017年度環境(大氣)污染防治工作方案》. In the course of our operation, the gasoline and diesel used in our vehicles and landscaping equipment will cause air emissions, including sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"). The following coping methods and emissions reduction measures have been taken:

- To carry out maintenance for the Group's vehicles to reduce fuel consumption and emissions of pollutants
- To conduct regular check and keep tyres inflated to ensure correct tyre pressure
- To ensure that engines are stopped when vehicles are not in motion
- To prioritise the use of electric or hybrid-electric vehicles
- To provide training of low-carbon driving for drivers

During the year, the types and data of air emissions generated from our vehicles are as follows:

Type of emissions	Unit	2019
NO _x	kg	226.66
SO _x	kg	0.95
PM	kg	11.68

Since March 2018, all kitchen utensils in our school canteens have been replaced with natural gas stoves. Old boilers are phased out and the use of hazardous combustible gas such as liquefied gas and methanol is terminated, to implement lower carbon emissions, environmental protection and green catering. Combustion of natural gas, as compared with combustion of coal, can greatly reduce the emissions of pollutants such as SO₂, NO_x and respirable suspended particles, and thus reducing air pollution. In addition, we have also installed cooking fume purifiers to further reduce the release of hazardous substances and emissions, and also regularly monitored the emission concentration of the oil smoke to ensure that the oil smoke can meet the emission standard.

Environmental, Social and Governance Report

Energy Conservation and Emissions Reduction on Construction Sites

When expanding our campus, we have taken measures at the construction sites to save energy, reduce emissions and protect the environment, so that we can minimize the impact on the environment and natural resources while developing our business, thus realising sustainable development. A series of measures we have adopted for energy conservation, emissions reduction and environment protection are as follows:

- Energy saving: to prioritise the use of energy-saving and efficient construction equipment and machines recommended by the state and in the industry, and formulate reasonable energy consumption indicators for construction to improve energy utilization rate;
- Water conservation: to leverage advanced water-saving construction technology, water-saving systems and water-saving appliances to improve the recycling rate of recycled water;
- Dust control: to take measures such as water spraying, covering, hardening the road surface of construction sites and fencing to prevent dust generation;
- Water pollution control: to set up corresponding treatment facilities for different sewage, such as sedimentation tanks, grease traps, etc., to ensure that the discharge meets the requirements of national standards;
- Noise control: to take noise and vibration isolation measures by using equipment with low noise and low vibration to avoid or reduce construction noise and vibration, and ensure that the site noise emissions do not exceed the national standards.

Supporting Renewable Energy



Environmental, Social and Governance Report

The Group supports the concepts of low-carbon campus and sustainable development, with actively using renewable energy in its daily campus life. We flexibly utilise campus rooftop space to install solar hot water systems, with heat exchangers installed in the middle of solar panels and taking advantage of heat from solar radiation to generate hot water, which is then conveyed to electric water heaters to provide teachers and students with hot water for dormitory use. Although hot water provided by the solar devices on campus is not for all teachers and students, it nevertheless provides a platform for teachers and students to participate in the exchange of knowledge and experience in the applications of solar energy, which is of even greater significance. In addition, interactive teaching increases participating students' knowledge and attention on renewable energy.

6.2 Practicing Green Operation

Although the Group's business concentrates on the operation of schools and is not involved in production operations with high energy consumption and high emissions, we are still committed to implementing various green initiatives within campus to create a green campus, promote environmental protection teaching concepts and educate the next generation to reduce waste of energy consumption and to cherish the resources of the Earth.

Green Building

The Group is committed to building a healthy, green and highly efficient campus; the concept of green building has been adopted in the design of new buildings. During the design phase, the Group has adopted the reasonable layout of the building functions, minimised the use of synthetic materials, fully utilised sunlight, and saved energy, thus creating a feeling of being close to nature in daily use.

The Group has implemented the following energy saving strategies in green architecture:

- Installing smart electricity control cabinets in the transformer rooms of each teaching building, and smartly controlling electricity in public areas;
- Installing an insulation layer on external walls to reduce the temperature difference between indoors and outdoors and reduce the consumption of energy;
- Installing solar devices in both teaching buildings and dormitory buildings, so as to convert solar energy into heat to supply domestic hot water system and reduce the consumption of electricity;
- Equipping all buildings with energy efficient lightings, and successively installing energy-saving LED lights in each teaching building;
- Replacing with time delay flush valves for all restrooms on campus, and eliminating flushing methods with long water flow.

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Energy Management

The Group's main energy consumption comes from power consumption in daily operations, burning of natural gas in the cafeteria and the gasoline and diesel consumed during transportation. Our schools pay close attention on energy management and actively implement the concept of energy saving and emissions reduction. In summer, we set the temperature of air-conditioners not lower than 26°C, and in winter, not higher than 20°C. For energy-saving management of the air-conditioning system, the air-conditioning system adopts the "single freezing-single cooling" operating mode at light loads, adopts variable speed drives and adjusts the water pump and fan system and variable refrigerant flow system according to the actual needs of the air conditioner to optimize refrigerant flow and reduce energy consumption of the air-conditioning system. We also regularly clean and maintain fan coil filters and fins to reduce energy consumption in air conditioning systems. For lighting system, our schools give priority to the use of lighting with high energy efficiency and the offices are divided into several different lighting areas. Each area is equipped with individually controlled light switches and motion sensors are installed in areas not frequently in use to reduce energy consumption. In the cafeterias of our schools, we switch to environment-friendly refrigeration equipment and green and energy-saving cooking equipment, such as energy-saving steamers, bun furnaces and barrels for cooking noodle, so as to save energy.

During the year, the three colleges under the Group consumed 27,253.14MWh of energy in total during their operation, with the total energy consumption intensity of 0.012MWh/m², representing a decrease of approximately 2% as compared with that of last year.

Cherishing Water Resources

Our Group attaches great importance to water resources management and has no problem in obtaining suitable water sources. Drinking water purification devices have been installed in our schools to strengthen the monitoring of water safety through the ultrafiltration water purification system. In order to enhance water conservation management, we have formulated regulations such as the Water Conservation System (《節約用水制度》) and the System of Rewards and Penalties on Water Conservation (《節約用水獎懲制度》). According to the actual situation of each college, we manage the water conservation of teaching and cafeteria staff members; establish an accountability system and incentive mechanism for water-saving target; formulate various water-saving and water utilisation indicators and quotas; and implement awards for saving water and penalties for exceeding the water consumption cap. We also pay attention to improving the rate of reusing water and recycled water consumption, and promote the awareness of utilisation of reused water and recycled water to our teaching staff. The water conservation measures adopted by the Group are as follows:

- To promote the importance of water conservation to all teaching staff and students, and post water conservation banners in college restaurants and restrooms to increase awareness of water conservation;
- To conduct leakage detection regularly on the water pipe network to prevent the phenomenon of "running, spraying, dripping and leaking of water" (跑、冒、滴、漏);
- To use water saving faucets and dual flush toilet cisterns in restrooms and cafeterias;

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- To install rainwater collection devices and to irrigate plants using rainwater and automatic irrigation;
- To recycle sanitary sewage for cleaning and irrigation.

During the year, the three colleges under the Group consumed 383,855.11 tonnes of water in total during their operation, with the total water consumption intensity of 0.18 tonne/m². The Group strived to build a water-saving campus through a series of water-saving solutions and measures as well as promotion and education activities on water conservation, and obtained great results in water efficiency.

Paperless Office

During the year, we continued to operate our major information technology platform, including the Group's financial management system, supply chain system, human resource management system, asset management system and administrative office management system, etc.

We promote a paperless office by adopting smart office software to replace paper records mainly used for administrative affairs at the office, and by implementing online office and reimbursement procedures. This has not only simplified the application process of the applicant and improved the work efficiency of our schools, but it has also effectively saved considerable time and cost as well as office paper. We have set the computers and printers to double-sided printing and ink-saving mode, and arranged recycling stations next to printers for employees to recycle paper. We also conduct regular paper consumption survey to monitor the use of paper and encourage employees to transfer information via electronic communication technology in order to reduce paper use.

Waste Management

The Group strictly complies with the Environmental Pollution Prevention and Control Law of Solid Wastes of the People's Republic of China 《中華人民共和國固體廢物污染環境防治法》, and divides domestic waste into four categories, including recyclable waste, kitchen waste, hazardous waste and other waste. We will collect the waste according to different categories, which will then be transported to the appropriate place by designated environmental hygiene contractors, while the recyclable waste will be recycled. Other hazardous waste, such as toner cartridges, are all scheduled for regular care and maintenance by contractors and are all recycled for repeated use. The waste edible oils and fats should be stored in special closed containers and then sold to licensed units that specialize in the treatment of waste oils and fats. We have been working hard on reducing our kitchen waste and other non-hazardous waste. During the year, our colleges have launched various campaigns to promote a culture of saving resources to all teachers and students, raising awareness towards environmental protection. We actively promote the concept of low-carbon catering consumption, encourage our teachers and students to cherish food, refuse or reduce the use of disposable tableware, reduce material consumption, and minimise the generation of waste and the damage to the environment.

During the year, the three colleges under the Group generated 7,621.7 tonnes of non-hazardous waste in total during their operation, with the non-hazardous waste generation intensity of 2.17 tonnes/employee, representing a reduction of approximately 4% as compared with that of last year.

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Food Wise Culture at School Canteens

To fully promote a food-wise culture, we continued to hold the “Zero Food Waste” campaign by encouraging our teachers and students to cherish food and eliminate waste of food and with promotional banners that read “Zero Food Waste” displayed at key positions in the public areas of the canteens, and invited student representatives to post paintings and make “cherish food” pamphlets to promote a food-wise culture as joint efforts. If there is surplus food after a meal, the canteens will recommend dinners to pack and take away.



Civilised Dining Table

Our schools organised a civilised dining table campaign with the theme of “Promoting Frugality and Curb Waste” to encourage all teachers and students to nurture a habit of cherishing food. We displayed banners themed with “Zero Food Waste” and “Healthy Diet” in our schools. Publicity leaflets with topics that include the theme of “Food Saving, Civilised Dining and Green Dining Table” were also distributed on the main roads of our campus by students to advocate civilised dining. Furthermore, we launched an innovative restaurant-experience campaign themed “Each and Every Grain of Rice Is the Fruit of Tilling Farmers” so that students may learn first-hand simple and safe food-processing procedures through direct participation in order to promote scientific diets. Meanwhile, we also changed the meal-serving flows at the canteens from providing set meals with fixed amounts of food to buffet style and limited the supply of meat in most cases, allowing diners to request rice and vegetables as per their own requested volume. By doing so, we managed to cut back unnecessary waste and created a harmonious dining atmosphere, while cultivating a healthy and civilised dining culture.

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Reducing Carbon Emissions by Planting Trees



The Group has been committed to reducing carbon emissions by planting trees. During the year, Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus planted more than 1,900 trees to reduce carbon emissions and made their contribution to fight against climate change. In March 2019, a series of public benefit activities relating to Tree-Planting Day were held by Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus respectively. Leaders of various colleges led the staff representatives and students to carry out tree planting activities, which demonstrated the environmental awareness of contemporary college students.

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7. JOINTLY CREATING A HARMONIOUS SOCIETY

Adhering to the social responsibility of “contributing to society and making it a better place”, the Group has been proactively devoted to social and public welfare undertakings hand in hand with its commitment to education. In response to the State’s deepening strategies on poverty alleviation, the Group has been committed to serving and giving back to society and took the initiative to shoulder its share of social responsibilities throughout the years, and insisted on helping the poor and disadvantaged groups. During the year, we contributed to the building of a more prosperous, harmonious and better society by centring on three key focus areas – “Cultivating Local Talents”, “Assisting the Poor and the Elderly” and “Building a Socially-inclusive Community”.



7.1 Cultivating Local Talents

Chunlai Education has always adhered to the educational philosophy of “continuously improving the quality of talent cultivation and social service capabilities”, and while devoting to private higher education, it has contributed to the cultivation of local talents.

Social Practice Activity

To fulfil our fundamental mission of “Character Building and Talent Fostering”, Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus continued to organize summer social practice activities during the summer vacation this year, which focused on different themes, including assisting in teaching in primary school, caring for the elderly, poverty alleviation and environmental protection education. The students of our school can learn about the society, understand the national conditions, expand their horizons, improve their characters, and increase their talents in social practice and mass learning while serving and giving back to the society.

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Assisting in Teaching

During the year, the three colleges of our school have held a number of teaching assistance activities. The students of Shangqiu University visited Yangdazhuang Primary School (楊大莊小學) and organized the "Technology and Growth" activity, holding technology exhibits such as intelligent robots and smart cars to the pupils of the third to sixth grades, which stimulated the students' curiosity for innovative technology products and increased their scientific knowledge. Members of the Youth Volunteer Association of Shangqiu University Kaifeng Campus explained the basics of piano and traditional Chinese etiquette to the pupils, and taught them the experience of handicrafts, which enriched the children's life in the classroom.



7.2 Assisting the Poor and the Elderly

As a leading education service provider consistently performing our social responsibility, our goal is to raise our students' awareness on poverty reduction and support for the elderly. This also helps continue the tradition of respecting the elderly and loving the young, thereby promoting traditional virtues of the Chinese culture. During the year, the Group donated more than RMB160,000 to charity organizations to help in poverty alleviation.

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National Poverty Alleviation Day and “100 Enterprises Helping 100 Villages” Donation Ceremony (全國扶貧日暨「百企幫百村」捐贈儀式)

On behalf of the college, Hou Chunling, vice chancellor of Shangqiu University, attended the National Poverty Alleviation Day and “100 Enterprises Helping 100 Villages” donation ceremony, and donated RMB100,000 to this event, actively cooperating with Shangqiu City in completing the goal of poverty alleviation, winning the battle of poverty alleviation and continuing to carry forward the fine tradition of poverty alleviation and assisting the poor.



Poverty Alleviation Skill Training Course

Ma Yong, Dean of the School of Landscape Architecture, Yang Chaoxia, Assistant Dean of the School of Landscape Architecture, and Tian Wei, Professor of the School of Landscape Architecture, Shangqiu University, delivered a poverty alleviation skills training course on the theme of “Efficient and Simple Cultivation Techniques of Wheat” (《小麥的高效簡約栽培技術》) in April 2019, explained the efficient and simple cultivation techniques of wheat in an easy to understand way to nearly 800 poverty-stricken households in Qitai Village, Zhecheng County.



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Respecting and Caring for the Elderly

In order to further study and implement the spirit of the 19th National Congress of the Communist Party of China, build a harmonious and healthy new community, and inherit the Chinese traditional virtues, the Group is committed to promoting community activities for the elderly and respecting the elderly. During the year, a number of activities for visiting the elderly, including visiting the nursing home, were arranged. The students chatted with the elderly, massaged their backs and legs, and distributed cakes and fruits, which made the elderly feel warm and caring. The visit activity further established the traditional virtues of "Expand the respect of the aged in one's family to that of other families" (老吾老以及人之老) and promoted the spirit of voluntary service of dedication, love, mutual assistance and progress.



7.3 Building a Socially-Inclusive Community

The three colleges under the Group proactively fulfil corporate social responsibility in communities, actively organize a number of socially-inclusive activities and contribute to building a socially-inclusive community.

Environmental, Social and Governance Report

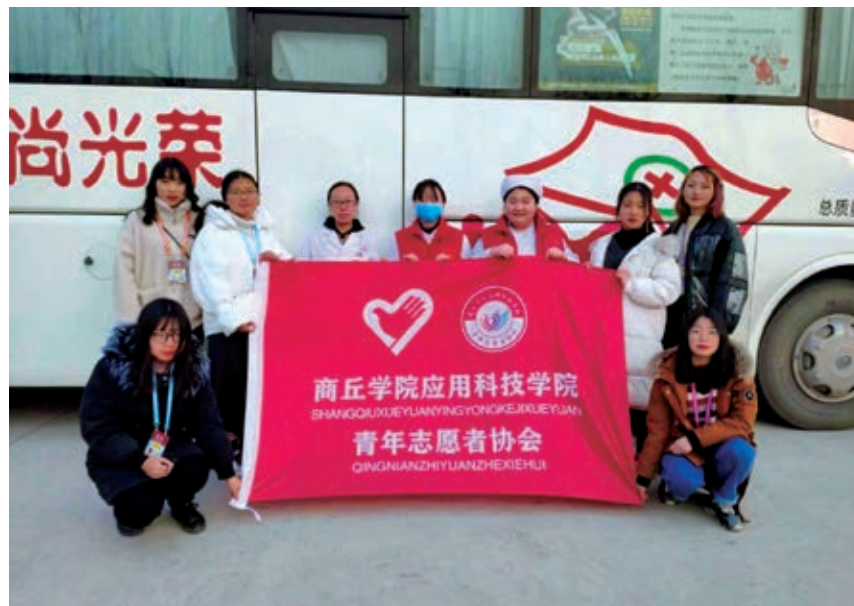
Caring for Children with Special Needs

In October 2018, the teachers of Anyang University led the “Aeronautic and Assistance (航•援)” volunteers to Bo'ai Special School in Anyang City (安陽市博愛特殊學校), and visited different classes to take care of children with special needs. The volunteers drew, wrote and played together with the children to inspire their interests and hobbies, and also made them feel the care and love.



Blood Donation

Shangqiu University Kaifeng Campus organized blood donations annually, and summoned students to participate in voluntary blood donation activities at Kaifeng Central Blood Station (開封市中心血站), which received positive responses from students from various faculties. During the year, more than a hundred students volunteered as donors and donated over 54,000cc of blood, which helped mitigate the shortage of blood for clinical use in major hospitals.



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APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

Environmental performance	Unit	2019
Amount of greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	968.83
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	14,326.98
Other indirect greenhouse gas emissions (Scope 3)	tCO ₂ e	6,344.09
Total amount of greenhouse gas emissions (Scope 1, 2 & 3)	tCO ₂ e	21,639.90
Intensity of greenhouse gas emissions		
Per square metre of floor area (Scope 1, 2 & 3)	tCO ₂ e/m ²	0.01
Electricity consumption		
Total electricity consumption	MWh	27,253.14
Total electricity consumption intensity (per m ²)	MWh/m ²	0.012
Total electricity consumption intensity (per employee)	MWh/employee	7.77
Fixed equipment fuel consumption		
Natural gas consumption	ten thousand m ³	37.60
Gasoline consumption	tonne	5.44
Diesel consumption	tonne	1.70
Motor vehicle fuel consumption		
Gasoline consumption	litre	46,959
Diesel consumption	litre	16,190
Water consumption		
Total water consumption	tonne	383,855.11
Total water consumption intensity (per m ²)	tonne/m ²	0.18
Total water consumption intensity (per employee)	tonne/employee	109.39
Total hazardous waste production		
Batteries	piece	179
Used ink cartridges and used toner cartridges	piece	418
Amount of hazardous waste recycled		
Used ink cartridges and used toner cartridges	piece	79
Non-hazardous waste		
Total non-hazardous waste production	tonne	7,621.70
Non-hazardous waste production intensity	tonne/employee	2.17
Total non-hazardous waste recycled	tonne	3,816.20
Paper consumption		
Total paper consumption	kg	12,351.88
Paper consumption per capita	kg/employee	3.52

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Social performance	Unit	2019
Total number of staff	person	3,509
Total number of staff (by gender)		
Female	person	2,007
Male	person	1,502
Total number of staff (by employment category)		
Short-term contract/part-time	person	524
Junior level	person	427
Intermediate level	person	394
Senior level	person	455
Other	person	1,709
Total number of staff (by age group)		
Under the age of 30	person	1,476
Aged 30-50	person	1,291
Over the age of 50	person	742
Total number of staff (by geographical region)		
Central China region	person	2,417
North China region	person	928
East China region	person	78
Northeast China region	person	55
Northwest China region	person	24
South China region	person	5
Other regions (including Hong Kong, Macau and Taiwan)	person	2
Staff turnover rate		
Total staff	%	15.5
Staff turnover rate (by gender)		
Female	%	16.7
Male	%	14.0
Staff turnover rate (by age group)		
Under the age of 30	%	22.6
Aged 30-50	%	14.1
Over the age of 50	%	4.0

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Social performance	Unit	2019
Staff turnover rate (by region)		
Central China region	%	15.7
North China region	%	14.0
East China region	%	28.2
Northeast China region	%	20.0
Northwest China region	%	12.5
South China region	%	0
Other regions (including Hong Kong, Macau and Taiwan)	%	0
Training staff percentage (by gender)		
Female	%	57.2
Male	%	39.5
Training staff percentage (by employment category)		
Junior level	%	36.3
Intermediate level	%	70.3
Senior level	%	60.0
Average training hours (by gender)		
Female	hour	167
Male	hour	170
Average training hours (by employment category)		
Junior level	hour	128
Intermediate level	hour	126
Senior level	hour	24
Occupational health and safety – Work-related casualties of staff directly recruited		
Work-related fatalities	person	0
Lost days due to work injury	day	1
Number of suppliers (by geographical region)		
Domestic	unit	97
Overseas	unit	0

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APPENDIX II: INDEX TO THE ESG REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

Indicators			Related Sections
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Constructing a Green Campus
	A1.1	The types of emissions and respective emissions data.	6.1 Implementing Energy Conservation and Emissions Reduction
	A1.2	Greenhouse gas emissions in total and intensity.	6.1 Implementing Energy Conservation and Emissions Reduction Appendix I: Summary of Sustainable Development Data
	A1.3	Total hazardous waste produced and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.4	Total non-hazardous waste produced and intensity.	6.2 Practicing Green Operation Appendix I: Summary of Sustainable Development Data
	A1.5	Description of measures to mitigate emissions and results achieved.	6. Constructing a Green Campus
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.2 Practicing Green Operation

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Indicators			Related Sections
A2 : Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6. Constructing a Green Campus
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	6.2 Practicing Green Operation Appendix I: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity.	6.2 Practicing Green Operation Appendix I: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency initiatives and results achieved.	6. Constructing a Green Campus
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.2 Practicing Green Operation
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable to the Group's business
A3 : The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	6. Constructing a Green Campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Constructing a Green Campus
B. Social			
B1 : Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. Leading Educational Philosophy 4.1 Outstanding Education Institution 4.3 Employment System with Equal Opportunities 4.4 Comprehensive Benefits and Salaries
	B1.1	Total workforce by gender, employment type, age group and geographical region.	4.3 Employment System with Equal Opportunities Appendix I: Summary of Sustainable Development Data
	B1.2	Employee turnover rate by gender, age group and geographical region.	4.3 Employment System with Equal Opportunities Appendix I: Summary of Sustainable Development Data

Environmental, Social and Governance Report

Indicators			Related Sections
B2 : Health and Safety	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the provision of a safe working environment and protecting employees from occupational hazards.	4.2 Healthy and Safe Campus
	B2.1	Number and rate of work-related fatalities.	4.2 Healthy and Safe Campus Appendix I: Summary of Sustainable Development Data
	B2.2	Lost days due to work injury.	4.2 Healthy and Safe Campus Appendix I: Summary of Sustainable Development Data
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2 Healthy and Safe Campus
B3 : Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.5 Training of Teaching Staff
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.5 Training of Teaching Staff Appendix I: Summary of Sustainable Development Data
	B3.2	The average training hours completed per employee by gender and employee category.	4.5 Training of Teaching Staff Appendix I: Summary of Sustainable Development Data

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Indicators			Related Sections
B4 : Labour Standards	B4	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of child and forced labour.	4. Leading Educational Philosophy 4.3 Employment System with Equal Opportunities
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4. Leading Educational Philosophy 4.3 Employment System with Equal Opportunities
	B4.2	Description of steps taken to eliminate such practices when discovered.	4. Leading Educational Philosophy 4.3 Employment System with Equal Opportunities
B5 : Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.4 Suppliers' Management
	B5.1	Number of suppliers by geographical region.	5.4 Suppliers' Management Appendix I: Summary of Sustainable Development Data
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.4 Suppliers' Management
B6 : Product Responsibility	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters of products and services provided and methods of redress.	5.2 Information Disclosure Security 5.3 Handling Opinions on Teaching
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's business
	B6.2	Number of products and services related complaints received and how they are dealt with.	5.3 Handling Opinions on Teaching
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2 Information Disclosure Security
	B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group's business
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Information Disclosure Security

Environmental, Social and Governance Report

Indicators			Related Sections
B7: Anti- corruption	General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of bribery, extortion, fraud and money laundering.	5.1 Construction of Anti-corruption System
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case.	5.1 Construction of Anti-corruption System
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.1 Construction of Anti-corruption System
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Jointly Creating a Harmonious Society
	B8.1	Focusing on areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Jointly Creating a Harmonious Society
	B8.2	Resources contributed to the focus area.	7. Jointly Creating a Harmonious Society

Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD.

中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 111 to 162, which comprise the consolidated statement of financial position as at 31 August 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB950,326,000 as at 31 August 2019 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of revenue from tuition fees

Refer to note 9 to the consolidated financial statements

Tuition fees from students, in accordance with the programme enrolled, are generally collected in advance at the beginning of the school year. Tuition fees received from students but not earned are initially recorded as contract liabilities, and subsequently recognised as revenue proportionately over the relevant period of the applicable programme. Given revenue from tuition fees is one of the key performance indicators of the Group, we identified it as a key audit matter.

Our audit procedures included, among others:

- Understanding the key controls over the recognition of tuition fees;
- Reconciling the number of students to the relevant official records registered with the education authorities;
- Checking the information about the receipts of tuition fees and student enrollments, on a sample basis, to supporting documents of payments, authorised fee levels, and official student records registered with the education authorities; and
- Performing analytical procedures to test the amount of tuition fees recognised during the year.

We consider that the Group's recognition of revenue from tuition fees is supported by the available evidence.

Independent Auditor's Report

Property, plant and equipment

Refer to note 18 to the consolidated financial statements

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately RMB1,390,998,000 as at 31 August 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Evaluating the Group's impairment assessment;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Obtaining and checking to evidence to support the Group's impairment assessment;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation report for construction in progress and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking arithmetical accuracy of the valuation model; and
- Checking key assumptions and input data in the valuation model to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

Independent Auditor's Report

Prepayment for cooperation agreements and loan receivables

Refer to notes 20 and 22 to the consolidated financial statements

The Group tested the amounts of prepayment for cooperation agreements and loan receivables for impairment. These impairment tests are significant to our audit because the balances of prepayment for cooperation agreements and loan receivables of approximately RMB500,056,000 and RMB114,548,000, respectively, as at 31 August 2019 are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgement and are based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the debtors;
- Assessing the Group's relationship and transaction history with the debtors;
- Checking subsequent settlements from the debtors; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment tests for prepayment for cooperation agreements and loan receivables are supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's 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 will 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.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS 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 International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 20 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 August 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	9	559,380	487,791
Cost of revenue		(265,730)	(204,363)
Gross profit		293,650	283,428
Other income	10	47,778	9,891
Other gains and losses, net	11	22,832	(126)
Selling expenses		(3,642)	(3,988)
Administrative expenses		(130,748)	(88,812)
Profit from operations		229,870	200,393
Finance costs	12	(60,560)	(80,620)
Profit before tax		169,310	119,773
Income tax expense	13	(4,576)	(825)
Profit for the year	14	164,734	118,948
Other comprehensive loss after tax:			
<i>Items that may not be reclassified to profit or loss:</i>			
Fair value loss on debt investment at fair value through other comprehensive income		(491)	–
Other comprehensive loss for the year, net of tax		(491)	–
Total comprehensive income for the year		164,243	118,948
Profit and total comprehensive income for the year attributable to owners of the Company		164,243	118,948
Earnings per share	16		
Basic (RMB cents per share)		14	14
Diluted (RMB cents per share)		14	14

Consolidated Statement of Financial Position

As at 31 August 2019

	Notes	2019 RMB' 000	2018 RMB' 000 (Restated)
Non-current assets			
Property, plant and equipment	18	1,390,998	878,131
Prepaid lease payments	19	346,112	354,499
Prepayment for cooperation agreements	20	500,056	100,000
Other non-current assets	22	235,190	142,058
		2,472,356	1,474,688
Current assets			
Trade and other receivables	23	388,858	47,443
Prepaid lease payments	19	8,387	8,387
Debt investment at fair value through other comprehensive income	21	109,857	–
Amount due from a shareholder	24	7	7
Cash and cash equivalents	25	473,619	544,620
		980,728	600,457
Current liabilities			
Accruals and other payables	26	184,483	169,014
Deferred revenue		2,928	1,855
Contract liabilities	27	447,130	353,928
Borrowings	28	1,291,111	265,353
Current tax liabilities		5,402	825
		1,931,054	790,975
Net current liabilities		(950,326)	(190,518)
Total assets less current liabilities		1,522,030	1,284,170
Non-current liabilities			
Deferred revenue		5,667	2,583
Borrowings	28	229,000	686,753
		234,667	689,336
NET ASSETS		1,287,363	594,834

Consolidated Statement of Financial Position

As at 31 August 2019

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Capital and reserves			
Share capital	29	10	7
Reserves		1,287,353	594,827
TOTAL EQUITY		1,287,363	594,834

The consolidated financial statements on pages 111 to 162 were approved and authorised for issue by the Board of Directors on 20 August 2020 and are signed on its behalf by:

Hou Junyu
DIRECTOR

Jiang Shuqin
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 August 2019

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Statutory reserve <i>RMB'000</i> <i>(note iii)</i>	Capital reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Debt investment revaluation reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 September 2017	112,600	-	132,600	-	-	-	199,982	445,182
Total comprehensive income for the year	-	-	-	-	-	-	118,948	118,948
Capital injection <i>(note i)</i>	30,000	-	-	-	-	-	-	30,000
Issue of shares <i>(note 29)</i>	7	-	-	-	-	-	-	7
Group reorganisation <i>(note ii)</i>	(142,600)	-	-	142,600	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	697	-	-	697
Transfer to statutory reserve	-	-	29,737	-	-	-	(29,737)	-
At 31 August 2018	7	-	162,337	142,600	697	-	289,193	594,834
At 1 September 2018	7	-	162,337	142,600	697	-	289,193	594,834
Total comprehensive income for the year	-	-	-	-	-	(491)	164,734	164,243
Issue of shares <i>(note 29)</i>	3	544,186	-	-	-	-	-	544,189
Transaction cost attributable to issue of shares	-	(27,755)	-	-	-	-	-	(27,755)
Recognition of equity-settled share-based payments	-	-	-	-	11,852	-	-	11,852
Transfer to statutory reserve	-	-	49,516	-	-	-	(49,516)	-
At 31 August 2019	10	516,431	211,853	142,600	12,549	(491)	404,411	1,287,363

Notes:

- (i) It represented the capital contribution upon establishment of Chunlai Technology (as defined in note 2 to the consolidated financial statements) prior to the Group Reorganisation (as defined in note 2 to the consolidated financial statements).
- (ii) As disclosed in note 2 to the consolidated financial statements, China Chunlai Education Group Co., Ltd. (the "Company") became the holding company of the Group on 22 February 2018, when the Structured Contracts became effective. The capital reserve represented the combined paid-in capital of Henan Chunlai and Chunlai Technology upon the completion of Group Reorganisation.
- (iii) Pursuant to the relevant laws and regulations 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 boards of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve fund of the limited liability companies and (ii) the development fund of schools.

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

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

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before tax	169,310	119,773
Adjustments for:		
Amortisation of prepaid lease payments	8,387	8,250
Depreciation	75,426	64,143
Equity-settled share-based payments	11,852	697
Finance costs	60,560	80,620
Interest income	(14,162)	(3,591)
Loss on disposals of property, plant and equipment	5	63
Net foreign exchange gain	(17,930)	–
Operating profit before working capital changes	293,448	269,955
Change in trade and other receivables	(9,537)	(13,046)
Change in accruals and other payables	(8,326)	18,092
Change in deferred revenue	4,157	417
Change in contract liabilities	93,202	162,173
Net cash generated from operating activities	372,944	437,591
Cash flows from investing activities		
Purchase of property, plant and equipment	(520,030)	(186,189)
Prepayment for cooperation agreements	(400,056)	–
Advance to a target college	(109,900)	–
Purchase of debt investment at fair value through other comprehensive income	(102,943)	–
Advance to a third party	(43,717)	–
Prepayment for prepaid lease payments	(31,340)	(59,108)
Deposits paid for acquisition of property, plant and equipment	(11,669)	(43,263)
Repayment from a target college	31,157	–
Interest income received	8,268	1,866
Pledged deposits	(274,140)	–
Repayment from related parties	–	194,948
Redemption of restricted bank balance	–	100,000
Advance to related parties	–	(22,500)
Prepaid lease payments	–	(11,885)
Repayment from a third party	–	5,000
Net cash used in investing activities	(1,454,370)	(21,131)
Cash flows from financing activities		
Proceeds from borrowings	849,940	450,000
Proceeds from issue of new shares	544,189	–
Repayment of borrowings	(282,535)	(490,223)
Interest paid	(73,414)	(81,310)
Issue costs paid	(27,755)	(5,551)
Repayment to related parties	–	(42,100)
Proceeds from capital contributed by a shareholder	–	30,000
Net cash generated from/(used in) financing activities	1,010,425	(139,184)
Net (decrease)/increase in cash and cash equivalents	(71,001)	277,276
Cash and cash equivalents at beginning of year	544,620	267,344
Cash and cash equivalents at end of year	473,619	544,620
Analysis of cash and cash equivalents		
Bank and cash balances	473,619	544,620

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The address of registered office of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited ("Chunlai Investment"), which was incorporated in the British Virgin Islands, and its ultimate controlling shareholder is Mr. Hou Junyu ("Mr. Hou"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 September 2018 (the "Listing").

Trading in the shares of the Company on the Stock Exchange was suspended on 2 December 2019.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher education institutions. The Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. GROUP REORGANISATION

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Henan Shangqiu Chunlai Education Corporation 河南商丘春來教育集團 ("Henan Chunlai") and its wholly sponsored schools, including Anyang University 安陽學院, Shangqiu University 商丘學院 and Shangqiu University Applied Science and Technology College 商丘學院應用技術學院 ("Kaifeng Campus"), collectively referred to as the "Consolidated Affiliated Entities", which were established in the People's Republic of China (the "PRC") and engaged in the operation of private higher education institutions. Henan Chunlai was controlled by Mr. Hou.

In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a series of reorganisation (the "Group Reorganisation") as below:

- (1) In November 2017, December 2017 and January 2018, the Company incorporated its wholly owned subsidiaries, namely China Chunlai Education (BVI) Limited ("Chunlai BVI"), China Chunlai Education (Hong Kong) Limited ("Chunlai Hong Kong") and Henan Chunlai Education Information Consultancy Co., Ltd. ("Chunlai Information"), respectively.
- (2) In August 2017, Mr. Hou established a limited liability company in the PRC, Henan Chunlai Education Technology Co., Ltd. ("Chunlai Technology"), which became a sponsor of Henan Chunlai by acquiring 1% interest in Henan Chunlai.
- (3) Chunlai Technology entered into agreements with the holders of the remaining 99% interest in Henan Chunlai, and assumed management responsibility in Henan Chunlai and became entitled to appoint members of the board of directors of Henan Chunlai.

Notes to the Consolidated Financial Statements

2. GROUP REORGANISATION (continued)

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by the Consolidated Affiliated Entities, the Company has entered into, via Chunlai Information, various agreements with the Consolidated Affiliated Entities, Chunlai Technology, Mr. Hou and the remaining interest holders of Henan Chunlai (the "Structured Contracts"), which, effective from 22 February 2018, enable Chunlai Information and the Company to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities and Chunlai Technology;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities and Chunlai Technology;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities and Chunlai Technology in consideration for the business support, technical and management consultancy services provided by Chunlai Information;
- obtain an irrevocable and exclusive right to purchase all or part of the interests in Chunlai Technology and/or any assets that are held by the Consolidated Affiliated Entities at the lowest purchase price permitted under PRC laws and regulations and exercise such right from time to time in the event that PRC laws and regulations permit;
- prevent the Consolidated Affiliated Entities and Chunlai Technology and their sponsor interest or equity holders to sell, assign, transfer, or otherwise dispose of or create encumbrance over their interests in the equity and/or the assets of the Consolidated Affiliated Entities and Chunlai Technology without prior consent of Chunlai Information; and
- prevent the Consolidated Affiliated Entities and Chunlai Technology from making any distributions to their equity holders without prior consent of Chunlai Information.

The Company does not have any equity interest in the Consolidated Affiliated Entities and Chunlai Technology. However, the Structured Contracts enable the Company to have the power over the Consolidated Affiliated Entities and Chunlai Technology, rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. Consequently, the Company regards the Consolidated Affiliated Entities and Chunlai Technology as indirect subsidiaries.

The Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities and Chunlai Technology) is regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 August 2018 has been prepared as if the current group structure had been in existence throughout the year ended 31 August 2018 or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period. The consolidated statement of financial position of the Group as at 31 August 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group. Therefore, the consolidated financial statements have been prepared and presented using carrying amounts of assets and liabilities of the group entities including Consolidated Affiliated Entities and Chunlai Technology for the year ended 31 August 2018.

Notes to the Consolidated Financial Statements

2. GROUP REORGANISATION (continued)

The following balances of the Consolidated Affiliated Entities and Chunlai Technology were included in the consolidated financial statements:

	Year ended 31 August	
	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	559,380	487,791
Profit before tax	159,121	147,055
Non-current assets	2,471,480	1,474,688
Current assets	466,297	591,194
Current liabilities	(1,944,662)	(779,116)
Non-current liabilities	(234,667)	(689,336)

3. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB950,326,000 as at 31 August 2019 and the Company's shares have been suspended for trading since 2 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 August 2019. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 August 2019;
- (ii) the Group has entered into four loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB2,132,396,000 are available to the Group for not less than twelve months from 31 August 2019;
- (iii) a loan of approximately RMB274,940,000 classified as current liabilities as at 31 August 2019 was borrowed from an independent third party. Subsequent to the year end date, the lender has agreed to delay the repayment request for another two years;
- (iv) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and
- (v) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Notes to the Consolidated Financial Statements

3. GOING CONCERN BASIS (Continued)

The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 September 2018. IFRSs comprise International Financial Reporting Standards; International Accounting Standards and Interpretations ("IFRICs"). The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	As at 31 August 2018 RMB'000	As at 1 September 2017 RMB'000
Decrease in deferred revenue	(353,928)	(191,755)
Increase in contract liabilities	353,928	191,755

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt investment at fair value through other comprehensive income which is carried at its fair value. The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 6.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 August. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 December 2019 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Land and buildings comprise mainly schools and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.75%
Furniture and fixtures	9.5% – 19%
Motor vehicles	19% – 32%
Electronic equipment	9.5% – 19%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC. Prepaid lease payments to be amortised to profit or loss in the next twelve months are classified as current assets.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost
- Debt investments at fair value through other comprehensive income

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (continued)

(i) *Financial assets at amortised cost*

Financial assets (including trade, loan and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Debt investments at fair value through other comprehensive income*

Debt investments are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at fair value. Interest income calculated using the effective interest method is recognised in profit or loss.

The assets are treated as monetary items. A foreign currency asset is treated as an asset measured at amortised cost in the foreign currency. Exchange differences on the amortised cost are recognised in profit or loss.

Other gains or losses are recognised in other comprehensive income and accumulated in the debt investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the debt investment revaluation reserve are reclassified to profit or loss.

The loss allowance for expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount of the assets.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and debt investment at fair value through other comprehensive income. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs (continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (continued)

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

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Notes to the Consolidated Financial Statements

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating units ("CGU") to which the asset belongs.

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.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

Notes to the Consolidated Financial Statements

6. CRITICAL JUDGEMENTS AND KEY ESTIMATION

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which is explained in note 3 to consolidated financial statements.

(b) Contractual arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities and Chunlai Technology. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities and Chunlai Technology based on whether the Group has the power over the Consolidated Affiliated Entities and Chunlai Technology, rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities and Chunlai Technology as a result of the contractual arrangements and other measures and accordingly, the Group has consolidated the financial information of Consolidated Affiliated Entities and Chunlai Technology in its consolidated financial statements throughout the year.

Nevertheless, the contractual arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and Chunlai Technology and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities and Chunlai Technology. The management of the Group, based on the advice of its legal counsel, considers that the contractual arrangements among Chunlai Information, the Consolidated Affiliated Entities and Chunlai Technology and their sponsor holders or equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Notes to the Consolidated Financial Statements

6. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Critical judgements in applying accounting policies (continued)

(c) Income taxes

Management judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT as disclosed in note 13. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

According to the Implementation Rules for EIT Law, qualified incomes received by non-profit making organisation which engaged in the provision of formal education services are exempted from EIT. According to the relevant provisions of Implementation Rules of the New Law for Promoting Private Education effective from 1 September 2017, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/schools are elected to be not-for-profit schools. However, the detailed Implementation Rules of the New Law for Promoting Private Education have not yet been announced, the relevant guidelines from the provincial government where the schools of the Group are located required the private higher institutions to complete their registration before 2022. Given that Anyang University and Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not-for-profit schools, according to the relevant in-charge tax bureau, the schools could follow previous EIT exemption treatment for the tuition related income.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

Notes to the Consolidated Financial Statements

6. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Key sources of estimation uncertainty (continued)

(c) Impairment loss for prepayment for cooperation agreements and loan receivables

The Group makes impairment loss based on assessments of the recoverability of its prepayment for cooperation agreements and loan receivables, including the current creditworthiness, financial condition and past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the prepayment for cooperation agreements and loan receivables and impairment loss in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Fair value of debt investment at fair value through other comprehensive income

In the absence of quoted market prices in an active market, the directors estimate the fair value of debt investment at fair value through other comprehensive income, details of which are set out in note 8 and note 21 to the consolidated financial statements.

7. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollars and Hong Kong Dollar which are currencies other than the functional currency of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

7. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis

The following table details the group entities sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in profit where RMB weakens/strengthens 5% against the relevant foreign currencies.

	2019 RMB'000	2018 RMB'000
HK\$	6,701	593
USD	20,102	–

(b) Interest rate risk

The Group's bank deposits and borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 August 2019, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been RMB5,915,000 (2018: RMB3,190,000) higher, arising mainly as a result of lower interest expense on borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB5,915,000 (2018: RMB3,190,000) lower, arising mainly as a result of higher interest expense on borrowings.

Notes to the Consolidated Financial Statements

7. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(c) Credit risk

The carrying amount of the trade and other receivables, deposits, bank balances and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances and investments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Notes to the Consolidated Financial Statements

7. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these receivables are considered to have low risk and under the "Performing" category because they have a low risk of default and have strong ability to meet their obligations.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand or less than 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Above 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2019						
Accruals and other payables	175,504	–	–	–	175,504	175,504
Borrowings	1,354,182	137,017	106,570	–	1,597,769	1,520,111
	1,529,686	137,017	106,570	–	1,773,273	1,695,615
	On demand or less than 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Above 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2018						
Accruals and other payables	161,501	–	–	–	161,501	161,501
Borrowings	323,008	612,110	109,340	11,971	1,056,429	952,106
	484,509	612,110	109,340	11,971	1,217,930	1,113,607

Notes to the Consolidated Financial Statements

7. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments at 31 August

	2019 RMB'000	2018 RMB'000
Financial assets		
Debt investment at fair value through other comprehensive income	109,857	–
Financial assets at amortised cost (including cash and cash equivalents)	976,941	622,538
	1,086,798	622,538
Financial liabilities		
Financial liabilities at amortised cost	1,695,615	1,113,607

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings and amounts due to related parties, and equity attributable to owners of the Company, which includes share capital and reserves.

The Group's management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of borrowings, if necessary.

Notes to the Consolidated Financial Statements

8. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosure of level in fair value hierarchy at 31 August 2019:

Description	Level 3 RMB'000
Recurring fair value measurements:	
Debt investment at fair value through other comprehensive income	109,857

(b) Reconciliation of assets measured at fair value based on level 3:

	Debt investment at fair value through other comprehensive income RMB'000
As at 1 September 2018	–
Purchases	102,943
Total gains or losses recognised	
– in profit or loss	7,405
– in other comprehensive income	(491)
As at 31 August 2019	109,857

The total gains or losses recognised in other comprehensive income are presented in fair value loss on debt investment at fair value through other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains and losses, net and other income in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

8. FAIR VALUE MEASUREMENTS (Continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the board of directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The following table gives information about how the fair value of the Group's debt investment at fair value through other comprehensive income is determined.

Level 3 fair value measurements

Description	Valuation technique	Key input	Effect on fair value for increase of key input	Fair value 2019 RMB'000
Debt investment at fair value through other comprehensive income	Discounted cash flow	Discount rate of 2.7%	Decrease	109,857

Notes to the Consolidated Financial Statements

9. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the operation of private higher education institutions in the PRC. Revenue represents tuition and boarding fees from education institutions less sales related tax.

Information reported to the Group's chief operating decision maker ("CODM"), Mr. Hou, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as 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 described in note 5.

	2019 RMB'000	2018 RMB'000
Tuition fees	501,960	435,677
Boarding fees	57,420	52,114
Total revenue	559,380	487,791

All revenue is recognised over time. The Group primarily operates in the PRC. All of the Group's revenue was generated in the PRC and all of the Group's non-current assets are located in the PRC.

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 August 2019 (2018: nil).

Revenue is recognised over the relevant period of schooling semesters, i.e. over the period of time when the students simultaneously receive and consume the benefits provided by the Group.

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. The fees are recognised proportionately over the relevant period of the applicable programme. The portion of the fees received from students but not earned is recorded as contract liabilities under current liabilities as such amounts represent revenue that the Group expects to earn within one year.

Notes to the Consolidated Financial Statements

10. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants (note 1)	3,146	1,896
Academic administrative income	2,149	957
Interest income	14,162	3,591
Service income	12,264	3,302
Consultancy income (note 2)	15,330	–
Others	727	145
	47,778	9,891

Notes:

- Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- It represents the provision of technical and management consultancy services to its target college known as College of Engineering and Technology of Yangtze University ("Hubei College").

11. OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Net foreign exchange gain	22,837	–
Loss on disposals of property, plant and equipment	(5)	(63)
Others	–	(63)
	22,832	(126)

12. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expense in relation to:		
– Bank borrowings	38,517	31,630
– Borrowings from non-banking institutes	35,681	48,821
– Loan from a related party	–	169
	74,198	80,620
Less: capitalised in construction in progress	(13,638)	–
	60,560	80,620

Borrowing costs on funds borrowed generally are capitalised at a rate of 3.3% per annum.

Notes to the Consolidated Financial Statements

13. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax – PRC EIT	4,576	825

Reconciliation between income tax expense and accounting profit at applicable tax rate

	2019 RMB'000	2018 RMB'000
Profit before tax	169,310	119,773
Tax calculated at applicable tax rate of 25% (2018: 25%)	42,328	29,943
Tax effect of profit from non-profit making organisation exempted for tax purpose	(37,752)	(29,118)
Income tax expense	4,576	825

The Company was incorporated in the Cayman Islands while Chunlai BVI was incorporated in the BVI, both jurisdictions are tax exempted.

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 August 2019 (2018: nil).

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the EIT rate was 25% during the year ended 31 August 2019 (2018: 25%).

As mentioned in note 6, given that Anyang University and Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not-for-profit schools, according to the relevant in-charge tax bureau, the schools follow previous EIT exemption treatment for the tuition related income. For the year ended 31 August 2019, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

Notes to the Consolidated Financial Statements

14. PROFIT FOR THE YEAR

This is stated at after charging the following:

	2019 RMB'000	2018 RMB'000
Amortisation of prepaid lease payments	8,387	8,250
Auditor's remuneration	3,888	1,580
Depreciation	75,426	64,143
Loss on disposals of property, plant and equipment	5	63
Operating lease charges on land and buildings	1,113	–
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	175,199	130,616
– Retirement benefit scheme contributions	20,867	12,540
– Equity-settled share-based payments	11,852	697
	207,918	143,853

15. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS

	2019 RMB'000	2018 RMB'000
Salaries and allowances	2,782	2,890
Retirement benefit scheme contributions	15	14
Equity-settled share-based payments	7,312	429
	10,109	3,333

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executives of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) for the year are as follows:

Notes to the Consolidated Financial Statements

15. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS (Continued)

(a) The emoluments of each director are as follows:

	2019				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Chairman and non-executive director:					
Mr. Hou Chunlai	–	960	2	2,659	3,621
Executive directors					
Mr. Hou (<i>note</i>)	–	1,000	13	1,994	3,007
Ms. Jiang Shuqin	–	822	–	2,659	3,481
Independent non-executive directors					
Dr. Jin Xiaobin	227	–	–	–	227
Ms. Fok Pui Ming Joanna	227	–	–	–	227
Mr. Lau Tsz Man	227	–	–	–	227
Total	681	2,782	15	7,312	10,790
	2018				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Chairman and non-executive director:					
Mr. Hou Chunlai	–	1,056	2	156	1,214
Executive directors					
Mr. Hou (<i>note</i>)	–	918	12	117	1,047
Ms. Jiang Shuqin	–	916	–	156	1,072
Independent non-executive directors					
Dr. Jin Xiaobin	–	–	–	–	–
Ms. Fok Pui Ming Joanna	–	–	–	–	–
Mr. Lau Tsz Man	–	–	–	–	–
Total	–	2,890	14	429	3,333

Notes to the Consolidated Financial Statements

15. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS (Continued)

(a) The emoluments of each director are as follows: (continued)

Note: Mr. Hou Junyu is also chief executive of the Company. The emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group for the year and the non-executive director received remuneration for his services as director of the relevant subsidiaries.

The independent non-executive directors, namely Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man, were appointed by the Company on 12 February 2018. Pursuant to their service contracts with the Company, the independent non-executive directors are entitled to an annual director's fee effective from the date of the Listing, therefore no emoluments were paid or are payable to the independent non-executive directors in respect of the year ended 31 August 2018.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are set out in note (a) above. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	786	521
Retirement benefit scheme contributions	45	–
Equity-settled share-based payments	665	39
	1,496	560

The emoluments fell within the following bands:

	2019	2018
Nil – RMB1,000,000	2	2

During the year ended 31 August 2019, no emoluments were paid by the Group to the directors of the Company or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil). Neither the chief executive nor any of the directors of the Company waived any emoluments during the year ended 31 August 2019 (2018: nil).

During the year ended 31 August 2019, certain directors and employees were granted share options in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30.

Notes to the Consolidated Financial Statements

16. EARNINGS PER SHARE

	2019	2018
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	164,734	118,948
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,190,136,986	878,212,838
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	2,076,133	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,192,213,119	878,212,838

The calculation of the basic earnings per share attributable to owners of the Company for the years ended 31 August 2019 and 2018 is based on the consolidated profit attributable to owners of the Company and the weighted average number of shares outstanding, taking into account the share allotment as described in note 29, the capital injection during the year ended 31 August 2018 and after retrospective adjustments on the assumption that the Group Reorganisation had been in effect at 1 September 2017.

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 30 as the potential ordinary shares are dilutive for the year ended 31 August 2019.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 30 as the potential ordinary shares are anti-dilutive for the year ended 31 August 2018.

17. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 August 2019 and 2018.

Notes to the Consolidated Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 September 2017	748,970	80,769	11,995	140,824	27,179	1,009,737
Additions	13,559	20,559	1,499	30,148	169,266	235,031
Disposals	–	(1,043)	(179)	(26)	–	(1,248)
Transfer from construction in progress	73,526	–	–	–	(73,526)	–
At 31 August 2018 and 1 September 2018	836,055	100,285	13,315	170,946	122,919	1,243,520
Additions	49,980	14,533	2,414	32,517	488,854	588,298
Disposals	–	(28)	(11)	–	–	(39)
Transfer from construction in progress	110,554	–	–	–	(110,554)	–
At 31 August 2019	996,589	114,790	15,718	203,463	501,219	1,831,779
Accumulated depreciation						
At 1 September 2017	171,523	41,458	5,848	83,602	–	302,431
Charge for the year	40,234	9,989	1,868	12,052	–	64,143
Disposals	–	(990)	(170)	(25)	–	(1,185)
At 31 August 2018 and 1 September 2018	211,757	50,457	7,546	95,629	–	365,389
Charge for the year	48,666	11,542	1,207	14,011	–	75,426
Disposals	–	(27)	(7)	–	–	(34)
At 31 August 2019	260,423	61,972	8,746	109,640	–	440,781
Carrying amount						
At 31 August 2019	736,166	52,818	6,972	93,823	501,219	1,390,998
At 31 August 2018	624,298	49,828	5,769	75,317	122,919	878,131

As of 31 August 2019, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB716,467,000 (2018: RMB605,703,000) which are located in the PRC.

Notes to the Consolidated Financial Statements

19. PREPAID LEASE PAYMENTS

	2019 RMB'000	2018 RMB'000
Analysed for reporting purposes as:		
Non-current assets	346,112	354,499
Current assets	8,387	8,387
	354,499	362,886

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years as based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

20. PREPAYMENT FOR COOPERATION AGREEMENTS

	2019 RMB'000	2018 RMB'000
Prepayment for cooperation agreements – YU (<i>note i</i>)	100,000	100,000
Prepayment for cooperation agreements – Tianping College (<i>note ii</i>)	400,056	–
	500,056	100,000

Notes:

- (i) Hubei College is an independent college and originally established by “Yangtze University” 長江大學 (“YU”) in Hubei Province. In December 2014, the Group entered into a cooperation agreement and supplementary agreements. Pursuant to these agreements, the Group has obtained the right to manage Hubei College at a consideration of RMB120 million, among which RMB100 million has been paid upon entering the agreements in December 2014. These agreements have also authorised the Group the right to transfer the sponsorship of Hubei College from YU. Up to the date of issuance of the report, the transfer of sponsorship has not yet been completed as the transfer is pending for the final approval of the Ministry of Education of the PRC and the registration with the provincial civil affairs authorities. Upon the approvals and registration of the governments, the down payment for cooperation agreement of RMB100 million will be treated as part of the consideration of the acquisition.
- (ii) Tianping College of Suzhou University of Science and Technology (“Tianping College”) is an independent college and originally sponsored by Suzhou University of Science and Technology and Suzhou University of Science and Technology Education Development Foundation (the “Foundation”) in Jiangsu Province. In August 2019, the Group entered into an agreement which authorised the Group the right to transfer the sponsorship of Tianping College from Suzhou University of Science and Technology and the Foundation at a consideration of RMB800 million, among which RMB400 million has been paid in July 2019. Up to the date of issuance of the report, the transfer of sponsorship has not yet been completed as the transfer is still in preparatory period. Upon the completion of transfer, the down payment for the agreement of RMB400 million will be treated as part of the consideration of the acquisition.

Notes to the Consolidated Financial Statements

21. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted debt investment outside Hong Kong – L.R. Capital Media & Entertainment Holdings Limited ("LRCM&E")	109,857	–

On 1 September 2018, the Company entered into an investment management agreement with Bo Shi Investment Company Limited ("BSI") which subscribed a bond (the "**Bond**") with principal amount of USD15,000,000 issued by LRCM&E on behalf of the Company. A note purchase letter dated 1 September 2018, signed by BSI on behalf of the Company, was issued to LRCM&E in relation to the purchase of the Bond which bears interest of 2.8% per annum, on an annual and non-compounded basis, payable in lump sum at maturity date on 27 July 2023 and is extendable to 12 December 2028.

As at 31 August 2019, the fair value of the Bond was arrived at on the basis of a valuation carried out by Roma Appraisals Limited, an independent professional valuer. The fair value is based on the discounted cash flow approach under fair value measurement level 3.

As at the date of this report, the Bond with principal and interest were fully redeemed on 15 June 2020 and 29 June 2020, respectively.

22. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for prepaid lease payments	90,448	59,108
Prepayments/deposits paid for acquisition of property, plant and equipment	30,194	49,544
Loan receivables (<i>note</i>)	114,548	33,406
	235,190	142,058

Note:

The carrying amount represents the loans to Hubei College which bear interest at 4.75% per annum. The repayment term is negotiated annually. The management of the Group agreed in writing that the Group will not collect the loan and interest balances within the next 12 months from the end of the reporting period.

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Tuition and boarding fee receivables (<i>note i</i>)	1,046	12,339
Third party payment platform receivables (<i>note ii</i>)	12,213	22,920
Service income receivables	9,500	–
Consultancy income receivables	16,250	–
Advance to a third party (<i>note iii</i>)	45,620	–
Other receivables	17,880	1,031
Interest receivables	567	–
Deferred share issue costs	–	8,115
Prepaid expenses	91	2,938
Deposits (<i>note iv</i>)	285,691	100
	388,858	47,443

Notes:

- (i) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan, which generally take a few months to be settled from governmental institutions. There is no fixed credit term for payments. The Group's tuition receivables were due to a large number of individual students, there is no significant concentration of credit risk and no impairment is considered necessary based on the historical settlement pattern from students. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.
- (ii) It represents the outstanding balances of tuition and boarding fees that have been received through a third party payment platform which are normally collected within 30 days.
- (iii) As at 31 August 2019, the advance is unsecured, interest bearing at 2.5% per annum and repayable in March 2020.
- (iv) Offshore foreign deposit of USD40,000,000 (equivalent to approximately RMB285,691,000) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party.

An ageing analysis of tuition and boarding fee receivables as at the end of the reporting period, based on the transaction date, is as follows:

	2019 RMB'000	2018 RMB'000
0-30 days	–	11,512
181-365 days	1,040	819
More than 1 year	6	8
	1,046	12,339

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER RECEIVABLES (Continued)

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all tuition and boarding fee receivables. To measure the expected credit losses, tuition and boarding fee receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current
At 31 August 2019	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	1,046
Loss allowance (RMB'000)	–
At 31 August 2018	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	12,339
Loss allowance (RMB'000)	–

24. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder of the Company is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

25. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 August 2019, the Group's bank deposits carried an effective interest rate of 0.35% (2018: 0.4%) per annum.

26. ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Interest payables	8,927	8,743
Accrued staff benefits and payroll	19,026	17,671
Payables for purchase of property, plant and equipment and construction	97,599	73,988
Receipt on behalf of ancillary services providers	20,461	19,033
Other payables, accruals and deposits received	29,491	30,207
Other taxes payables	8,979	7,513
Accrued share issue costs and other listing expenses	–	11,859
	184,483	169,014

Notes to the Consolidated Financial Statements

27. CONTRACT LIABILITIES

	As at 31 August 2019 <i>RMB'000</i>	As at 31 August 2018 <i>RMB'000</i>	As at 1 September 2017 <i>RMB'000</i>
Contract liabilities – tuition and boarding fees	447,130	353,928	191,755

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue recognised in the year that was included in contract liabilities at beginning of year	353,928	191,755

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
2019	–	353,928
2020	447,130	–
	447,130	353,928

Significant changes in contract liabilities during the year:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Increase due to operations in the year	676,102	696,133
Transfer of contract liabilities to revenue	(559,161)	(497,468)

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

Notes to the Consolidated Financial Statements

28. BORROWINGS

	2019 RMB'000	2018 RMB'000
Unsecured and unguaranteed		
– Interest payable to Hubei College	3,824	3,824
Secured and guaranteed (note i)	545,000	589,035
Secured and unguaranteed (note i)	534,940	30,000
Unsecured and guaranteed (note ii)	436,347	329,247
	1,520,111	952,106

The carrying amount of the above borrowings are repayable based on scheduled repayment dates set out in loan agreements:

	2019 RMB'000	2018 RMB'000
Analysed into:		
On demand or within one year	1,291,111	265,353
Between one and two years	125,000	570,879
More than two years, but not exceeding five years	104,000	107,710
More than five years	–	8,164
	1,520,111	952,106
The exposure of borrowings		
– Fixed rate	928,611	633,071
– Variable rate	591,500	319,035
	1,520,111	952,106

Notes:

- (i) Certain bank borrowings and the financing arranged by a trust fund of RMB805,000,000 (2018: RMB600,000,000) were secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Kaifeng Campus, and/or guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally and guaranteed by several subsidiaries of the Company.

A loan from a third party with carrying amount of RMB274,940,000 (2018: nil) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB285,691,000) (note 23).

A bank borrowing with carrying amount of nil (2018: RMB19,035,000) is secured under a mortgage arrangement over the Group's office premises located in Zhengzhou and also guaranteed by Mr. Hou.

- (ii) Certain bank borrowing and the financing arranged by a trust fund of Henan Chunlai were unsecured and guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally and guaranteed by a subsidiary of the Company.

Notes to the Consolidated Financial Statements

28. BORROWINGS (Continued)

All borrowings are denominated in RMB. The variable-rate borrowings carry interest with reference to the benchmark borrowing rate of the People's Bank of China.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	2019 RMB'000	2018 RMB'000
Effective interest rate:		
Fixed-rate	2.5% – 16%	6.4% – 10.4%
Variable-rate	4.4% – 7.1%	5.7% – 6.6%

29. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount RMB	Amount RMB'000
Ordinary shares of HK\$0.00001 each				
Authorised:				
At 15 November 2017 (date of incorporation),				
31 August 2018 and 31 August 2019	50,000,000,000	500,000	424,570	425
Issued and fully paid:				
At 15 November 2017 (date of incorporation)	1	–	–	–
Issue of shares on 12 February 2018	899,999,999	9,000	7,251	7
As at 31 August 2018 and 1 September 2018	900,000,000	9,000	7,251	7
Issue of shares on 13 September 2018	300,000,000	3,000	2,616	3
As at 31 August 2019	1,200,000,000	12,000	9,867	10

The Company was incorporated on 15 November 2017 with an authorised share capital of HK\$500,000 divided into 50,000,000,000 shares with par value of HK\$0.00001 each. On the same date, Chunlai Investment acquired one share in the Company at par value and 899,999,999 shares were further issued and allotted to Chunlai Investment as fully-paid at par value with a share capital of HK\$9,000 on 12 February 2018.

On 13 September 2018, the Company issued a total of 300,000,000 ordinary shares at par value of HK\$0.00001 each, pursuant to the global offering at the price of HK\$2.08 per share and the Company's shares were listed on Main Board of the Stock Exchange on the same date. The premium on the issue of shares amounting to approximately RMB516,431,000, after net of share issue expenses of approximately RMB27,755,000, was credited to the Company's share premium account.

Notes to the Consolidated Financial Statements

30. SHARE-BASED PAYMENTS

Pursuant to written resolution passed on 9 August 2018, the Company adopted a share option scheme (“**Pre-IPO Share Option Scheme**”), details of which are set out in “Report of the Directors – Pre-IPO Share Option Scheme” to the annual report.

Details of specific categories of Pre-IPO Share Option are as follows:

Tranche	Date of grant	Number of shares	Vesting period	Exercise period	Exercise price HK\$
A	9 August 2018	10,465,000	9 August 2018 – 9 August 2021	10 August 2021 – 9 August 2038	0.00001
B	9 August 2018	7,350,000	9 August 2018 – 9 August 2023	10 August 2023 – 9 August 2038	0.00001
C	9 August 2018	7,190,000	9 August 2018 – 9 August 2025	10 August 2025 – 9 August 2038	0.00001
D	9 August 2018	10,945,000	9 August 2018 – 9 August 2028	10 August 2028 – 9 August 2038	0.00001

The following table discloses movements of number of share options under the Company's Pre-IPO Share Options held by the directors of the Company and employees during the year:

	Balance as at 1 September 2017	Granted during the year ended 31 August 2018	Balances as at 31 August 2018 and 31 August 2019
Directors			
Mr. Hou Chunlai	–	8,000,000	8,000,000
Mr. Hou	–	6,000,000	6,000,000
Ms. Jiang Shuqin	–	8,000,000	8,000,000
Directors in aggregate	–	22,000,000	22,000,000
Employees in aggregate	–	13,950,000	13,950,000
Total	–	35,950,000	35,950,000
Exercise price (HK\$)	–		0.00001

The options outstanding at the end of the year have a weighted average remaining contractual life of 19 years (2018: 20 years) and the exercise prices were HK\$0.00001 (2018: HK\$0.00001). In 2018, options were granted on 9 August 2018. The estimated fair value of each option on that date is RMB1.66.

Notes to the Consolidated Financial Statements

30. SHARE-BASED PAYMENTS (Continued)

The fair value of share options was calculated using the binomial pricing model. The inputs into the model are as follows:

Exercise price	HK\$0.00001
Expected volatility	51.49%
Expected life	20 years
Risk-free rate	2.19%
Expected dividend yield	0%

The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. The estimated fair value of the share options granted on that date was RMB59,844,000.

The Group recognised share-based compensation expense of approximately RMB11,852,000 for the year ended 31 August 2019 (2018: RMB697,000).

31. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 August 2019 and 2018.

32. COMMITMENTS**(a) Capital commitments**

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	140,070	238,543
Capital expenditure in respect of prepaid lease payments	11,260	11,460
Capital expenditure in respect of acquisition of Hubei College (<i>note 20</i>)	20,000	20,000
Capital expenditure in respect of acquisition of Tianping College (<i>note 20</i>)	400,056	–
	571,386	270,003

Notes to the Consolidated Financial Statements

32. COMMITMENTS (Continued)

(b) Lease commitments

As at the end of the reporting period, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	1,157	–
In the second to fifth years inclusive	145	–
	1,302	–

33. RETIREMENT BENEFIT SCHEME

During the year, the employees of the PRC subsidiaries are members of the state-management retirement benefit 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 benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year are disclosed in note 14.

34. RELATED PARTY TRANSACTIONS

During the year, besides the disclosures elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and all the highest paid employees, is disclosed in note 15.

Notes to the Consolidated Financial Statements

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

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.

	Interest payables RMB'000	Borrowings RMB'000	Amounts due to related parties RMB'000	Accrued share issue costs RMB'000	Total liabilities from financing activities RMB'000
At 1 September 2017	9,433	992,329	42,100	1,029	1,044,891
Financing cash flow (<i>note</i>)	(81,310)	(40,223)	(42,100)	(5,551)	(169,184)
Finance cost recognised	80,620	–	–	–	80,620
Issue costs accrued	–	–	–	7,487	7,487
At 31 August 2018	8,743	952,106	–	2,965	963,814
Financing cash flow (<i>note</i>)	(73,414)	567,405	–	(27,755)	466,236
Finance cost recognised	73,598	600	–	–	74,198
Issue costs accrued	–	–	–	24,790	24,790
At 31 August 2019	8,927	1,520,111	–	–	1,529,038

Note: The cash flows represent the proceeds from and repayment of borrowings, repayment to a related party and interest paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investment in a subsidiary (<i>note</i>)	–	–
Other non-current assets	875	–
	875	–
Current assets		
Prepayments and other receivables	368,313	9,256
Debt investment at fair value through other comprehensive income	109,857	–
Amount due from a shareholder	7	7
Amount due from a subsidiary	92	–
Bank balances	53,462	–
	531,731	9,263
Current liabilities		
Amounts due to subsidiaries	29,696	23,982
Accrued expenses	2,043	11,859
	31,739	35,841
Net current assets/(liabilities)	499,992	(26,578)
NET ASSETS	500,867	(26,578)
Capital and reserves		
Share capital	10	7
Reserves	500,857	(26,585)
TOTAL EQUITY/(DEFICIT ON EQUITY)	500,867	(26,578)

Note: The investment in a subsidiary is USD1.

Notes to the Consolidated Financial Statements

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Debt investment revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 15 November 2017 (date of incorporation)	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	(27,282)	(27,282)
Recognition of equity-settled share-based payments	-	697	-	-	697
At 31 August 2018	-	697	-	(27,282)	(26,585)
At 1 September 2018	-	697	-	(27,282)	(26,585)
Loss and total comprehensive loss for the year	-	-	(491)	(350)	(841)
Issue of shares	544,186	-	-	-	544,186
Transaction cost attributable to issue of shares	(27,755)	-	-	-	(27,755)
Recognition of equity-settled share-based payments	-	11,852	-	-	11,852
At 31 August 2019	516,431	12,549	(491)	(27,632)	500,857

37. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Date and place of incorporation/ establishment and operation	Paid up capital	Equity interest attributable to the Company at 31 August		Principal activity
			2019	2018	
<i>Directly owned:</i>					
Chunlai BVI	28 November 2017 BVI	US\$1	100%	100%	Investment holding
<i>Indirectly owned:</i>					
Chunlai Hong Kong	19 December 2017 Hong Kong	HK\$1	100%	100%	Investment holding
Henan Chunlai (note i)	11 April 2002 The PRC	RMB113,740,000	100%	100%	Investment holding

Notes to the Consolidated Financial Statements

37. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Name of the subsidiary	Date and place of incorporation/ establishment and operation	Paid up capital	Equity interest attributable to the Company at 31 August		Principal activity
			2019	2018	
Chunlai Information <i>(note ii)</i>	19 January 2018 The PRC	USD1,000,000	100%	100%	Rendering of education services
Chunlai Technology <i>(note i)</i>	1 August 2017 The PRC	RMB30,000,000	100%	100%	Investment holding
Shangqiu University <i>(note i)</i>	21 June 2004 The PRC	RMB80,322,912	100%	100%	Rendering of education services
Anyang University <i>(note i)</i>	27 November 2008 The PRC	RMB80,000,000	100%	100%	Rendering of education services
Kaifeng Campus <i>(note i)</i>	16 May 2013 The PRC	RMB89,005,477	100%	100%	Rendering of education services
湖北春來教育科技有限公司 <i>(note i)</i>	11 July 2018 The PRC	RMB200,000,000	100%	–	Investment holding
上海春景投資管理有限責任公司 <i>(note i)</i>	31 July 2015 The PRC	RMB200,000,000	100%	–	Investment holding

Notes:

- (i) These entities are owned through Structured Contracts.
- (ii) The entity is a wholly foreign-owned enterprise incorporated in the PRC.

The Company's financial year end date is 31 August, which is consistent with the school year. The subsidiaries in the PRC adopt 31 December as their financial year end date, while the other non-PRC subsidiaries adopt 31 August as their financial year end date.

38. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Bond with principal and interest were fully redeemed on 15 June 2020 and 29 June 2020, respectively.

39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 August 2020.

Definitions

“affiliate”	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
“Anyang University”	Anyang University (安陽學院), a Private HEI (formerly an independent college known as College of Humanities and Management of Anyang Normal University) (安陽師範學院人文管理學院) that obtained approval from MOE for its establishment on 25 April 2003 (excluding the Wenming Avenue (文明大道) campus of the College of Humanities and Management of Anyang Normal University, which was managed by Anyang Normal University) and one of our PRC Operating Schools
“Articles of Association”	the articles of association of the Company adopted on 24 August 2018 with effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Auditor”	ZHONGHUI ANDA CPA Limited
“Award”	grant of any award by the Board pursuant to the Share Award Scheme
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Chairman Hou”	Mr. Hou Chunlai (侯春來), a PRC citizen, a non-executive Director and Chairman of the Board, and spouse of Ms. Jiang and father of Mr. Hou
“China” or “PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this annual report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term “Chinese” has a similar meaning
“Chunlai (Hong Kong)”	China Chunlai Education (Hong Kong) Limited (中國春來教育(香港)有限公司), a company with limited liability incorporated in Hong Kong on 19 December 2017 and a wholly-owned subsidiary of our Company
“Chunlai Investment”	Chunlai Investment Co., Ltd (春來投資有限公司), a company incorporated in the BVI with limited liability on 13 July 2017 and one of the Controlling Shareholders
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time

Definitions

“Company”, “the Company” or “our Company”	China Chunlai Education Group Co., Ltd (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“consolidated affiliated entities” or “consolidated affiliated entity”	the entities we control through the Contractual Arrangements, being the PRC Holdco, the School Sponsor and the PRC Operating Schools
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and the Group’s consolidated affiliated entities, details of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou and Chunlai Investment
“Corporate Governance Code”, or “CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Henan Implementation Opinions”	the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education 《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》 promulgated by the Henan Municipal Government on 2 February 2018
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hubei College”	College of Engineering and Technology of Yangtze University (長江大學工程技術學院), an independent college of Yangtze University (長江大學) located in Hubei Province, the PRC that obtained approval from MOE for its establishment on 18 March 2004
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares on 13 September 2018

Definitions

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 13 September 2018
“Listing Date”	13 September 2018, the date the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Hou”	Mr. Hou Junyu (侯俊宇), a PRC citizen, an executive Director, our chief executive officer and our controlling shareholder, and son of Chairman Hou and Ms. Jiang
“Ms. Jiang”	Ms. Jiang Shuqin (蔣淑琴), a PRC citizen and an executive Director, and spouse of Chairman Hou and mother of Mr. Hou
“PRC Holdco”	Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of our consolidated affiliated entities
“PRC Legal Adviser”	Tian Yuan Law Firm, our legal adviser as to PRC laws and regulations
“PRC Operating Schools”	Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University
“Pre-IPO Share Option Scheme”	the share option scheme effective from 9 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 31 August 2018
“Reporting Period”	the year ended 31 August 2019
“RMB”	Renminbi, the lawful currency of PRC
“School Sponsor”	Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004, one of our consolidated affiliated entities and the sole school sponsor of each of our PRC Operating Schools

Definitions

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangqiu University”	Shangqiu University (商丘學院), a Private HEI (formerly an independent college known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) that obtained approval from MOE for its establishment on 14 July 2005) and one of our PRC Operating Schools; operating and financial data stated to be of Shangqiu University presented in this document do not include contributions by Shangqiu University Kaifeng Campus, unless otherwise specified
“Shangqiu University Kaifeng Campus”	Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013
“Share(s)”	ordinary share(s) in the Company of par value of HK\$0.00001 each
“Share Award Scheme”	the share award scheme approved and adopted by the sole shareholder of the Company on 24 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suzhou University of Science and Technology”	Suzhou University of Science and Technology (蘇州科技大學)
“Tianping College”	Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院), an independent college of Suzhou University of Science and Technology
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“WFOE”	Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of our Company
“%”	percent

Glossary



“college”	a higher educational institution offering bachelor’s degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
“combined vocation education and junior college diploma programme”	a five-year education programme that generally enrolls middle school graduates and upon the completion of which a junior college diploma will be granted
“formal education”	education system that provides students with the opportunity to earn official certificates from the PRC government
“high school”	a school that provide education for students in grade 10 through grade 12
“higher education”	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
“independent college”	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
“initial employment rate”	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programmes, or accepted an offer to pursue overseas study or employment, before graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
“junior college to bachelor’s degree transfer programme”	a two-year post-secondary formal education programme that generally enrolls graduates of junior college degree programmes who have taken the National Higher Education Entrance Exam, and upon completion of which a bachelor’s degree will be granted
“National Higher Education Entrance Exam”	also known as “Gaokao” (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
“one-child policy”	China’s population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
“private HEI”, “private higher education institution” or “private university”	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by nongovernmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public

Glossary

“private school”	a school that is not run by local, provincial or national governments
“public school”	a school that is run by local, provincial or national governments
“school sponsor”	an individual or entity that funds or holds interests in an educational institution
“vocational education programme”	a three-year vocational education programme that generally enrolls middle school graduates or a one-year vocational education programme that generally enrolls high school graduates, and upon the completion of which a vocational high school diploma will be granted