



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

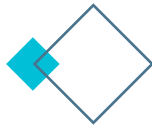
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1969



2020 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 49,880 for the 2018/2019 school year to 61,398 for the 2019/2020 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 RMB559.4 million for the year ended 31 August 2019 to RMB702.5 million for the year ended 31 August 2020.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hou Junyu (侯俊宇)
 Ms. Jiang Shuqin (蔣淑琴)
 Ms. Zhang Jie (張潔) (*Chief Executive Officer*)
(appointed on 25 September 2020)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)
 Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*)
(appointed on 25 September 2020)

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 REPRESENTATIVES

Mr. Hou Junyu (侯俊宇)
 Mr. Wong Yu Kit (黃儒傑)

AUDITOR

ZHONGHUI ANDA CPA Limited
(appointed on 12 January 2020)
 Certified Public Accountants
 Unit 701, Citicorp Centre, 18 Whitfield Road
 Causeway Bay, Hong Kong

LEGAL ADVISERS

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 18 Chater Road
 Central
 Hong Kong

COMPLIANCE ADVISER

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 29 Queen's Road Central
 Hong Kong

REGISTERED OFFICE

Cayman Corporate Centre
 27 Hospital Road
 George Town
 Grand Cayman KY1-9008
 Cayman Islands



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

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Hong Kong

PRINCIPAL BANKERS

Zhongyuan Bank Co., Ltd.
Shangqiu Development District Sub-branch
Northeast Corner, Intersection of Yuyuan Road
and Beihai Road, Development District
Shangqiu City
Henan Province
PRC

China CITIC Bank Co., Ltd.
Anyang People's Avenue Sub-branch
Southeast Corner, Intersection of People's Avenue
and Yongming Road, Anyang City
Henan Province
PRC

COMPANY WEBSITE

www.chunlaiedu.com

STOCK CODE

1969



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				2020 RMB'000
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Revenue	378,632	460,889	487,791	559,380	702,493
Cost of revenue	(144,922)	(170,043)	(204,363)	(265,730)	(332,916)
Gross profit	233,710	290,846	283,428	293,650	369,577
Profit before taxation	109,758	151,649	119,773	169,310	148,205
Profit and total comprehensive income for the year	109,758	151,649	118,948	164,734	141,332
Adjusted net profit ⁽¹⁾	88,184	154,735	143,144	159,463	173,186
Profitability Margins					
Gross profit margin	61.7%	63.1%	58.1%	52.5%	52.6%
Adjusted net profit margin ⁽¹⁾	23.3%	33.6%	29.3%	28.5%	24.7%
ASSETS AND LIABILITIES					
Non-current assets	1,105,986	1,201,369	1,474,688	2,472,356	3,325,399
Current assets	485,831	582,339	600,457	980,728	428,119
Current liabilities	460,012	780,021	790,975	1,931,054	1,810,469
Net current (liabilities)/assets	25,819	(197,682)	(190,518)	(950,326)	(1,382,350)
Total assets less current liabilities	1,131,805	1,003,687	1,284,170	1,522,030	1,943,049
Total equity	293,533	445,182	594,834	1,287,363	1,441,449
Non-current liabilities	838,272	558,505	689,336	234,667	501,600
Total equity and non-current liabilities	1,131,805	1,003,687	1,284,170	1,522,030	1,943,049
Selected Major Items					
Property, plant and equipment	642,198	707,306	878,131	1,390,998	1,928,004
Bank balances and cash	371,710	267,344	544,620	473,619	204,011
Restricted bank balances	–	100,000	–	–	–
Borrowings	861,777	992,329	952,106	1,520,111	1,793,011
Deferred revenue	243,520	195,776	358,366	8,595	5,666
Contract liabilities	–	–	–	447,130	89,092
Liquidity					
Gearing ratio ⁽²⁾	293.6%	222.9%	160.1%	118.1%	124.4%

Notes:

(1) Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange loss/(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.

(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		
	2020	2019	Change (%)
	(RMB in thousands, except percentages)		
Revenue	702,493	559,380	+25.6%
Gross Profit	369,577	293,650	+25.9%
Profit before taxation	148,205	169,310	-12.5%
Profit for the year	141,332	164,734	-14.2%
Non-IFRS Measure:			
Adjusted net profit ¹	173,186	159,463	+8.6%

Note:

- (1) Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange loss/(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 MEASURES

To supplement the Group's consolidated financial statements which are presented in accordance with the 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, and 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.

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 online modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, management of the Group has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group as at 31 August 2020. The Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 2020, notwithstanding the impact of COVID-19.

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 historically high graduate employment rates. For the 2018/2019 and 2019/2020 school years, the average initial employment rate of our higher education programmes was approximately 95.8% and 85.1%, respectively. The employment rate of our graduates for the 2019/2020 school year dropped given the impact of COVID-19 on the employment market in the PRC in 2020.

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 we 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 2019/2020 school year, Shangqiu University had a total enrolment of 23,975 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 examinations 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 41 bachelor's degree programmes, 32 junior college diploma programmes, 3 double bachelor's degree programmes, 12 adult higher education programmes, 3 counterpart bachelor's degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes. For the 2019/2020 school year, Anyang University had a total enrolment of 27,675 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 25 bachelor's degree programmes, and 18 junior college diploma programmes. For the 2019/2020 school year, Shangqiu University Kaifeng Campus had a total enrolment of 9,748 students.

Hubei Health Vocational College

Hubei Health Vocational College is located in Xianning, Hubei Province.

By closely following the state's "Healthy China 2030" and "Aging Service and Industry" strategic development needs, Hubei Health Vocational College (湖北健康職業學院) has set up three departments and two divisions, including the Department of Nursing, the Department of Health Intelligent Engineering, the Department of Public Health, the Division of Basic Medicine, and the Division of Public Instruction, and offers 7 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, early childhood development and health management, and rehabilitation engineering technology.

Since Hubei Health Vocational College was newly established in 2020, student enrolment has just started for the 2020/2021 school year.

For further details of Hubei Health Vocational College, please refer to the announcement of the Company dated 9 June 2020.

Management Discussion and Analysis

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2018/2019 and 2019/2020 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately %)
	2019/2020	2018/2019		
Shangqiu University				
Bachelor's degree programmes	10,836	10,103	733	7.3%
Junior college to bachelor's degree transfer programmes	1,610	1,216	394	32.4%
Junior college diploma programmes ⁽²⁾	7,335	4,884	2,451	50.2%
Vocational education programmes ⁽³⁾	4,194	3,402	792	23.3%
School subtotal	23,975	19,605	4,370	22.3%
Anyang University				
Bachelor's degree programmes	12,013	11,589	424	3.7%
Junior college to bachelor's degree transfer programmes	3,152	2,439	713	29.2%
Junior college diploma programmes ⁽²⁾	6,088	3,303	2,785	84.3%
Vocational education programmes ⁽³⁾⁽⁴⁾	6,422	4,712	1,710	36.3%
School subtotal	27,675	22,043	5,632	25.6%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	6,881	6,096	785	12.9%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	1,341	974	367	37.7%
Junior college diploma programmes ⁽⁷⁾	1,526	1,162	364	31.3%
School subtotal	9,748	8,232	1,516	18.4%
Total number of students	61,398	49,880	11,518	23.1%

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 2018/2019 and 2019/2020 school years.
- (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 2019/2020 school year, the number of students increased by 23.1% from 49,880 in the prior school year to 61,938, 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 15 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 2019/2020 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 97.8% 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.

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**”). For further details, please refer to the announcements of the Company 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 2020, we recorded a revenue of RMB702.5 million and a gross profit of RMB369.6 million. The gross profit margin was 52.6% for the year ended 31 August 2020 as compared with 52.5% for the corresponding period in 2019.

The adjusted net profit of the Group for the year ended 31 August 2020 was RMB173.2 million, representing an increase of RMB13.7 million or 8.6% from the corresponding period in 2019. The adjusted net profit margin of the Group was 24.7% and 28.5% for the years ended 31 August 2020 and 31 August 2019, respectively. The increase in the adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB141.3 million and RMB164.7 million for the years ended 31 August 2020 and 31 August 2019, respectively. The net profit margin of the Group amounted to 20.1% and 29.4% for the years ended 31 August 2020 and 31 August 2019, respectively.

Revenue

Our revenue increased by 25.6% from RMB559.4 million for the year ended 31 August 2019 to RMB702.5 million for the year ended 31 August 2020, primarily due to the increase of the Group's student enrolment.

Revenue from Shangqiu University Kaifeng Campus increased by 23.2% from RMB105.9 million for the year ended 31 August 2019 to RMB130.5 million for the year ended 31 August 2020. The increase was primarily due to an increase in student enrolment from 8,232 for the 2018/2019 school year to 9,748 for the 2019/2020 school year. The capacity of Shangqiu University Kaifeng Campus is 9,965 for the 2019/2020 school year. The increase in revenue from Shangqiu University Kaifeng Campus was due to an increase of the student enrolment and 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 2019/2020 school year.

Revenue from Anyang University increased by 25.2% from RMB246.1 million for the year ended 31 August 2019 to RMB308.2 million for the year ended 31 August 2020. The increase was primarily due to an increase in student enrolment from 22,043 for the 2018/2019 school year to 27,675 for the 2019/2020 school year. As Anyang University increased its capacity from 23,806 for the 2018/2019 school year to 28,330 for the 2019/2020 school year, it received a larger admission quota for the 2019/2020 school year, which contributed to the increase in its student enrolment. The increase in revenue from Anyang University was also due to an increase of the student enrolment and an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2019/2020 school year.

Revenue from Shangqiu University increased by 27.2% from RMB207.3 million for the year ended 31 August 2019 to RMB263.7 million for the year ended 31 August 2020. The increase was primarily due to an increase in student enrolment from 19,605 for the 2018/2019 school year to 23,975 for the 2019/2020 school year. The capacity of Shangqiu University is 24,383 for the 2019/2020 school year.

Overall, revenue from tuition fees and boarding fees increased by 33.1% and decreased by 40.0%, respectively, from the year ended 31 August 2019 to the year ended 31 August 2020.

Management Discussion and Analysis

Cost of Revenue

Our cost of revenue increased by 25.3% from RMB265.7 million for the year ended 31 August 2019 to RMB332.9 million for the year ended 31 August 2020. As a percentage of revenue, our cost of revenue decreased from 47.5% for the year ended 31 August 2019 to 47.4% for the year ended 31 August 2020. These decrease were primarily due to the increase in student enrolment and the increase in revenue, while the teaching staff costs and depreciation cost have not increased significantly.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 25.9% from RMB293.7 million for the year ended 31 August 2019 to RMB369.6 million for the year ended 31 August 2020, and our gross profit margin increased from 52.5% for the year ended 31 August 2019 to 52.6% for the year ended 31 August 2020, primarily due to revenue has increased more than teaching staff costs and depreciation costs.

Other Income

Our other income decreased by 17.7% from RMB47.8 million for the year ended 31 August 2019 to RMB39.3 million for the year ended 31 August 2020, primarily due to decrease of interest income. Hubei College is exempted from interest income from the 2019/2020 school year.

Other Gains and Losses

We recorded other gains of RMB22.8 million for the year ended 31 August 2019, while we recorded other losses of RMB26.4 million for the year ended 31 August 2020. The other losses for the year ended 31 August 2020 were primarily attributable to net foreign exchange losses.

Selling Expenses

Our selling expenses decreased by 28.8% from RMB3.6 million for the year ended 31 August 2019 to RMB2.6 million for the year ended 31 August 2020, primarily because we established long-term cooperation with some fixed advertisers to enjoy discounts.

Administrative Expenses

Our administrative expenses increased by 6.6% from RMB130.7 million for the year ended 31 August 2019 to RMB139.4 million for the year ended 31 August 2020, primarily due to increases in depreciation and amortization, staff costs and travelling expenses.

Listing Expenses

We did not record any listing expenses for the year ended 31 August 2020 in connection with the Listing. We recorded listing expenses of RMB5.7 million for the year ended 31 August 2019.



Management Discussion and Analysis

Finance Costs

Our finance costs increased by 52.5% from RMB60.6 million for the year ended 31 August 2019 to RMB92.3 million for the year ended 31 August 2020, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalization.

Taxation

We recorded income tax of RMB4.6 million for the year ended 31 August 2019 as compared to income tax of RMB6.9 million for the year ended 31 August 2020 due to service revenue and other income.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 14.2% from RMB164.7 million for the year ended 31 August 2019 to RMB141.3 million for the year ended 31 August 2020.

Adjusted Net Profit

Our adjusted net profit increased by 8.6% from RMB159.5 million for the year ended 31 August 2019 to RMB173.2 million for the year ended 31 August 2020. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation; (ii) foreign exchange loss/(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	
	2020	2019
	(RMB in thousands)	
Profit for the year	141,332	164,734
Add:		
Share-based compensation	12,263	11,852
Foreign exchange loss/(gain)	19,591	(22,837)
Listing expenses	—	5,714
Adjusted net profit	173,186	159,463

Liquidity and Source of Funding and Borrowing

As at 31 August 2020, 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 RMB473.6 million and RMB204.0 million as of 31 August 2019 and 2020, respectively. The Company generally deposit the Group's excess cash in interest bearing-bank accounts and current accounts.

The Group's principal uses of cash have been for 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), 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, proceeds from the Listing and other funds raised from the capital markets from time to time. Any significant decrease in 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.

Management Discussion and Analysis

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group had net current liabilities of approximately RMB1,382,350,000 as at 31 August 2020, and the Group had cash and cash equivalents of approximately RMB204.0 million against the Group's total borrowings of approximately RMB1,793,011,000 as at 31 August 2020. For the remaining balance of the Group's total borrowings, approximately RMB1,294,203,000 will be due in the coming twelve months.

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 2020. 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 2020;
- (ii) the Group has entered into two loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB1,306,917,000 are available to the Group for not less than twelve months from 31 August 2020;
- (iii) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Gearing Ratio

As at 31 August 2020, 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 124.4%, representing an increase of 6.3 percentage point(s) as compared with 118.1% as at 31 August 2019. The increase was mainly due to increased borrowing.

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 2020.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2020.



Management Discussion and Analysis

Pledge of Assets

On 27 December 2019 and 25 December 2019, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (“**Henan Shangqiu**”), one of the Group’s consolidated affiliated entities, as borrower and Zhongyuan Bank Co., Ltd., Shangqiu Branch (中原銀行股份有限公司商丘分行) (“**Zhongyuan Bank**”) as lender 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 agreements are set out in the announcement of the Company dated 27 December 2019.

On 14 May 2020, Anyang University (as borrower) entered into a loan agreement (the “**Anyang University Loan Agreement**”) with Zhongyuan Bank (as lender) in relation to a term loan facility in an aggregate amount of RMB300,000,000 (the “**Anyang Loan**”) with an annual interest rate of 6.0%, being 2.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China as at the date immediately before the date of the Anyang University Loan Agreement of 3.85% made by Zhongyuan Bank to Anyang University. On the same day, Anyang University and Zhongyuan Bank entered into an account receivables pledge agreement (the “**Anyang University Pledge Agreement**”), pursuant to which Anyang University agreed to pledge its account receivables in favour of Zhongyuan Bank for Anyang University’s liabilities under the Anyang University Loan Agreement (including but not limited to the Anyang Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Anyang Loan and the Anyang University Pledge Agreement are set out in the announcement of the Company dated 21 May 2020.

On 22 June 2020, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Zhongyuan Bank (as lender) in relation to a term loan facility in an aggregate amount of RMB180,000,000 (the “**Shangqiu Loan**”) with an annual interest rate of 5%, being 1.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China made by Zhongyuan Bank to Shangqiu University. On the same day, Shangqiu University and Zhongyuan Bank entered into an account receivables pledge agreement (the “**Shangqiu University Pledge Agreement**”), pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Zhongyuan Bank for Shangqiu University’s liabilities under the Shangqiu University Loan Agreement (including but not limited to the Shangqiu Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Shangqiu Loan and the Shangqiu University Pledge Agreement are set out in the announcement of the Company dated 22 June 2020.

Save as disclosed in this annual report, as at 31 August 2020, no assets of the Group were pledged to secure its loans and banking facilities.

Management Discussion and Analysis

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2020.

Foreign Exchange Exposure

During the year ended 31 August 2020, the Group mainly operated in the PRC and the majority of the transactions were settled in RMB, the functional currency of the Group's PRC subsidiaries and consolidated affiliated entities. The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollar and Hong Kong dollar which are currencies other than RMB. 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 or Capital Assets

Save as disclosed in this annual report, as at 31 August 2020, the Company has no future plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, it is uncertain how long the COVID-19 outbreak will last. The Group will keep continuous attention on the development of COVID-19 and react actively to its impact on the operation and financial position of the Group. In the event that there is any significant impact, the Company will update the market as and when appropriate.

Save as disclosed in this annual report, there was no other significant event that might affect the Group since the end of the year ended 31 August 2020.



Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Hou Junyu (侯俊宇), aged 29, was appointed as an executive Director on 15 November 2017 and the chairman of the nomination committee on 12 February 2018. Mr. Hou was the chief executive officer of the Company from 12 February 2018 until he relinquished his role on 25 September 2020. 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 is 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 at 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 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 Xinzong and cousin of Mr. Jiang Yongqi.

Ms. Zhang Jie (張潔), aged 51, was the vice chief executive officer of the Company from 30 April 2019 until her appointment as an executive Director and chief executive officer of the Company on 25 September 2020. Ms. Zhang was the vice chairman of Henan Shangqiu Chunlai Education Corporation from October 2018 to 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 thereafter. 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. She has been engaged in private HEI for 27 years and has considerable experience in private HEI management.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Hou Chunlai (侯春來), aged 51, is the founder of the Group. Chairman Hou was appointed as a 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 and the father of Mr. Hou.

Mr. Hao Xiaohui (郝曉暉), aged 56, was appointed as a non-executive Director and the vice chairman of the Board on 25 September 2020. Mr. Hao has extensive experience in domestic and international investment and financing management. Mr. Hao has spent many years engaging in international trade, international finance, investment banking and other financial businesses and is specialized in private education investment and financing business. From July 1988 to December 1993, he worked in the international department at the Henan branch of the Bank of China. From December 1993 to March 2004, Mr. Hao served as the deputy general manager and general manager in the international department of the Henan branch of the Bank of Communications. From March 2004 to April 2007, he was the deputy director of the offshore center and senior manager of the international trade and services department at the head office of the Bank of Communications. From April 2007 to March 2014, Mr. Hao served as vice president and president at the New York branch of the Bank of Communications. From March 2014 to June 2015, he was the first vice president at the Hong Kong branch of the Bank of Communications. From April 2016 to July 2017, he was the executive president of China First Capital Group and the chairman of First Capital Fund. From July 2017 to April 2020, Mr. Hao served as the president and chairman of Yuanyin International Limited. He was also the chairman of the Financial Committee of China General Chamber of Commerce in the United States of America and an adjunct professor at the Henan University of Economics and Law. Mr. Hao obtained his bachelor's degree from the department of trade at the Henan University of Finance and Economics in 1988, a master's degree in finance and banking from Xiamen University in 1999 and a master's degree in international financial management from the Business School of Northumbria University, United Kingdom in 2003.



Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jin Xiaobin (金曉斌), aged 66, 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 at 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 the 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 41, 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 was 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 worked 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 37, 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 a 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 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

Mr. Yang Xinzong (楊新忠), aged 51, 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 the brother-in-law of Ms. Jiang.

Mr. Wang Jie (王傑), aged 36, 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.

Mr. Jiang Yongqi (蔣永旗), aged 35, was appointed as the head of the human resources department of the Company on 12 February 2018 and has been the supervisor of the 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.

Directors and Senior Management

Mr. Liu Wei (劉偉), aged 39, was appointed as the head of the 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.

Mr. Zhao Zhen (趙振), aged 36, was the chief financial officer of the Company from 12 February 2018 until he relinquished his role on 25 September 2020. Mr. Zhao 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 11 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.

Mr. Sheng Yiming (盛一名), aged 30, was appointed as the chief financial officer of the Company on 25 September 2020. Mr. Sheng is primarily responsible for overseeing the daily operations of the finance department and internal compliance department of the Company. Mr. Sheng is also the chief accountant of Tianping College of Suzhou University of Science and Technology since September 2019. From September 2012 to June 2018, he served as an audit manager at Deloitte Touche Tohmatsu and gained extensive experience in annual audit and listing related matters. From June 2015 to February 2016, Mr. Sheng was a senior manager at Everbright Securities Company Limited, investment banking department. Mr. Sheng received his postgraduate degree in finance and business management from the Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University in 2018. Mr. Sheng is a certified public accountant in the PRC.



Directors and Senior Management

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 a 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 DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

1. Ms. Zhang Jie was appointed as an executive Director effective from 25 September 2020.
2. Mr. Hao Xiaohui was appointed as a non-executive Director and vice chairman of the Board effective from 25 September 2020.
3. Mr. Hou Junyu relinquished his role as the chief executive officer of the Company effective from 25 September 2020, and Ms. Zhang Jie was appointed as the chief executive officer of the Company in place of Mr. Hou Junyu on the same day.

Save as disclosed in this annual report, there is no other 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)

Ms. Jiang Shuqin (蔣淑琴)

Ms. Zhang Jie (張潔) (*Chief Executive Officer*) (*appointed on 25 September 2020*)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)

Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*) (*appointed on 25 September 2020*)

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 18 to 24 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 8 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 annual report. These discussions form part of this annual 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 61 to 108 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 30 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 38 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.



Report of Directors

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 17 to the consolidated financial statements.

The book value of the properties held by the Group for owner occupation at 31 August 2020 as included in the consolidated financial statements in this annual report was RMB1,607 million.

DONATION

During the Reporting Period, the Group made nil charitable donations (2019: 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 2020 (2019: nil).

No Shareholder has waived or agreed to waive any dividends for the year ended 31 August 2020.

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 37 to the consolidated financial statements. The distributable reserves of the Company as at 31 August 2020 were nil.

Report of Directors

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2020 are set out in the section headed “Management Discussion and Analysis” in this annual report and Note 29 to the consolidated financial statements.

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 2019 and 2020. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2019 and 2020.

Our suppliers primarily comprise suppliers of textbooks, uniforms and teaching equipment, and construction companies for building campus facilities. For the years ended 31 August 2019 and 2020, purchases from our five largest suppliers amounted to RMB464.9 million and RMB363.1 million, respectively, which represented 79.1% and 61.7% of our total purchases in the respective periods. During the same periods, purchases from our largest supplier amounted to RMB265.0 million and RMB132.0 million, respectively, which represented 45.1% and 22.4% 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 2019 and 2020, we had 3,509 and 2,710 employees, respectively.

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.



Report of Directors

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

The total remuneration costs incurred by the Group for the Reporting Period was RMB217.3 million (for the year ended 31 August 2019: RMB207.9 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 2020, 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 2020.

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 31 to the consolidated financial statements.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at 1 September 2019	Exercised during the Reporting Period	Forfeited/Cancelled/Lapsed during the Reporting Period	Outstanding as at 31 August 2020
Director								
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 2020, 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 the remuneration committee of the Company 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 14 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 2020, 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 2020.
- (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 2020, 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 2020, 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 2020.
- (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 2020 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 (excluding Ms. Zhang Jie and Mr. Hao Xiaohui) has 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

Ms. Zhang Jei and Mr. Hao Xiaohui have each entered into a service contract with our Company commencing on 25 September 2020. 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 such commencement date, whichever is earlier.

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 (2019: nil).

Report of Directors

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 (2019: 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 (2019: nil).

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 (2019: 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.

CONTRACTS 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 CONTRACTS

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.



Report of Directors

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.

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.

Report of Directors

- Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may affect 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.
- 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.



Report of Directors

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2020 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));
- (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;

Report of Directors

- (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 2020 <i>RMB'000</i>	Year ended 31 August 2019 <i>RMB'000</i>
Revenue	702,493	559,380
Profit before tax	201,461	159,121
	As at 31 August 2020 <i>RMB'000</i>	As at 31 August 2019 <i>RMB'000</i>
Total assets	3,296,286	2,937,777

For the year ended 31 August 2020, the revenue and profit before tax subject to the Contractual Arrangements amounted to approximately 100% (2019: 100%) and 136% (2019: 94%) of the revenue and profit before tax of the Group.

As at 31 August 2020, the total assets subject to the Contractual Arrangements amounted to approximately 87.82% (2019: 85.08%) 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 the 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, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. 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.

Zhonghui Anda 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 2020:

- (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 35 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

On March 15, 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 January 1, 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 Regulations 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 Regulations are relatively new, uncertainties still exist in relation to their 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.

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.

Report of Directors

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 2020, 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.

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 and Hubei, and Jiangsu provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations.

Report of Directors

As of 31 August 2020, 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 2020, 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 2020, 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.

RESUMPTION OF TRADING

As disclosed in the Company's announcement dated 2 December 2019, the Company required additional time in order to complete the audit work in respect of the annual results for the year ended 31 August 2019 (the "**2019 Annual Results**"). As a result of the delay in publication of the 2019 Annual Results and pursuant to Rule 13.50 of the Listing Rules, the Company applied for a suspension of trading in its Shares on the Stock Exchange with effect from 9:00 a.m. on 2 December 2019. On 23 March 2020, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out the following resumption guidance for the Company: (a) to conduct an appropriate investigation into the issues relating to, among others, the commercial rationale of (i) an investment into a debenture, (ii) certain expenditure for property, plant and equipment and (iii) the acquisition of the school sponsor interest of Tianping College, announce the findings and take appropriate remedial actions; (b) to publish all outstanding financial results and address any audit modifications; (c) to demonstrate that the Company has put in place adequate internal control and procedures to comply with the Listing Rules; and (d) to inform the market of all material information of the Company. Since all conditions under the resumption guidance have been fulfilled to the Stock Exchange's satisfaction, trading in the Shares resumed with effect from 9:00 a.m. on 10 November 2020. 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, 9 July 2020, 20 August 2020, 9 October 2020 and 9 November 2020.

Report of Directors

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects 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.

USE OF NET PROCEEDS FROM LISTING

Our Shares were listed on the Stock Exchange on 13 September 2018. The net proceeds from the Listing amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). As of 31 August 2020, the utilization breakdown of the net proceeds is set out below:

	Net proceeds from the Listing <i>RMB million</i>	Unutilized amount as of 31 August 2019 <i>RMB million</i>	Utilization during the year ended 31 August 2020 <i>RMB million</i>	Unutilized amount <i>RMB million</i>
Acquisition of land use rights and building educational and living facilities of our current colleges	244.9	156.7	10.3	146.4
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purposes	49.0	47.5	12.7	34.8
Total	489.8	204.2	23.0	181.2

The remaining balancing of the net proceeds (approximately RMB181.2 million) are held as short-term deposits. The Company expects to gradually apply the remaining net proceeds in the manner set out in the Prospectus in accordance with business needs.

Report of Directors

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 Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("**Deloitte**") as the external auditor from the Listing Date until Deloitte tendered its resignation with effect from 10 January 2020. The Company appointed ZHONGHUI ANDA CPA Limited as the new auditor of the Group with effect from 12 January 2020 to fill the vacancy arising from the resignation of Deloitte and in accordance with the Articles of Association.

The consolidated financial statements of the Group for the Reporting Period have been audited by ZHONGHUI ANDA CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By the order of the Board

Mr. Hou Chunlai

Chairman

Hong Kong

30 November 2020



Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended 31 August 2020.

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, 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 eight members, consisting of three executive Directors, two non-executive Directors 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)

Ms. Jiang Shuqin (蔣淑琴)

Ms. Zhang Jie (張潔) (*Chief Executive Officer*) (*appointed on 25 September 2020*)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)

Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*) (*appointed on 25 September 2020*)

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)



Corporate Governance Report

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” on pages 18 to 24 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.

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 was held by Mr. Hou Junyu (侯俊宇) since the Listing Date until 25 September 2020. Ms. Zhang Jie was appointed as the Chief Executive Officer in place of Mr. Hou Junyu immediately after the conclusion of the annual general meeting of the Company held on 25 September 2020. 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, 4 Board meetings 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.

During the Reporting Period, the Company convened one general meeting.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period 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 2020				
	Board Meeting	Committee Meeting	Audit Committee	Remuneration Committee	Nomination Committee
			Meeting	Meeting	Meeting
Executive Directors					
Mr. Hou Junyu	4/4	N/A	N/A	1/1	1/1
Ms. Jiang Shuqin	4/4	N/A	1/1	N/A	1/1
Ms. Zhang Jie ⁽¹⁾	N/A	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Hou Chunlai	4/4	N/A	N/A	N/A	1/1
Mr. Hao Xiaohui ⁽²⁾	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Dr. Jin Xiaobin	4/4	4/4	N/A	1/1	1/1
Ms. Fok, Pui Ming Joanna	4/4	4/4	1/1	1/1	1/1
Mr. Lau, Tsz Man	4/4	4/4	1/1	N/A	1/1

Corporate Governance Report

Notes:

- (1) Appointed on 25 September 2020.
- (2) Appointed on 25 September 2020.

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).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive and non-executive Directors has entered into a service contract with the Company. The initial term of his/her service contract shall commence from the date of his/her 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. Accordingly, Mr. Hou Junyu and Mr. Lau, Tsz Man will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director as an additional Director. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Zhang Jie, who was appointed as an executive Director on 25 September 2020, and Mr. Hao Xiaohui, who was appointed as a non-executive Director on 25 September 2020, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.



Corporate Governance Report

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.

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, the audit committee met 4 times to review, among others, (i) the report submitted by the auditor; (ii) review and discuss matters related to the resignation and new appointment of relevant auditor; (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.



Corporate Governance Report

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, the remuneration committee met once 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 2020 are set out in Note 14 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended 31 August 2020 is set out below:

Remuneration bands (RMB)	Number of persons
1,000,001 to 1,500,000	1

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 once 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 2020.



Corporate Governance Report

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.

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 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 2020.

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.



Corporate Governance Report

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.

During the year ended 31 August 2020, 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	✓	✓
Ms. Zhang Jie ⁽¹⁾	–	–
Non-executive Directors		
Mr. Hou Chunlai	✓	✓
Mr. Hao Xiaohui ⁽²⁾	–	–
Independent Non-executive Directors:		
Dr. Jin Xiaobin	✓	✓
Ms. Fok, Pui Ming Joanna	✓	✓
Mr. Lau, Tsz Man	✓	✓

Notes:

(1) Appointed on 25 September 2020.

(2) Appointed on 25 September 2020.

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.

Corporate Governance Report

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.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Zhonghui Anda as the external auditor for the year ended 31 August 2020. The Company had engaged Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong (“**Deloitte**”) as its auditor between 2018 and 2020 until Deloitte resigned as the auditor of the Group with effect from 10 January 2020. A statement by Zhonghui Anda about their reporting responsibilities for the financial statements is included in the Independent Auditor’s Report on pages 109 to 113.

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 until the end of the Reporting Period are set out below:

Services rendered for the Company	Fees paid and payable <i>RMB '000</i>
Audit services:	
Audit services	2,124
Non-audit services:	
Interim review services	542
Total	2,666

Corporate Governance Report

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.

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 2020. 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 2020 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 2020. 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 Company has also established an investment committee as part of its internal control measure to exercise authority delegated from the Board to handle any issues or affairs related to the investment aspects of the Company. The investment committee provides additional oversight over, and professional support to, the investment matters of the Group, and then reports back to the full Board on a regular basis. The investment committee also reviews the investment performance from time to time and advises the Board on how the Company's funds (including surplus funds, funds not designated for specific purpose, or funds designated for specific purpose but application of which is not immediately required) are to be used to enhance the Company's investment returns, preserve the value of the Company's funds and/or achieve capital appreciation. The investment committee currently comprises Mr. Hou Junyu (executive director of the Company), Mr. Lau Tsz Man (independent non-executive director and chairman of the audit committee of the Company) and Dr. Jin Xiaobin (independent non-executive director of the Company). As of the date of this annual report, the investment committee is also identifying suitable candidates with extensive experience in investment and finance to support the intended functions of the investment committee.

The Group has 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.

Corporate Governance Report

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, is the primary point of contact of the Company for Mr. Wong.

For the year ended 31 August 2020, 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.

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



Corporate Governance Report

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).



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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 pleased to present our third Environmental, Social and Governance Report (hereinafter referred to as “this Report”), which summarises our initiatives, strategies and objectives relating to environmental, social and governance (or “ESG”) 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 prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 to the Listing Rules issued by The Stock Exchange. The contents covered herein are in compliance with the “comply or explain” provision required in the Guide and the requirements of the four reporting principles (materiality, quantitative, balance and consistency). An index of the 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 section 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 related to core businesses and the overall performance of performing corporate social responsibility from 1 September 2019 to 31 August 2020 (hereinafter referred to as 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 Environmental Subject Area 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.

Approval of this Report

This Report was approved by the Board of Directors on 30 November 2020 after being confirmed by the management.

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: cljyt@chunlaiedu.com
Tel: (86)0370-3555128

Environmental, Social and Governance Report 2020

2. ABOUT CHUNLAI EDUCATION

As a leading provider of private general higher education, we adhere to the education philosophy of “Putting People First, Putting Moral Education First, Putting Emphasis on Ability, Quality being the Root, Legacy and Innovation, Serving the Society, and Pursuing Excellence”, and provide 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, and continuously improve our teaching quality. Our career guidance programmes focus on training students’ practical skills that meet the needs of China’s economic development, and emphasise internship training to improve the competitiveness of graduates in the job market and enable them to smoothly transit from students to workers. Over the years, the schools under the Group have trained hundreds of thousands of graduates and socialist construction talents to the state and the society.

Since its establishment in 2004, the Group has operated Shangqiu University, Anyang University, and Shangqiu University Kaifeng Campus in Henan Province, and has participated in the operation of Yangtze University College of Technology & Engineering and Tianping College of Suzhou University of Science and Technology. In addition, after being filed and approved by the Ministry of Education, we established Hubei Health Vocational College in March 2020. Chunlai Education was listed on the Main Board of the Stock Exchange in 2018 and landed on the international capital market, opening a new chapter in development and also injecting new momentum into future development. Each college is also preparing for expansion, adding various teaching facilities to increase market share and meet the long-term needs in respect of the growth of the number of students.

2.1 An Overview of our Colleges

Shangqiu University

Shangqiu University implements the development strategy of “establishing the school with quality, developing the school with talents, prospering the school with unique characteristics, and managing the school according to law”. The school currently has 15 teaching units, namely Faculty of Mechanical and Electrical Information, Faculty of Computer Engineering, Faculty of Architecture and Civil Engineering, Faculty of Landscape Architecture, Faculty of Management, Faculty of Media, Faculty of Art, Faculty of Foreign Languages, Faculty of Humanities, Faculty of Business, Faculty of Physical Education, Faculty of Marxism, Chunlai Institute, Faculty of Innovation and Entrepreneurship, and Faculty of International Education. The school offered 46 bachelor’s degree programmes, forming a professional pattern of the coordinated development of multiple disciplines such as engineering, agriculture, management, art, culture, education, science and economics, with engineering as the main body. The school currently has 2 Henan provincial first-class professional construction site and 1 Henan provincial key discipline, and offers 1 Henan provincial first-class programme, 2 Henan provincial specialty majors, 3 Henan provincial comprehensive reform pilot majors, 13 Henan provincial brand majors, and 5 Henan provincial premium online open programmes. In 2019, the school was established as a project construction institute for master’s degree.



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Anyang University

Anyang University has always adhered to the education philosophy of “character building and talent fostering, bridging knowledge and practice, cultivating specialized talents and developing the school with well-cultured students”. The school currently has “16 faculties and two departments”, namely the Faculty of Aeronautical Engineering, the Faculty of Computer Science and Technology, the Faculty of Architectural Engineering, the Faculty of Mathematics and Science, the Faculty of Literature and Media, the Faculty of Foreign Languages, the Faculty of International Education, the Faculty of Finance and Accounting, the Faculty of Economics and Management, the Faculty of Music, the Faculty of Fine Arts, the Faculty of Vocational Education, the Faculty of Marxism, the Faculty of Health Management, the First Faculty of Clinical Medicine, the Faculty of Continuing Education, the Department of Physical Education and the Department of Public Art Teaching, and has established 17 scientific research institutions including the Oracle Art Research Center, the Hongqiqu Spirit Research Center, the Intangible Cultural Heritage Art and Culture Research Institute, and the Applied Mathematics Research Institute. Led by discipline construction, the school currently offers 41 bachelor’s degree programmes, 32 junior college diploma programmes, 3 double bachelor’s degree programmes, 12 adult higher education programmes, 3 counterpart bachelor’s degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes, covering eight disciplines including literature, science, engineering, law, economics, management, education and art. In July 2019, the school was approved by the Henan Provincial Department of Education as a project construction institute for master’s degree for 2019-2021.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus adheres to the education 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 26 bachelor’s degree programmes and 18 junior college diploma programmes. The university currently has: the Department of Accounting, the Department of Art and Education, the Department of Business Administration, the Department of Civil Engineering and Architecture, the Department of Computer Engineering, the Department of Mechanical Engineering, the Department of Ideological and Political Theory Teaching, and the Department of Basic Teaching; offers 26 bachelor’s degree programmes including accounting, financial management, civil engineering, engineering cost, environmental design, visual communication design, radio and television editing and directing, preschool education (teacher-training), mechanical design and manufacturing and its automation, computer science and technology, marketing, logistics management, auditing, automotive service engineering, vehicle engineering, network engineering, e-commerce, Internet of Things engineering, data science and big data technology, elementary education (teacher-training), English, Chinese language and literature, electrical engineering and its automation, road, bridge and river-crossing engineering, network and new media, and architecture; and 18 junior college diploma programmes including accounting, construction engineering technology, preschool education (teacher-training), automobile inspection and maintenance technology, machinery manufacturing and automation, marketing, logistics management, computer application technology, e-commerce, business English, electrical automation technology, financial management, art design, construction decoration engineering technology, numerical control technology, big data technology and application, film and television editing and directing, and elementary education (teacher-training).

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Hubei Health Vocational College

By closely following the state's "Healthy China 2030" and "Aging Service and Industry" strategic development needs, the Hubei Health Vocational College has set up three departments and two divisions, including the Department of Nursing, the Department of Health Intelligent Engineering, the Department of Public Health, the Division of Basic Medicine, and the Division of Public Instruction, and offers 7 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, early childhood development and health management, and rehabilitation engineering technology.

2.2 Awards and Recognitions

The Chunlai Education brand has been highly recognised by parents and society. The Group and its colleges and universities have repeatedly won various accolades such as Influential Brand for Education Group, the Most Influential Private School in China, Private Education Top 30 in China, Advanced Unit of Private Education, Advanced Group of Higher Education Teaching, Civilised School, Independent College with the Highest Brand Value in China and the Most Beautiful University Campus, have harvested the joy of educating talents and have strengthened our confidence in strengthening morality and cultivating talents.

Chunlai Education

Awards and Recognitions

Hosting/Awarding Organisation

2019 Zhongyuan Brand Influence Education Group
(2019中原品牌影響力教育集團)

zynews.cn/Yujiao (中原網 / 豫教)

Shangqiu University

Awards and Recognitions

Hosting/Awarding Organisation

Excellent Organisation Unit of 2019 "Perfect Campus"
Resume Competition

(2019年「完美校園」簡歷大賽優秀組織單位)

Henan College Graduation Employment
Promotion Association

(河南省大中專畢業生就業促進會)

2019 Zhongyuan Education Famous Brand College
(2019年中原教育知名品牌院校)

zynews.cn (中原網)

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)

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 Campus Culture
in Private Education Industry in the Province

(2019年度全省民辦教育行業校園文化先進單位)

Henan Province Private Education
Research Association

(河南省民辦教育研究會)

Excellent Co-organizer of National Environmental
Protection Knowledge Contest for College Students

(全國大學生環保知識競賽優秀協辦單位)

Organizing Committee of National
Environmental Protection Knowledge

Contest for College Students

(全國大學生環保知識競賽組委會)



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Anyang University

Awards and Recognitions

Hosting/Awarding Organisation

The information management and information system major was approved for 2019 Henan Province First-class Undergraduate Major Construction Site Project Initiation (信息管理與信息系統專業獲批2019年度河南省一流本科專業建設點立項)	Education Department of Henan Province (河南省教育廳)
2019 Zhongyuan Education Famous Brand College (2019中原教育知名品牌院校)	zynews.cn/Yujiao (中原網／豫教)
Excellent Organization Prize of the Third School and Enterprise Cooperation for Innovation and Entrepreneurship Project Promotion Meeting (河南省第三屆校企合作就業創業項目推介會優秀組織獎)	Organizing Committee of School and Enterprise Cooperation for Innovation and Entrepreneurship Project Promotion Meeting (河南省校企合作就業創業項目推介會組委會)
"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 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)
"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)
The Museum of Anyang University was accredited as "Advanced Unit for Collection Filing of Non-state-owned Museums in Henan Province" (安陽學院博物館被評為「河南省非國有博物館藏品備案工作先進單位」)	Henan Provincial Administration of Cultural Heritage (河南省文物局)
Excellent Organization Prize of the 2019 "Vitality Cup" Henan School Communist Youth League Basic Work Competition (2019年度「活力杯」河南學校共青團基層基礎工作大賽優秀組織獎)	Henan Provincial Youth League Committee (共青團河南省委)
Excellent Organization Prize of 2019 Henan Province University and Vocational School Student Volunteer Summer Culture, Technology and Health "Sanxiang" Social Practice Activity Outstanding Project Review (2019年河南省大中專學生志願者暑期文化科技衛生「三下乡」社會實踐活動優秀項目展評優秀組織獎)	Henan Provincial Youth League Committee (共青團河南省委)
"Advanced Unit in Creating the Learning-type Organization of Anyang" (「安陽市創建學習型組織先進單位」)	Anyang Municipal Federation of Trade Unions (安陽市總工會)

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Shangqiu University Kaifeng Campus Awards and Recognitions

Hosting/Awarding Organisation

Research on the Teaching Reform of Aerobics in Private Colleges and Universities in Kaifeng (關於開封市民辦高校健美操教學改革的研究)	Henan Province Private Education Association (河南省民辦教育協會)
Excellent Organization Prize of the 2020 Henan Province College Reading Competition under the Theme of "Reading. New Knowledge. Salute" (2020年河南省高校「悅讀·新知·致敬」主題朗讀比賽優秀組織獎)	Library and Information Committee of Henan Universities and Colleges (河南省高等學校圖書情報工作委員會)
Research on the Paths of Serving the Construction of the Kaifeng Free Trade Zone by Accounting Professionals from Local Colleges and Universities under the Background of the "Belt and Road" – Third Prize (「一帶一路」背景下地方高校會計專業人才服務開封自貿區建設路徑研究 – 三等獎)	Kaifeng Municipal Philosophy and Social Science Planning Leading Group (開封市哲學社會科學規劃領導小組)
Research on Case Teaching Methods Based on Real Projects – Taking Private College Asset Appraisal Courses as an Example – First Prize (基於真實項目的案例教學方式研究 – 以民辦高校資產評估課程為例 – 一等獎)	Henan Province Private Education Association (河南省民辦教育協會)
Research on the Implementation of the Flipped Classroom Teaching Model under the Guidance of "Golden Class" – Taking Accounting Practice Courses as an Example – Third Prize (「金課」導向下翻轉課堂教學模式的實施探究 – 以會計實訓課為例 – 三等獎)	Henan Province Private Education Association (河南省民辦教育協會)
2019 Outstanding Institute in Municipal Social Science Work (2019年度全市社會科學工作先進單位)	Kaifeng Municipal Federation of Social Sciences (開封市社會科學屆聯合會)
The 6th "Luban Cup" National College BIM Graduation Design Work Competition – Third Prize (第六屆「魯班盃」全國高校BIM畢業設計作品大賽 – 三等獎)	China Association of Construction Education (中國建設教育協會)
The first "Pinming Cup" National College BIM Application Graduation Design Competition – Prize for Excellence (首屆「品茗盃」全國高校BIM應用畢業設計大賽 – 優勝獎)	China Association of Construction Education (中國建設教育協會)
Soft Soil Foundation Treatment Technology Innovation and Engineering Application Prize (軟土地基處理技術創新與工程應用獎)	Education Department of Henan Province (河南省教育廳)
The 6th National College BIM Graduation Design Innovation Competition (第六屆全國高校BIM畢業設計創新大賽)	China Software Industry Association (中國軟件行業協會)
Project Award Certificate of Henan Province Private Education Association (河南省民辦教育協會課題獎勵證書)	Henan Province Private Education Association (河南省民辦教育協會)



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3. SUSTAINABLE DEVELOPMENT MANAGEMENT

3.1 Sustainable Development Strategy

Chunlai Education adheres to the concept of “contributing to society and making it a better place”. While expanding its education undertaking, it regards sustainable development management as an important task of the Group. To effectively implement sustainable development management, we have established an environmental, social and governance working group coordinated by the chief executive officer, with members including representatives from various departments, to identify and manage environmental, social and governance-related risks and formulate sustainable development strategies and promote the implementation of various environmental, social and governance policies by various departments. The environmental, social and governance working group regularly reports to the Board of Directors on the environmental, social and governance work and makes relevant recommendations to assist the Board of Directors in effectively supervising environmental, social and governance matters and improve the sustainable development strategies and related policies.

3.2 Participation by Stakeholders

The sustainable development of the Group is inseparable from stakeholders. We have established a mechanism for communication with stakeholders to fully understand the concerns and demands of stakeholders such as investors/shareholders, teachers/employees, students/parents, government and regulatory agencies, suppliers, business partners, communities/non-governmental organisations and the general public through multiple channels, which is used as a basis for improving the Group’s sustainable development strategy, and work with stakeholders to create a sustainable future.

Key Stakeholders and Communication and Response Channels

Stakeholders	Main concerns	Major communication and response channels
Investors/shareholders	<ul style="list-style-type: none"> Information transparency Corporate governance Compliant and sound operation 	<ul style="list-style-type: none"> Annual general meeting and other general meetings Interim report and annual report Corporate communications, such as letters/circulars to shareholders and meeting notices Result announcements Environmental, social and governance meetings Meetings of investors Senior management meetings Shareholder visits

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Stakeholders	Main concerns	Major communication and response channels
Teachers/employees	<ul style="list-style-type: none"> • Sense of belonging of employees • Employee salary and benefits • Health and safety of employees • Career development • Channels for employees to express their opinions • Education service quality 	<ul style="list-style-type: none"> • Employee opinion surveys • Work performance assessments and interviews • Meetings and interviews • Publications (such as employee communications) • Employee communication meetings • Employee intranet • Training courses • Discussions/workshops/seminars
Students/parents	<ul style="list-style-type: none"> • Education service quality • Education resources • Qualification of teachers • Healthy and safe learning environment 	<ul style="list-style-type: none"> • Satisfaction survey • Regular visits • Feedback in the class • Phone, e-mail, QQ group, WeChat group
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliant and sound operation • Education service quality 	<ul style="list-style-type: none"> • Symposiums • Rating of the schools • Visiting the schools • Seminars
Suppliers	<ul style="list-style-type: none"> • Fair and unbiased procurement • Sustainable supply chain 	<ul style="list-style-type: none"> • Supplier management procedures • Supplier/contractor evaluation system • On-site visits
Business partners	<ul style="list-style-type: none"> • Corporate governance • Investment return 	<ul style="list-style-type: none"> • Strategic partnership projects • Cooperation meetings
Community/Non-governmental organisations	<ul style="list-style-type: none"> • Promotion of community development • Participation in social charity 	<ul style="list-style-type: none"> • Volunteer activities • Donations • Cooperation meetings
Public	<ul style="list-style-type: none"> • Information transparency • Education service quality • Sound operation 	<ul style="list-style-type: none"> • Media information • School website • Activities organised by the school



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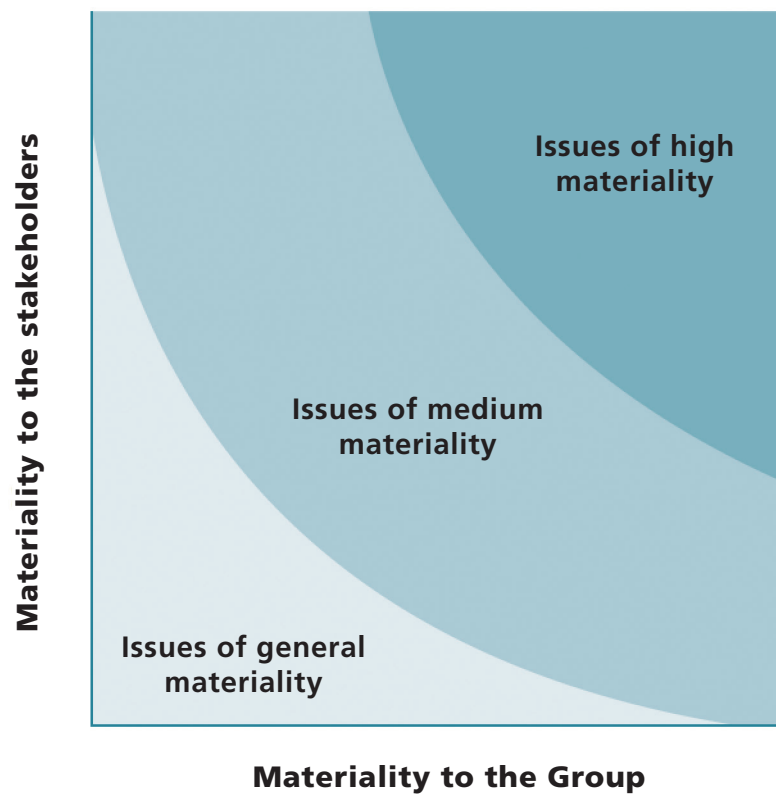
3.3 Materiality Assessment

During the Reporting Period, we maintained close communication with various stakeholders and learned about their expectations of the Group through different daily communication channels. We sorted out and analysed the opinions and suggestions of different stakeholders. Based on the results of the materiality analysis in the previous fiscal year, we conducted an overall review on the importance of ESG issues from the following aspects:

- Whether there are major changes in the expectations and demands of stakeholders on ESG issues;
- Whether there are major changes in the influence of ESG issues on stakeholders; and
- Whether there are major changes in the influence of ESG issues on the education management of Chunlai.

Meanwhile, we took into account the results of comparisons with peers, our own operating conditions and development goals, and management's review, and summarised the priorities of 24 important ESG issues, including 16 issues of high materiality, 7 issues of medium materiality and 1 issue of general materiality. Relevant issues are divided into 4 topics: Quality Educational Philosophy, Steady Governance for Compliance, Contribution to Social Welfare and Joint Construction of an Environmentally Friendly Campus.

Materiality matrix of ESG Issues



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Issues of high materiality	Corresponding chapter	Issues of medium materiality	Corresponding chapter	Issues of general materiality	Corresponding chapter
Health and safety of the students	Quality Educational Philosophy	Waste management	Joint Construction of an Environmentally Friendly Campus	Climate change	Joint Construction of an Environmentally Friendly Campus
Occupational health and safety	Quality Educational Philosophy	Pollution reduction and emissions reduction	Joint Construction of an Environmentally Friendly Campus		
Employment system with equal opportunities	Quality Educational Philosophy	Use of materials/resources	Joint Construction of an Environmentally Friendly Campus		
Qualifications and professional ethics of the teachers	Quality Educational Philosophy	Green building on the campus	Joint Construction of an Environmentally Friendly Campus		
Employment rights and interests	Quality Educational Philosophy	Water consumption and efficiency	Joint Construction of an Environmentally Friendly Campus		
Teaching quality control	Quality Educational Philosophy	Energy consumption and efficiency	Joint Construction of an Environmentally Friendly Campus		
Handling opinions on teaching	Quality Educational Philosophy	Greenhouse gas emissions	Joint Construction of an Environmentally Friendly Campus		
Market competitiveness	Quality Educational Philosophy				
Employees' training and development	Quality Educational Philosophy				
Information and privacy protection	Steady Governance for Compliance				
Anti-corruption and compliant operations	Steady Governance for Compliance				
Intellectual property protection	Steady Governance for Compliance				
Responsible procurement	Steady Governance for Compliance				
Promotion and product service labelling	Steady Governance for Compliance				
Community investment and participation	Contribution to Social Welfare				
Environmental education	Joint Construction of an Environmentally Friendly Campus				



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4. QUALITY EDUCATIONAL PHILOSOPHY

Chunlai Education embodies the 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”. Our curriculum focuses on 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 teaching quality management, nurturing excellent teaching staff and attracting high-level faculty are of paramount importance to the success of the Group. Therefore, we are committed to protecting the rights and interests of employees, caring about their needs and providing diversified talent trainings. Meanwhile, we care about the health and safety of employees and students and strive to build a healthy and safe campus.

4.1 Teaching Quality Management

High-quality teaching is essential to talent training, while good ethics and styles of teachers are the prerequisites for high-quality teaching. To maintain academic dignity, advocate a rigorous and practical style of study and maintain the good reputation of our schools, we have formulated the Implementation Rules for the Long-term Mechanism of Building the Ethics and Work Style of Teachers in Shangqiu University 《商丘學院師德師風建設長效機制實施細則》, the Academic Code of Ethics for Shangqiu University (Trial) 《商丘學院學術道德規範(試行)》, the Professional Code of Ethics for Teachers of Anyang University 《安陽學院教師職業道德規範》 and the Teaching Code for Teachers of Anyang University (Revised) 《安陽學院教師教學工作規範(修訂)》 in accordance with relevant requirements including the Teacher Law of the People’s Republic of China 《中華人民共和國教師法》 and the Higher Education Law of the People’s Republic of China 《中華人民共和國高等教育法》; the Several Advices on Improving Academic Morality Construction 《關於加強學術道德建設的若干意見》 and the Notice on Serious Handling of Academic Misconduct in Colleges and Universities 《關於嚴肅處理高等學校學術不端行為的通知》 by the Ministry of Education; the Measures for Handling Misconduct in Science Fund Funding (Trial) 《對科學基金資助工作中不端行為的處理辦法(試行)》 by the National Natural Science Foundation of China; and the “Several Advices on the Code of Conducts for Scientific and Technological Workers 《關於科技工作者行為準則的若干意見》 by the Ministry of Science and Technology together with other ministries and commissions. We have also required teachers to strictly comply with the relevant requirements.

Based on the spirit of the Key Points for Teaching Management in Higher Education Institutions 《高等學院教學管理要點》 by the Department of Higher Education under the Ministry of Education, we have formulated the Compilation of Teaching Management System of Shangqiu University 《商丘學院教學管理制度匯編》 and the Regulations for Teaching Management of Anyang University 《安陽學院教學管理規程》. We will also conduct a summary assessment of our work each year so that our work in the coming year can be further improved on this basis.

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We treasure opinions and suggestions from students, parents or various stakeholders, thereby promoting continuous improvement of the teaching quality and management level of the Group. We understand the expectations of our teachers, students and parents on the Group through satisfaction surveys and regular visits to teachers and student as well as parents' meetings. The Group will also make relevant response and improvement based on the survey results accordingly. Besides, we will also follow up on and investigate the employment status of students, and improve and upgrade our teaching plans based on the survey results so as to better meet the needs of the labour market. We also use open and transparent Internet technology to share real time school news and information so that teachers, students and parents can learn about the planning and management of our schools in a timely manner. Meanwhile, we guarantee the authenticity and accuracy of the information published, and never use any exaggerated, false or misleading information.

In addition, we have established a complaint system. Once we receive a complaint, we will take it seriously, including investigating the root of the problem, holding meetings to discuss resolutions and improvement plans, and then make timely corresponding feedback and actions. During the Reporting Period, our average annual teaching praise rating was 94.30% (Shangqiu University 91.35%, Anyang University 95.84% and Shangqiu University Kaifeng Campus 95.72%), reflecting students' high satisfaction with the teaching quality of our teachers.

4.2 Healthy and Safe Campus

Chunlai Education attaches great importance to and is committed to protecting the physical and mental health of its faculty by strictly abiding by laws and regulations on protecting the safety of schools, teachers and students, such as the Occupational Disease Prevention Law of the People's Republic of China 《中華人民共和國職業病防治法》, School Health Work Regulations 《學校衛生工作條例》, Fire Protection Law of the People's Republic of China 《中華人民共和國消防法》, Food Safety Law of the People's Republic of China 《中華人民共和國食品安全法》. We have formulated the School Safety Management System 《學校安全管理制度》 to regulate the safety for campus facilities, electricity, water, heating power and gas use. We are committed to building a healthy and safe campus and optimising systems for the health of employees and students, canteen food safety, teaching environment safety.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety-related laws. Neither were there any cases of death due to work.



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Prevention and Control of the COVID-19 Epidemic

To earnestly implement the spirit of the state's important instructions on the COVID-19 epidemic, the Group has attached great importance to and regarded the prevention and control of the COVID-19 epidemic as our top priority, putting the health and life safety of teachers and students first by implementing a series of epidemic prevention and control measures to fully guarantee the health and safety of teachers and students.

Implementation of Online Teaching

To protect the health and safety of teachers and students, the Group has formulated the Notice on Effective Implementation of Online Teaching during the Period of Epidemic Prevention and Control 《關於做好疫情防控期間網上教學工作的通知》, pursuant to which teachers were allowed to teach students flexibly by way of online teaching so that students could continue to learn online even when they could not return to school during the postponement period. To ensure the quality of online teaching, all colleges have formulated implementation plans for monitoring and guaranteeing the quality of online teaching, and arranged for centralised testing before online teaching, while all Academic Affairs Offices, Teaching Promotion Offices and colleges (departments) of all colleges have monitored and supervised online teaching activities and evaluated students in class to ensure the teaching quality during the epidemic.



Strengthening Publicity and Education on Epidemic Prevention and Control

Through our official website, official account, WeChat group, official Weibo and news media, we publicise epidemic prevention knowledge as well as prevention and control requirements to our students and faculty to enhance the protection awareness of teachers and students, let them timely keep pace of our school's measures for epidemic prevention and control and understand our relevant work arrangements and requirements.

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Emergency Plan and Emergency Drill

Pursuant to notices such as the Notice of the Ministry of Education on Effective Implementation of the Emergency Plan for the Prevention and Control of the COVID-19 Epidemic 《教育部關於切實做好新型冠狀病毒感染的肺炎疫情防控工作應急預案的通知》 and the Announcement of the Henan Provincial People's Government on Strengthening the Prevention and Control of the COVID-19 Epidemic 《河南省人民政府關於加強新型冠狀病毒感染的肺炎防控工作的通告》 as well as the requirements of state laws and documents such as the Law on Prevention and Control of Infectious Diseases of the People's Republic of China 《中華人民共和國傳染病防治法》, the Emergency Plan of the Ministry of Education for Public Emergencies in the Education System 《教育部教育系統突發公共事件應急預案》, we have formulated the Emergency Plan for the Prevention and Control of the COVID-19 Epidemic infected by the Novel Coronavirus 《新型冠狀病毒感染的肺炎疫情防控工作應急預案》, and all units have established leading groups for epidemic prevention and control to build the "school-college-class" three-level prevention and control system for good protection of student groups and various employees; for strengthening campus access management, safety management of school food and drinking water as well as environmental sanitation monitoring and supervision work, etc., while medical rooms have reserved sufficient personal protection and epidemic prevention supplies.

To protect the health and safety of teachers and students after they return to school, all members of our school's epidemic prevention and control leading group, heads of various functional departments, college leaders, counselors, etc. have participated in the emergency drills for students' starting school. Targeting various hidden risks that may realise when students return to school, we have specially set up multiple "real practical" scenarios such as body temperature detection and registration upon admission to school, apartment management, classroom teaching, dining in the cafeteria as well as isolation and handling for abnormal body temperature, with focus on comprehensive and detailed simulation drills for prevention and control segments such as epidemic discovery, epidemic reporting and emergency response. After the drills, various epidemic prevention plans and emergency plans have been improved to ensure the health and safety of teachers and students when they return to campus.



Psychological Support During the Epidemic

We are very concerned about the psychological and emotional health of teachers and students during the epidemic. To help teachers and students adjust their emotions during the period of epidemic prevention and control, all colleges have set up psychological assistance services in response to the epidemic to ease their psychological pressure caused by the epidemic through online chats or emails.

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We emphasise food safety in canteens of various colleges. To strengthen prevention and control of food hygiene and safety in schools, we have established a food safety management system, including implementation of the principal responsibility system for food safety, establishment of a Food Safety Management System (《食品安全管理制度》), a Food Safety Rapid Inspection Management System (《食品安全快速检测管理制度》) and a Food Safety Self-inspection and Reporting System (《食品安全自检自查与报告制度》), etc. We are also equipped with food safety testing equipment to inspect the food sold on a regular or irregular basis to ensure food safety.

During the Reporting Period, we continued to implement a series of measures and activities for protecting the health and safety of employees and students such as first aid trainings, fire drills, anti-terrorism and anti-riot drills, dormitory safety inspections, campus food safety knowledge lectures and other activities to comprehensively maintain campus safety as well as the health and safety of employees and students.

First Aid Knowledge Training Activities

Shangqiu University Kaifeng Campus held a first aid knowledge training activity for college counselors on 14 September 2019. It explained the importance of first aid knowledge in daily life by explaining basic theoretical knowledge of first aid and a large number of cases to help counselors master basic on-site first aid skills for further enhancing their emergency response capabilities.



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Publicity Activities on the Knowledge for Prevention and Treatment of AIDS, Tuberculosis, Common Diseases and Occupational Diseases

On 11 October 2019, the Catering Service Center of Shangqiu University Kaifeng Campus held a publicity activity on the knowledge for prevention and treatment of AIDS, tuberculosis, common diseases and occupational diseases, including on-site explanation on prevention and treatment of AIDS and tuberculosis, combining with on-site guidance to students in doubt about the knowledge for prevention and treatment of AIDS and tuberculosis. The event was successful with good response and remarkable results. More than 400 promotional materials and over 200 promotional pockets were distributed.



4.3 Protection of Employment Rights and Interests

The Group values employment rights and interests and strictly abides by laws and regulations such as the Labour Law of the People's Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, the Implementation Regulations of the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法實施條例》, the Law on the Protection of Minors 《未成年人保護法》, as well as the Regulations on Prohibition of Child Labour 《禁止使用童工規定》 and the Regulation on Sanitary Work of Schools 《學校衛生工作條例》. During the Reporting Period, the Group did not have any violation relating to employment, employment of child labour or forced labour.

The Group has formulated the Administrative Measures on Recruitment 《招聘管理辦法》 pursuant to which recruitment is considered by the principles of fairness and openness based on the candidates' professional knowledge, ability, work experience, academic qualifications and morals, etc., without considering gender, age, marital status, nationality, race and other factors that have nothing to do with job requirements to ensure that every applicant has an equal opportunity to be employed. When newly hired teachers and staff are recruited, the Personnel Department will verify the identity and qualification certificates of the newly hired staff to determine that they have relevant qualifications and avoid employing child labour. In case of fraud, we will terminate the labour contract pursuant to the Labour Contract Law. The Handbook for Teachers and Staff 《教職工手冊》 stipulates the working hours of staff. We also regularly check overtime and labour intensity of staff and forced labour is strictly prohibited.

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Information of the Group's staff during the Reporting Period is set out below:

Staff category	Number of staff
All staff	2,710
By gender	
Female staff	1,613
Male staff	1,097
By employment category	
Short-term contract/part-time staff	173
Junior staff	567
Middle management	282
Senior management	262
Other staff ¹	1,426
By age group	
Under the age of 30	1,198
Aged 30-50	1,025
Over the age of 50	487
By region²	
Staff from Central China region	2,710

Promotion System

In order to motivate employees to make progress and improve work efficiency, we have formulated a fair, just and open Staff Promotion Method 《職員晉升辦法》 to stipulate the promotion conditions. Employees with outstanding performance in talents, conducts, work performance, etc. can be recommended for promotion by the person in charge of the unit for review and approval by the management. We have also established the Implementation Method for the Construction of Middle-level Reserve Cadre Team 《中層後備幹部隊伍建設實施辦法》. Employees with outstanding work performance, ability and integrity as well as development potential can be promoted through recommendation or selection after passing the assessment.

Resignation Management

We take the stay and leave of every employee seriously. When an employee makes a resignation request, the person in charge of the unit will communicate with him/her to understand the reason for the resignation, seek improvement measures, and increase the sense of belonging of the current employees. The management also continuously monitors the turnover rate and establishes a good communication channel and employment relationship with employees.

¹ Mainly include staff in the logistics, catering, security, dormitory management and industrial categories

² Employees by region during the Reporting Period are classified by location of work

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4.4 Warm-hearted Care for Employees

Chunlai Education cares about the needs of every employee. We provide competitive salaries and considerate benefits to attract and retain outstanding talents.

The Group has formulated the Performance Assessment Measures 《績效考核辦法》 which correctly evaluates the virtues and actual work performance of teachers and staff by objective, fair and transparent criteria to issue performance bonuses, and encourages teachers and staff to work actively and perform their duties. Apart from basic salaries, we provide allowances for housing and overtime as well as welfare bonuses, etc. for various positions to reward past efforts of employees for the colleges. Talents with high professional titles from other places even enjoy transportation allowances for travel to and from their hometowns during national holidays as well as winter and summer vacations. We also regularly adjust the salaries of all staff by reference to economic environment, the Group's actual conditions and industry conditions to stimulate staff's enthusiasm for work and enhance their cohesion to the Group and the college.

Holidays and Benefits

Chunlai Education has formulated the Handbook for Teachers and Staff 《教職工手冊》 which stipulates the benefits that teachers and staff can enjoy. Apart from paid annual leave, statutory paid sick leave, personal leave, maternity leave, accompanying leave as well as wedding and funeral leave, our employees also enjoy Teacher's Day, Mid-Autumn Festival and Spring Festival benefits. To meet the needs of new mothers at work, female employees can apply for breastfeeding leave after maternity leave. To encourage on-the-job studies of full-time teachers and staff, we provide a week off every semester during the course of study. The Group has formulated the Interim Measures for the Administration of Social Insurance 《社會保險管理暫行辦法》 to provide insurance package that comprises "five insurances and the housing fund" for qualified teaching staff who have signed valid contracts.

Diversified Employee Activities

Each of our colleges organises different employee activities every year to promote communication between colleges and employees as well as between employees, and enhance the sense of belonging of employees.



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Shangqiu University Celebrating the 2019 Teacher's Day cum the Award Ceremony

In order to promote noble teacher ethics, Shangqiu University held the conference for celebrating the 2019 Teacher's Day and the award ceremony on 9 September 2019 to recognise teachers who have outstanding performance in teaching, scientific research, management, and service in the past year. College leaders, all middle-level cadres, teachers and staff representatives and student representatives attended the conference, and the school leaders issued honorary certificates to winners.



Faculty Congress for the First Semester of the 2019-2020 School Year of Anyang University

Anyang University held the Faculty Congress for the first semester of the 2019-2020 school year, with leaders and all teachers and staff of the college attending the meeting. While affirming the results of the previous school year, the meeting clarified the development direction of the college in the next school year, and encouraged all teachers and staff to work actively, striving to build a high-level applied private university with standardised management and distinctive characteristics.



2019 Table Tennis Competition for Teachers and Staff of Shangqiu University Kaifeng Campus

To enrich the spiritual and cultural life of teachers and staff of the university, promote their physical and mental health and enhance communication between employees as well as the cohesion of the faculty team, the faculty union of Shangqiu University Kaifeng Campus launched a faculty table tennis competition in November 2019. All participating teachers actively prepared for the competition and cultivated friendship in the competition.



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4.5 Diversified Talent Training

Chunlai Education firmly believes that the quality of teachers is an important element for the successful development of the Group. We actively invest resources to train the faculty and promote teachers' growth in areas of work ethics, professional knowledge, teaching ability, scientific research level and social service ability, so as to build a team of high-quality teachers with noble ethics and excellent teaching skills.

***"Thirteenth Five-Year Plan" for Construction of Teaching Staff* (《「十三五」師資隊伍建設規劃》)**

The Group implements the strategy of "Strengthening the School with Talents" and formulates the "Thirteenth Five-Year Plan" for Construction of Teaching Staff (《「十三五」師資隊伍建設規劃》) to strengthen construction of high-quality teaching staff. Based on the needs of discipline and professional construction with focus on the three stages of "Introducing talents, Cultivating talents, and Employing talents (引才、育才、用才)", we introduce high-level and high standard talents to enrich the teaching staff, improve the teaching and research level of on-the-job teachers and strengthen moral construction of teachers. We insist on the continuous education system for teachers with focus on improving the level of academic qualifications and professional abilities of teachers, and select outstanding teachers to study for degrees, go for study visits, and conduct academic exchanges and cooperative research at well-known universities and research institutes at home and abroad. We strengthen the nurturing and training of young teachers, and implement a tutor system for young teachers to promote their growth.

***2016-2020 Work Plan for Teacher Training* (《2016-2020年教師培訓工作規劃》)**

We have formulated the 2016-2020 Work Plan for Teacher Training (《2016-2020年教師培訓工作規劃》), with young teachers as the targets for training to strengthen teachers' professional ethics education, enhance their teaching level and scientific research capabilities as well as enhancing skills such as the skill for application of modern educational technologies. We have also launched the Training Program for Young Backbone Teacher (《青年骨幹教師培養計劃》), with focus on training young teachers who have outstanding performance in actual teaching and scientific research so that they can become key teachers and new professional leaders. According to the requirement for teachers' professional development, we provide teachers with different types of trainings and fully enhance teachers' abilities of teaching and education through school-based trainings, off-campus trainings, practical trainings, academic qualification improvement trainings and online trainings.

School-based Trainings

Training on teachers' ethics

Provide training on teachers' professional ethics and relevant requirements for teacher ethics construction

Pre-job training

Divided into new teacher job training and teacher qualification training

On-the-job tutor training

Adopt the tutor-assisted teaching system, and strengthen the training of new teachers through one-on-one transmission, assistance and guidance between old and new teachers

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School-based Trainings

Teaching training through observation

Organise young teachers to observe teaching of outstanding teachers to improve their teaching ability

Courses or professional trainings

Employ famous domestic and foreign experts, scholars or famous teachers above provincial level to visit schools for centralised courses or professional trainings

Team training

Carry out construction of school-level teaching team, scientific research and innovation team to train the team spirit of teachers

Training on modern education technologies

Provide trainings on including computer, multimedia and network technologies to enable teachers to master modern education technologies so as to improve education and teaching abilities as well as teaching effect

Off-campus Trainings

National training, provincial training

Organise new teachers to participate in national and provincial trainings to help them establish correct professional concepts, cultivate good teacher ethics, academic standards and psychological quality, and master basic education and teaching skills

Visiting scholars

Select young and middle-aged key teachers to be visiting scholars in universities, scientific research institutions and large enterprises at home and abroad to participate in major scientific research projects and conduct academic exchanges

Professional backbone training

Regularly select outstanding teachers to go to foreign universities and research institutions to conduct academic exchanges, visits, short-term trainings or study for degrees, so as to learn advanced experience and models and promote construction of disciplines and professional teams



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Shangqiu University Holding a Speech Contest on the Theme of Teacher Ethics Education

Shangqiu University held a speech contest on the theme of teacher ethics education on 6 September 2019. A total of 12 teachers entered the final. With the theme of "Learning from role models of the times to achieve a brilliant life (學習時代楷模·成就出彩人生)", the 12 participating teachers, incorporating their own work, feelings of studies as well as touching stories around them, deduced the teachers' ethics of loves and responsibilities throughout education, and fully demonstrated the good teacher ethics of our teachers. After careful evaluation by the judges, 2 first prizes, 4 second prizes and 6 third prizes were selected.



The opening ceremony of the pre-job training class for new faculty members of Anyang University for the 2019-2020 school year



Anyang University's seminar themed "Never Forget the Original Intention and Keep the Mission in Mind (不忘初心、牢记使命)" for leading cadres above division level cum the first concentrated learning



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5. STEADY GOVERNANCE FOR COMPLIANCE

We deeply understand the importance of compliance governance, so we have established a risk management system. We have formulated the Risk Management Measures for Henan Chunlai Education Group 《河南春來教育集團風險管理辦法》, the Constitutions of the Risk Assessment Committee 《風險評估委員會章程》 and the Constitutions of the Audit Committee 《審計委員會章程》, which require risk assessment, risk response, risk testing, risk monitoring and reconfirmation during the work process. Risk reporting should be no less than once every two years.

5.1 Adherence to Integrity

The Group is committed to conducting business with integrity, fairness and honesty, fully implementing the spirit of the 19th Communist Party of China National Congress, earnestly implementing the responsibility system for party conduct and clean government construction, and strictly implementing regulations of People's Republic of China on anti-corruption and promoting integrity, such as the Clean and Honest Governance and Self-discipline Standard of the 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 the Discipline Inspection Group of the Communist Party of China 《中國共產黨紀律檢查機關控告申訴工作條例》 as well as other relevant requirements. We have formulated the Implementation Measures on the Responsibility System for Construction of Party Conduct and Clean Government 《黨風廉政建設責任制實施辦法》 to strictly prohibit occurrence of any bribery, extortion, fraud, improper use of public funds and money laundering. In order to effectively implement the monitoring system, we have also formulated the Measures for Public Complaints and Whistle-Blowing 《信訪舉報工作辦法》. Whistleblowers can report through personal visits, phone calls, mailboxes or emails and other 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 as soon as possible. Through a variety of methods, we are committed to blocking corrupt behavior from the source.

The Group had no cases involving corruption litigation during the Reporting Period.

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5.2 Information Security Assurance

The Group attaches great importance to protecting the privacy of students and faculty members, and will only collect and keep business-related information in a proper way. We strictly abide by state laws and regulations including but not limited to the Regulations of the People's Republic of China on Protecting the Safety of Computer Information Systems (《中華人民共和國計算器信息系統安全保護條例》), the Provisional Regulations of the Administration of International Networking of Computer Information in the People's Republic of China (《中華人民共和國計算機信息網絡國際聯網管理暫行規定》) and the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), and have 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體系》) by reference to the National Standard GB/T18336 (Common Criteria for IT Security Evaluation) (國家標準GB/T18336《信息技術安全技術信息安全評估通用準則》), the National Confidentiality Standard BMB3-1999 (Technical Requirements and Test Methods for Electromagnetic Shielding Rooms for Handling Confidential Information) (國家保密標準BMB3-1999《處理涉密信息的電磁屏蔽室的技術要求和測試方法》) as well as the National Confidentiality Standard BMB2-1998 (Using Site Information Equipment Electromagnetic Leakage Emission Inspection Test Method and Safety Criterion) (國家保密標準BMB2-1998《使用現場的信息設備電磁洩漏發射檢查測試方法和安全判據》), etc., to continuously improve the information security system and enhance security of the system.

We strive to build an information security system with the approach of "comprehensive prevention that emphasises both management and technology based on safety-first and a precautionary mindset". We install permanent and reliable anti-virus software for all computer equipment, and at the same time set permissions for the replacement and incoming of hardware and software so as to protect assets from cyber fraud, detectives, viruses or hackers. We also protect important and sensitive data through system access control and industry-standard encryption technologies to prevent unauthorised access, copy and tampering. All key positions of our staff need to sign a confidentiality agreement, while transfer and resignation will be bound by the agreement. We have established a network security and informatisation leading group. Their responsibilities include:

- Review information security related strategies, specifications and management regulations of the Company, and supervise and inspect the implementation thereof;
- Perform regular health checks on the system, computer and real-time scanning/filtering;
- Regularly carry out information security education and publicity activities;
- Formulate information security incident handling methods and emergency management procedures, and regularly conduct trainings and drills for emergency plan;
- Regularly conduct security assessments and formulate information security strategies;
- Establish effective information feedback channels to ensure timely handling of and response to information security incidents.

During the Reporting Period, the Group did not have any complaints or lawsuits regarding data protection and privacy protection.

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5.3 Intellectual Property Protection

The Group complies with the Trademark Law of the People's Republic of China 《中華人民共和國商標法》, the Advertising Law of the People's Republic of China 《中華人民共和國廣告法》, the Copyright Law of the People's Republic of China 《中華人民共和國著作權法》, the Copyright Ordinance 《版權條例》 of Hong Kong, the Guidelines for Genuine Software Management 《正版軟件管理工作指南》 and other laws and regulations relating to intellectual property protection.

We use copyrighted products and require employees not to download or install any forged or copied programs, software or materials (including non-copyrighted materials, such as computer software, books, audio and video tapes, periodicals and magazines). We strictly protect the intellectual assets of the Group, including but not limited to trade names, trademarks (logos), patents, copyrights and confidential data. In order to protect the rights and interests of our school, prevent the loss of school assets, and at the same time improve the efficiency of use of intangible assets, we have formulated the Administrative Measures for Intangible Assets 《無形資產管理辦法》 according to relevant laws and regulations such as the Financial System of Colleges and Universities (Caijiaozi [2012] No. 488) 《高等學校財務制度》 (財教字[2012]488號), the Administrative Regulations on the Protection of Intellectual Property Rights in Colleges and Universities (Ministry of Education [1999] Order No. 3) 《高等學校知識產權保護管理規定》 (教育部[1999]3號令).

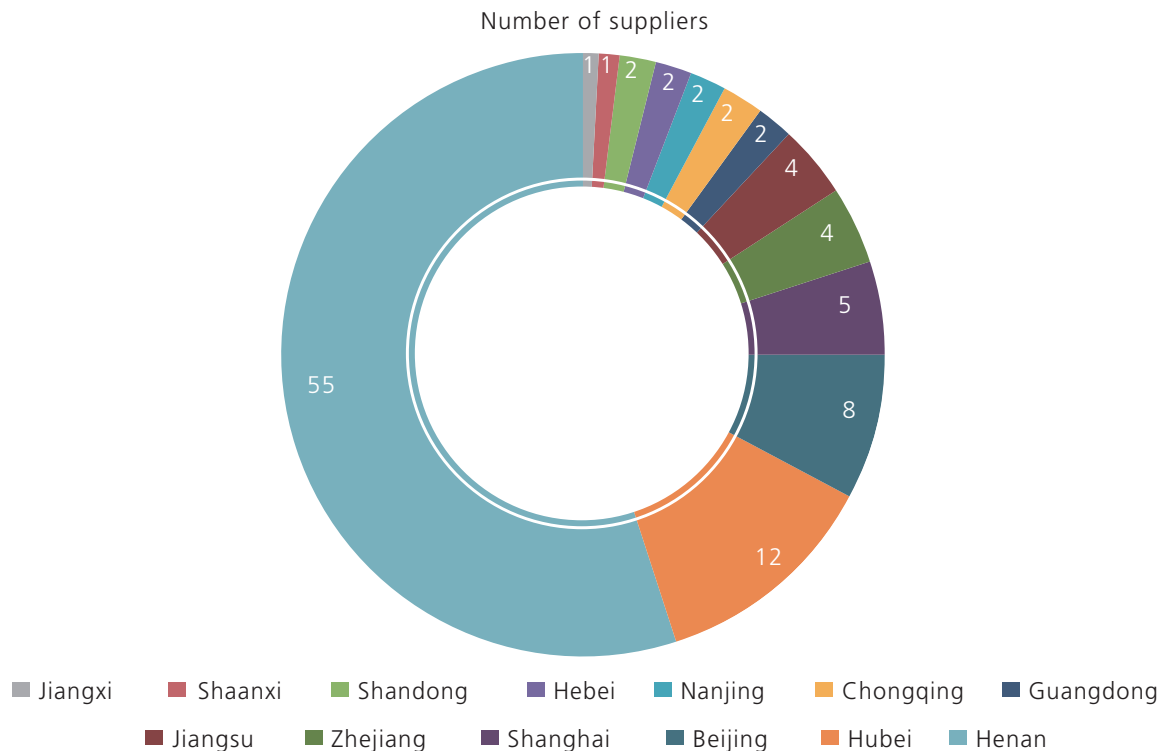
We also pursue high-quality scientific research. In order to fully mobilise the enthusiasm of teachers and students for scientific research and technological innovation, and to continuously enhance the teaching and research level of the schools, we have formulated the Chunlai Education Group's Implementation Measures for the Award of Scientific Research Achievements of Subordinate Schools 《春來教育集團關於下屬各學校科研成果獎勵的實施辦法》. During the Reporting Period, with the concerted efforts of teachers and students, the Group maintained 67 registered patents and 18 new patents.

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5.4 Responsible Supply Chain

The Group is committed to establishing long-term business relationships with suppliers. We have formulated the Procurement Management System 《採購管理制度》, the Tendering Process Management 《招標流程管理》, the Supplier Management System 《供應商管理制度》 and the Rating Standards for Suppliers 《供應商評級標準》 to standardise the selection, evaluation and monitoring procedures of suppliers, ensure fairness and justice throughout the process and prevent any commercial bribery. The procurement department determines whether procurement tendering is required according to the plan of the demand department and the Tendering Process Management 《招標流程管理》. Where it is within the scope of procurement by tendering, an application for procurement by tendering shall be submitted to the Group's procurement office, and procurement will be carried out in the form of public tender and invitation of tender. The Group understands the importance of sustainable supply chain management, so our selection criteria for suppliers include legality, supply level, product quality status, price level, production technology level, financial status, credit status, service quality, management level and compliance with national environmental protection standards and energy conservation standards, etc. To maintain the quality of the supply chain and reduce operational risks, we conduct monthly assessments and reviews of the selected suppliers, and import the scores of each supplier into the Supplier Comprehensive Evaluation Form 《供應商綜合評價表》. Suppliers whose half-year average score are unqualified will be eliminated.

During the Reporting Period, the Group's procurement categories were mainly teaching supplies, office stationery, books, audio and video, electrical equipment, computers, software services, electronic equipment, network equipment, mechanical equipment, etc., and the suppliers were mainly from Henan and Hubei. During the Reporting Period, the Group had a total of 100 suppliers, whose distributions are as follows:

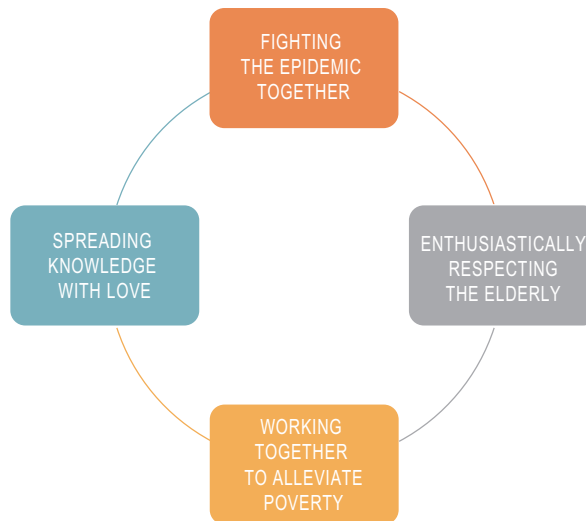


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6. CONTRIBUTION TO SOCIAL WELFARE

Adhering to the social responsibility of “contributing to society and making it a better place”, we have always regarded giving back to society as our duty and obligation. We have been proactively devoted to social welfare undertakings hand in hand with our commitment to education; we also cultivated students’ practical skills while striving to bring love and warmth to those in need.

During the Reporting Period, our community investment centred on the following four key focus areas: “Fighting the Epidemic Together”, “Enthusiastically Respecting the Elderly”, “Working Together to Alleviate Poverty”, and “Spreading Knowledge with Love”.



During the Reporting Period, the Group has donated more than RMB140,000, and the team of student volunteers has served more than 25,000 hours.

6.1 Fighting the Epidemic Together

At the beginning of 2020, under the highly severe situation of COVID-19, a series of measures were provided to undertake epidemic prevention and control. The central department and provincial youth league committee of the Group have made a series of important deployments and raised explicit requirements for the organisations at all levels engaging in epidemic prevention and control. The organisations at all levels actively responded to our Group and rapidly carried out a series of tasks.

We encouraged everyone to support frontline anti-pandemic work by actively donating money. Relevant personnel of the organisations distributed disposable masks to urban sanitation workers and residents nearby at the school gate for the purpose of properly implementing epidemic prevention around the school. The school principal also came on-site to take in the situation of epidemic prevention. We also encouraged students to join the anti-pandemic work, such as spreading the scientific knowledge of home observation as well as hygiene and epidemic prevention to communities, and assisting in the registration and purchase of epidemic prevention supplies and living necessities to the elderly living alone and the youth in difficulties in an orderly manner.

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The school principal was inspecting the situation of epidemic prevention

6.2 Enthusiastically Respecting the Elderly

To promote the traditional virtue of “Respecting the elderly” in Chinese culture and enhance the sense of social responsibility of college students, we have arranged several elderly visits. Student volunteers visited the elderly with gifts, relieved their sorrow and loneliness, talked with them in a cordial manner, gave them a massage, and showed them performances. Student volunteers also took other actions within their ability to help the elderly. The interesting interaction between student volunteers and the elderly has brought material support and spiritual care to the elderly, so that the elderly would feel the heart-warming care from the society.



Members of the Youth Volunteer Association of Shangqiu University performed for the elderly

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6.3 Working Together to Alleviate Poverty

We respond to the call of the Party Central Committee and attach great importance to poverty alleviation by proactively participating in the activity of "Aids from Hundred Enterprises to Hundred Villages" (百企助百村), and continuously carrying out a series of activities such as caring for staff in difficulties on Teacher's Day and Spring Festival and donation to seriously ill teaching staff and students, so as to add luster to winning the battle of poverty alleviation.

When "The Sixth Day of Poverty Alleviation in Chinese Society" (第6個中國社會脫貧日) was drawing near, we also actively carried out a poverty alleviation and donation programme in Minquan County. All teachers and students made donation cordially and all the donated funds for poverty alleviation would be used for Minquan County's poverty alleviation work, which would be mainly used for registered special poverty-stricken households in "No Worry about Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed" (兩不愁三保障) program as well as for poverty alleviation, charitable and social welfare undertakings.

At the same time, we also organised teachers and students to actively donate all kinds of clothes. The donated clothes were delivered to the warehouse through Clothing and Quilts to Help Others, a voluntary organisation, and subsequently transported to the base of the organisation in Zhengzhou. After being sorted, washed, ironed, disinfected and organised strictly, the clothes were re-packaged and shipped to poverty-stricken mountainous areas and families around the country, and finally sent as care and warmth to people in need of clothes, so that those people could warmly get through the winter.



"Donate Your Clothes and Warm the World" (愛心捐衣暖人間) activity was carried out in Shangqiu University

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6.4 Spreading Knowledge with Love

Our teaching assistance activities are based on the promotion and inheritance of Chinese traditional culture and themed on patriotism, gratitude, etiquette, behavioral conduct and personal relationship. With rural primary schools as a platform, the activities integrated book reading and traditional culture promotion in a hope to help rural children broaden their horizons and develop their knowledge while enhancing their reading and writing skill level, improving their learning attitude and helping them foster positive values.

Throughout the teaching process, our volunteers conscientiously made lesson preparation on teaching content, interacted with the pupils in the classroom, and improved the pupils' memory for knowledge with various interesting stories as assistance. The pupils also responded actively and put forward their own opinions. In their spare time, our volunteers played with pupils to improve mutual understanding.

Our teaching assistance activities went very well. While enriching the daily life of the pupils, the activities also strengthen our volunteers' social and practical skills, demonstrating the volunteer spirit of "dedication, friendship, mutual aid and progress".



The student from Shangqiu University Kaifeng Campus was in her teaching assistance activity



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7. JOINT CONSTRUCTION OF AN ENVIRONMENTALLY FRIENDLY CAMPUS

The Group has always attached importance to protecting the environment, actively integrating environmentally-sustainable practices across business operations, and promoting all employees and students to save energy, cherish natural resources, reduce pollution, and jointly establish an environmentally friendly campus. The Group has been strictly complying with the Environmental Protection Law of the People's Republic of China 《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》.

As a higher education industry, our major impact on the environment comes from energy consumption, water consumption, the use of school and office materials, and the generation of waste from school and canteens. We have formulated relevant environmental protection systems and adopted effective measures in terms of energy saving, water conservation, waste management and emission reduction, to minimise the potential impact on the environment and natural resources.

During the Reporting Period, there was no violation of any laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, and no material environmental violation was found.

7.1 Implementation of Green Operations

We are committed to constructing an environmentally friendly campus and implementing green operations in energy saving, green building, water management, paperless office and waste management. Meanwhile, we hold a number of environmental protection education activities, such as online Tree-Planting Day, "Earth Hour" online activity, green plants adoption, Zero Food Waste campaign, campus trash clean-up activities to actively promote green life to teachers and students.



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Energy Saving

The Group attaches importance to energy management and actively promotes the culture of energy saving and emissions reduction on campus. Our main energy consumption comes from power consumption in daily business operations, burning of natural gas in the cafeteria and the gasoline and diesel consumed during transportation.

Air-conditioner energy-saving management

- In summer, setting the temperature of air-conditioners not lower than 26°C, and in winter, not higher than 20°C within campus;
- Turning off air-conditioners when no one is indoor;
- Adopting variable speed drives and adjusting the water pump and fan system according to the actual needs of the air-conditioners;
- Cleaning and maintaining fan coil filters regularly.

Lighting energy-saving management

- Maximising the use of natural lighting in offices during sunny days;
- Turning off lights when no one is indoor;
- Using lightings with high energy efficiency;
- Installing motion sensors in areas not frequently in use;
- Dividing the offices into several different lighting areas, which are equipped with individually controlled light switches;
- Appropriately reducing the number of lightings turned on, on the basis of appropriate illuminance, in public places such as stairs and corridors.



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Energy-saving management of electronic office equipment

- Using electronic office equipment including computers, printers, copiers and scanners reasonably;
- Turning off electronic office equipment when leaving work to prevent standby.

Energy-saving management of on-campus restaurants

- Using environment-friendly refrigeration equipment and green and energy-saving cooking equipment, such as energy-saving gas stoves and energy-saving low-power soup and congee stoves.

During the Reporting Period, the three colleges under the Group consumed 15,731.56 MWh of energy in total during their operation, representing a decrease of 42.3% when compared with last year³. The total energy consumption intensity was 0.007 MWh/m² and 0.25 MWh/person⁴.

Green Building

The Group adopts the concept of green building in the design of new buildings and strives to build an environmentally friendly and highly efficient campus.

Our main energy saving strategies in green architecture:

- Installing an insulation layer on external walls to reduce the temperature difference between indoors and outdoors, reduce the use of air-conditioners and reduce the consumption of energy;
- Adopting plastic steel doors and windows with good heat insulation to reduce the use of air-conditioners and reduce the consumption of energy;
- Installing smart electricity control cabinets in the transformer rooms of each teaching building, and smartly controlling electricity in public areas;
- Installing solar devices in both teaching buildings and dormitory buildings, so as to convert solar energy into heat to supply domestic hot water system;
- Equipping all buildings with energy efficient lightings, and successively installing energy-saving LED lights in each teaching building.

The new apartment buildings of Anyang University were awarded the Recording of Design Standard for Energy Efficiency of Residential Buildings in Cold Zones of Henan Province, reflecting our efforts and achievements in green building.

³ Mainly due to implementation of online teaching in 3 colleges during the COVID-19 epidemic

⁴ Calculated based on the number of staff and students on 31 August 2020

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Water Management

We understand that water is the source of life, the foundation of ecology, and the essential for production. Therefore, we highly cherish water resources. In order to enhance water management and realise the rational and efficient utility of water resources, we have formulated regulations such as the Water Management System (《用水管理制度》), the Water Conservation System (《節約用水制度》), and the Water Conservation Assessment System (《節約用水考核制度》). We have established the Accountability System for Water-saving Targets (《節水目標責任制》). In order to effectively achieve the water-saving targets, we have established a water-saving leading group to decompose the water-saving targets at different levels and implement them to various departments and individuals, assess them level by level, and strengthen the management of water conservation on campus. We have also established the Water Saving Accountability System for Cafeteria Staff (《食堂節水崗位責任制》), which clearly lists the water saving requirements for cafeteria staff members when working in the canteen. We ensure the effective implementation of water-saving measures in management systems, water-saving facilities and water-saving education. The followings are the main water management and water conservation measures:

- To install water meters for departments that consume a lot of water, use with fixed amounts, and charge water fees based on tons;
- Faucets in public places are managed by the user department to prevent the phenomenon of long water flow. Any waste of water will be punished;
- In order to save water, a designated person from the business support services department is responsible for using pool water and wastewater to irrigate green spaces and sports fields;
- Students in the dormitory building must use water in accordance with the dormitory regulations, and they will be charged for the excess water consumption;
- To strengthen rainwater collection system for green irrigation and reduce tap water consumption;
- To strengthen the daily inspection and maintenance of water-saving equipment installed in toilets to ensure that they are in good working condition;
- To strengthen education, carry out various activities, and strive to cultivate the awareness of water conservation among staff and students.

During the Reporting Period, the three colleges under the Group consumed 161,873.00 tonnes of water in total during their operation, representing a decrease of 57.8% when compared with last year³. The total water consumption intensity was 0.07 tonne/m² and 2.53 tonnes/person⁴. We have 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.



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Paperless Office

The major information technology platform of the Group, including the Group's financial management system, supply chain system, human resource management system, asset management system and administrative office management system, etc., can improve work efficiency and carry out visible and controllable information management, and also fully realise paperless office. We implement online office and approval procedures through office automation system to replace paper transfer and approval in each work stream, effectively saving time and cost as well as office paper.

We encourage employees to transfer information via electronic communication technology in order to reduce paper use. As for the unavoidable paper usage, we will use paper with recycled materials and set the computers and printers to double-sided printing mode, and arrange recycling stations next to printers for employees to recycle paper.

During the Reporting Period, the three colleges under the Group consumed 9,045.31kg of paper, representing a decrease of 26.8% when compared with last year³. Paper consumption per capita was 3.37kg per employee.

Waste Management

The Group implements waste management and 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 the Administrative Measures for Urban Domestic Waste 《城市生活垃圾管理辦法》. 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. Hazardous waste, such as toner cartridges, are all scheduled for regular care and maintenance by contractors and are all recycled for repeated use.

We formulated the Leftovers Disposal Management System 《餐廚廢棄物處置管理制度》 and strictly implemented the management of restaurant and kitchen waste in canteens. Leftovers must be placed by different categories and stored in covered containers for detoxified treatment. It is prohibited to discharge leftovers directly into public waters or into public toilets and domestic waste collection facilities. The waste edible oils and fats should be stored in special closed containers marked with "For Waste Oils and Fats" and then sold to licensed units that specialize in the treatment of waste oils and fats.

During the Reporting Period, the three colleges under the Group generated 4,016.00 tonnes of non-hazardous waste in total during their operation, representing a decrease of 47.3% when compared with last year³. The non-hazardous waste generation intensity was 0.06 tonne/person⁴.

We actively reduce waste. If there are old computers and other electronic wastes, they will be sent to recyclers for recycling. We also promote a culture of saving resources to staff and students, encouraging food cherishment, reducing the use of disposable tableware and plastic bags, and minimising the generation of waste and the consumption of natural resources.



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Environmental Protection Activities

2020 Online Tree-Planting Day

The Youth Volunteer Association of Shangqiu University held the “2020 Online Tree-Planting Day” to raise students’ awareness of greening the environment. With low-carbon activities such as walking, subway travel, and online payment of utility bills, students planted virtual trees in Alipay through the co-planting project in Alipay Ant Forest during the activity. After these trees grow up, non-profit organizations and environmental enterprises can “buy” the virtual “trees” users planted in the Ant Forest, and plant a physical tree in a certain area of the real world to help mitigate climate change.



“Earth Hour” Online Activity

The committee of Shangqiu University Kaifeng Campus held the online activity “Earth Hour” with the theme of “Speak for the Earth, in the Name of Life” (以生命之名·為地球發聲) from 29 March 2020 to 4 April 2020. It raised teachers’ and students’ awareness of actively responding to global climate change through the active participation of all teachers and students.



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Energy Conservation and Emissions Reduction on Construction Sites

When expanding our campus, we have taken measures at the construction sites to save energy and reduce emissions, so that the impact on the environment and natural resources can be minimised, thus ensuring environmental protection. A series of measures we have adopted for energy conservation and emissions reduction 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 utilisation 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.



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7.2 Active Emissions Reduction

Greenhouse gas emissions management

We are committed to managing greenhouse gas emissions and implementing low-carbon operation in accordance with 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)》, National Strategies in Response to Climate Changes 《國家適應氣候變化戰略》 and the 2019 Annual Report on China's Policies and Actions to Address Climate Change 《中國應對氣候變化的政策與行動2019年度報告》. The Group launched investigation of greenhouse gas emissions for the three colleges 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. During the Reporting Period, the summary of greenhouse gas emissions is as follows:

Greenhouse gas emissions performance	Unit	2020
Amount of greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	499.81
Greenhouse gas removals from newly planted trees (Scope 1)	tCO ₂ e	605.31
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	9,597.83
Other indirect greenhouse gas emissions (Scope 3)	tCO ₂ e	5,074.11
Total amount of greenhouse gas emissions (Scope 1, 2 & 3) ⁵	tCO ₂ e	14,566.43
Intensity of greenhouse gas emissions		
Per square metre of floor area (Scope 1, 2 & 3)	tCO ₂ e/m ²	0.007

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 sources that are relevant to the Group's activities but are not owned or directly controlled by it.

⁵ There may be a slight discrepancy between the sum of individual items and the total as shown in the tables owing to rounding



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Our greenhouse gas emissions come from the fuel consumption of the Group's fixed equipment and vehicles, the use of refrigerants (Scope 1), the consumption of purchased electricity (Scope 2) and the water consumption in business operation, the generation of wastewater and the use of paper, and the waste landfill (Scope 3). During the Reporting Period, the total amount of greenhouse gas emissions (Scope 1, 2 & 3) was 14,566.43 tCO₂e⁵, representing a decrease of 32.7% when compared with last year³.

We have adopted low-carbon measures such as energy saving, water conservation, and waste reduction to reduce greenhouse gas emissions. We actively create a green campus and plant trees in all 3 colleges, which can polish the campus environment and reduce greenhouse gas emissions. We encourage employees to use video conferences and teleconferences to replace non-essential business trips. Looking ahead, we will continue to monitor greenhouse gas emissions and adopt effective low-carbon measures to mitigate climate change.

Air Emissions Management

We actively reduce air emissions and strictly comply 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》. In the course of our operation, the gasoline and diesel used in our vehicles and landscaping equipment will generate air emissions, including sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter (PM).

During the Reporting Period, the types and data of air emissions arising from our vehicles are as follows:

Type of emissions	Unit	2020
NO _x	kg	166.10
SO _x	kg	0.79
PM	kg	8.62

In order to reduce the air emissions caused by vehicles, we maintain the Company's fleet, regularly check and keep tyres inflated, and ensure that engines are stopped when vehicles are not in motion to reduce fuel consumption. We also encourage staff to take more public transportation and shared transportation to reduce the use of vehicles. In addition, cooking fume filtering devices have been installed in the restaurants of our universities to effectively reduce oil smoke emissions.

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APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

Environmental performance	Unit	2020
Amount of greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	499.81
Greenhouse gas removals from newly planted trees (Scope 1)	tCO ₂ e	605.31
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	9,597.83
Other indirect greenhouse gas emissions (Scope 3)	tCO ₂ e	5,074.11
Total amount of greenhouse gas emissions (Scope 1, 2 & 3) ⁵	tCO ₂ e	14,566.43
Intensity of greenhouse gas emissions		
Per square metre of floor area (Scope 1, 2 & 3)	tCO ₂ e/m ²	0.007
Electricity consumption		
Total electricity consumption	MWh	15,731.56
Total electricity consumption intensity	MWh/m ²	0.007
Total electricity consumption intensity ⁴	MWh/person	0.25
Fixed equipment fuel consumption		
Natural gas consumption	ten thousand m ³	15.52
Gasoline consumption	tonne	4.65
Diesel consumption	tonne	1.52
Motor vehicle fuel consumption		
Gasoline consumption	litre	40,754.49
Diesel consumption	litre	11,686.00
Water consumption		
Total water consumption	tonne	161,873.00
Total water consumption intensity	tonne/m ²	0.07
Total water consumption intensity ⁴	tonne/person	2.53
Total hazardous waste production		
Batteries	piece	167
Used ink cartridges and used toner cartridges	piece	300
Total hazardous waste recycled		
Used ink cartridges and used toner cartridges	piece	300
Non-hazardous waste		
Total non-hazardous waste production	tonne	4,016.00
Non-hazardous waste production intensity ⁴	tonne/person	0.06
Total non-hazardous waste recycled	tonne	793.00
Paper consumption		
Total paper consumption	kg	9,045.31
Paper consumption per capita	kg/staff	3.37

Environmental, Social and Governance Report 2020

Social performance	Unit	2020
Total number of staff	person	2,710
Total number of staff (by gender)		
Female staff	person	1,613
Male staff	person	1,097
Total number of staff (by employment category)		
Short-term contract/part-time staff	person	173
Junior staff	person	567
Middle management	person	282
Senior management	person	262
Other staff ¹	person	1,426
Total number of staff (by age group)		
Under the age of 30	person	1,198
Aged 30-50	person	1,025
Over the age of 50	person	487
Total number of staff (by geographical region)²		
Staff from Central China region	person	2,710
Staff turnover rate⁶		
All staff	%	24.32%
Staff turnover rate (by gender)⁶		
Female staff	%	23.56%
Male staff	%	25.43%
Staff turnover rate (by age group)⁶		
Under the age of 30	%	33.13%
Aged 30-50	%	14.15%
Over the age of 50	%	24.02%
Staff turnover rate (by region)⁶		
Staff from Central China region	%	24.32%

⁶ Calculation method: the number of staff lost ÷ the number of staff at the end of the year × 100%

Environmental, Social and Governance Report 2020

Social performance	Unit	2020
Training staff percentage (by gender)⁷		
Female staff	%	23.31%
Male staff	%	20.88%
Training staff percentage (by employment category)⁷		
Junior staff	%	40.39%
Middle management	%	28.72%
Senior management	%	25.95%
Other staff	%	15.92%
Average training hours (by gender)⁸		
Female staff	hour	12.53
Male staff	hour	6.75
Average training hours (by employment category)⁸		
Junior staff	hour	9.43
Middle management	hour	8.45
Senior management	hour	5.31
Other staff	hour	3.48
Occupational health and safety		
– Work-related casualties of staff directly recruited		
Work-related fatalities	person	0
Lost days due to work injury	day	11

⁷ Calculation method: the number of training staff of that category/the total number of staff of that category

⁸ Calculation method: the total training hours of training staff of that category/the total number of staff of that category



Environmental, Social and Governance Report 2020

APPENDIX II: INDEX TO THE ESG REPORTING GUIDE OF THE 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.	7. Joint Construction of an Environmentally Friendly Campus
	A1.1	The types of emissions and respective emissions data.	7.2 Active Emissions Reduction
	A1.2	Greenhouse gas emissions in total and intensity.	7.2 Active 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.	7.1 Implementation of Green Operations Appendix I: Summary of Sustainable Development Data
	A1.5	Description of measures to mitigate emissions and results achieved.	7. Joint Construction of an Environmentally Friendly Campus
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.1 Implementation of Green Operations



Environmental, Social and Governance Report 2020

Indicators			Related Sections
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7. Joint Construction of an Environmentally Friendly Campus
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix I: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity.	7.1 Implementation of Green Operations Appendix I: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency initiatives and results achieved.	7. Joint Construction of an Environmentally Friendly Campus
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.1 Implementation of Green Operations
	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.	7. Joint Construction of an Environmentally Friendly Campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Joint Construction of an Environmentally Friendly Campus



Environmental, Social and Governance Report 2020

Indicators			Related Sections
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.	4.3 Protection of Employment Rights and Interests 4.4 Warm-hearted Care for Employees
	B1.1	Total number of staff by gender, employment type, age group and geographical region.	4.3 Protection of Employment Rights and Interests Appendix I: Summary of Sustainable Development Data
	B1.2	Staff turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainable Development Data
B2: Health and Safety	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 the provision of a safe working environment and protecting staff 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.	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



Environmental, Social and Governance Report 2020

Indicators			Related Sections
B3: Development and Training	General Disclosure	Policies on improving knowledge and skills of staff for discharging duties at work. Description of training activities.	4.5 Diversified Talent Training
	B3.1	The percentage of staff trained by gender and staff category (e.g. senior management, middle management).	Appendix I: Summary of Sustainable Development Data
	B3.2	The average training hours completed per staff by gender and staff category.	Appendix I: Summary of Sustainable Development Data
B4: Labour Standards	B4	Information on: (a) the 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.	4.3 Protection of Employment Rights and Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.3 Protection of Employment Rights and Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.3 Protection of Employment Rights and Interests
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.4 Responsible Supply Chain
	B5.1	Number of suppliers by geographical region.	5.4 Responsible Supply Chain
	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 Responsible Supply Chain



Environmental, Social and Governance Report 2020

Indicators			Related Sections
B6: Product Responsibility	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 health and safety, advertising, labelling and privacy matters of products and services provided and methods of redress.	4.1 Teaching Quality Management 4.2 Healthy and Safe Campus 5.2 Information Security Assurance 5.3 Intellectual Property Protection
	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.	4.1 Teaching Quality Management
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.3 Intellectual Property Protection
	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 Security Assurance
B7: Anti-corruption	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 the prevention of bribery, extortion, fraud and money laundering.	5.1 Adherence to Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its staff during the reporting period and the outcomes of the case.	5.1 Adherence to Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.1 Adherence to Integrity
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.	6. Contribution to Social Welfare
	B8.1	Focusing on areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Contribution to Social Welfare
	B8.2	Resources contributed to the focus area.	6. Contribution to Social Welfare

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 114 to 170, which comprise the consolidated statement of financial position as at 31 August 2020, 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 2020, 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 2 to the consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB1,382,350,000 as at 31 August 2020. This condition indicates 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 8 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 and right-of-use assets

Refer to note 17 and 18 to the consolidated financial statements

The Group tested the amount of property, plant and equipment and right-of-use assets for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately RMB1,928,004,000 and right-of-use assets of approximately RMB440,482,000 as at 31 August 2020 are 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 and right-of-use assets are supported by the available evidence.



Independent Auditor's Report

Prepayment for cooperation agreements and investment fund and advance to colleges

Refer to notes 20, 21 and 22 to the consolidated financial statements

The Group tested the amounts of prepayment for cooperation agreements and investment fund and advance to colleges for impairment. These impairment tests are significant to our audit because the balances of prepayment for cooperation agreement and investment fund and advance to colleges of approximately RMB500,056,000, RMB80,000,000 and RMB106,400,000 respectively, as at 31 August 2020 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 and payees of the prepayment for cooperation agreements;
- Assessing the Group's relationship and transaction history with the debtors;
- Checking subsequent settlements from the debtors;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and
- Assessing the status of the acquisitions of the colleges.

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 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. The other information is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

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, 30 November 2020



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2020

	Notes	2020 RMB' 000	2019 RMB' 000
Revenue	8	702,493	559,380
Cost of revenue		(332,916)	(265,730)
Gross profit		369,577	293,650
Other income	9	39,345	47,778
Other gains and losses, net	10	(26,356)	22,832
Selling expenses		(2,594)	(3,642)
Administrative expenses		(139,439)	(130,748)
Profit from operations		240,533	229,870
Finance costs	11	(92,328)	(60,560)
Profit before tax		148,205	169,310
Income tax expense	12	(6,873)	(4,576)
Profit for the year	13	141,332	164,734
Other comprehensive income/(loss) after tax: <i>Items that may be reclassified to profit or loss:</i>			
Fair value loss on debt investment at fair value through other comprehensive income		491	(491)
Other comprehensive income/(loss) for the year, net of tax		491	(491)
Total comprehensive income for the year		141,823	164,243
Profit and total comprehensive income for the year attributable to owners of the Company		141,823	164,243
Earnings per share	15		
Basic (RMB cents per share)		12	14
Diluted (RMB cents per share)		12	14

Consolidated Statement of Financial Position

As at 31 August 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	1,928,004	1,390,998
Right-of-use assets	18	440,482	–
Prepaid lease payments	19	–	346,112
Prepayment for cooperation agreements	20	500,056	500,056
Other non-current assets	21	456,857	235,190
		3,325,399	2,472,356
Current assets			
Trade and other receivables	22	224,101	388,858
Prepaid lease payments	19	–	8,387
Debt investment at fair value through other comprehensive income	23	–	109,857
Amount due from a shareholder	24	7	7
Cash and cash equivalents	25	204,011	473,619
		428,119	980,728
Current liabilities			
Accruals and other payables	26	412,129	184,483
Deferred revenue		2,874	2,928
Contract liabilities	27	89,092	447,130
Lease liabilities	28	140	–
Borrowings	29	1,294,203	1,291,111
Current tax liabilities		12,031	5,402
		1,810,469	1,931,054
Net current liabilities		(1,382,350)	(950,326)
Total assets less current liabilities		1,943,049	1,522,030
Non-current liabilities			
Deferred revenue		2,792	5,667
Borrowings	29	498,808	229,000
		501,600	234,667
NET ASSETS		1,441,449	1,287,363

Consolidated Statement of Financial Position

As at 31 August 2020

	<i>Notes</i>	2020 <i>RMB' 000</i>	2019 <i>RMB' 000</i>
Capital and reserves			
Share capital	30	10	10
Reserves		1,441,439	1,287,353
TOTAL EQUITY		1,441,449	1,287,363

The consolidated financial statements on pages 114 to 170 were approved and authorised for issue by the Board of Directors on 30 November 2020 and are signed on its behalf by:

Mr. Hou Junyu
DIRECTOR

Ms. Jiang Shuqin
DIRECTOR



Consolidated Statement of Changes in Equity

For the Year Ended 31 August 2020

	Share capital RMB'000	Share premium account RMB'000	Statutory reserve RMB'000 (note i)	Capital reserve RMB'000	Share-based payment reserve RMB'000	Debt investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
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 (note 30)	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
At 1 September 2019	10	516,431	211,853	142,600	12,549	(491)	404,411	1,287,363
Total comprehensive income for the year	-	-	-	-	-	491	141,332	141,823
Recognition of equity-settled share-based payments	-	-	-	-	12,263	-	-	12,263
Transfer to statutory reserve	-	-	62,215	-	-	-	(62,215)	-
At 31 August 2020	10	516,431	274,068	142,600	24,812	-	483,528	1,441,449

Note:

- (i) 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 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before tax	148,205	169,310
Adjustments for:		
Amortisation of prepaid lease payments	–	8,387
Depreciation of property, plant and equipment	113,181	75,426
Depreciation of right-of-use assets	10,070	–
Equity-settled share-based payments	12,263	11,852
Finance costs	92,328	60,560
Interest income	(4,590)	(14,162)
Loss on disposals of property, plant and equipment	–	5
Loss on redemption of debt investment at fair value through other comprehensive income	783	–
Loss on initial recognition of refund of prepayment for land use rights	1,499	–
Net foreign exchange gain	10,136	(17,930)
Waiver of interest receivable from Hubei College	4,483	–
Operating profit before working capital changes	388,358	293,448
Change in trade and other receivables	(25,728)	(9,537)
Change in accruals and other payables	7,568	(8,326)
Change in deferred revenue	(2,929)	4,157
Change in contract liabilities	(358,038)	93,202
Cash generated from operations	9,231	372,944
Income tax paid	(244)	–
Net cash generated from operating activities	8,987	372,944
Cash flows from investing activities		
Purchase of property, plant and equipment	(470,048)	(520,030)
Prepayment for investment fund of Hubei College	(80,000)	–
Payment for land use rights/prepaid lease payments	(52,979)	(31,340)
Advance to Hubei College	(46,000)	(109,900)
Advance to a third party	(26,509)	(43,717)
Deposits paid for acquisition of property, plant and equipment	(5,544)	(11,669)
Advance to Tianping College	(500)	–
Proceeds from disposal of debt investment at fair value through other comprehensive income	110,935	–
Repayment from Hubei College	70,000	31,157
Repayment from a third party	45,620	–
Refund of prepayment for land use right	5,000	–
Interest income received	1,867	8,268
Prepayment for cooperation agreements	–	(400,056)
Purchase of debt investment at fair value through other comprehensive income	–	(102,943)
Pledged deposits	–	(274,140)
Net cash used in investing activities	(448,158)	(1,454,370)

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2020

	2020 RMB' 000	2019 RMB' 000
Cash flows from financing activities		
Proceeds from borrowings	1,273,140	849,940
Repayment of borrowings	(1,017,500)	(282,535)
Interest paid	(84,931)	(73,414)
Repayment of lease liabilities	(1,113)	–
Lease interests paid	(33)	–
Proceeds from issue of new shares	–	544,189
Issue costs paid	–	(27,755)
Net cash generated from financing activities	169,563	1,010,425
Net decrease in cash and cash equivalents	(269,608)	(71,001)
Cash and cash equivalents at beginning of year	473,619	544,620
Cash and cash equivalents at end of year	204,011	473,619
Analysis of cash and cash equivalents		
Bank and cash balances	204,011	473,619



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

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").

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 and its consolidated affiliated entities 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 Group.

2. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB1,382,350,000 as at 31 August 2020. This condition indicates 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 2020. 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 2020;
- (ii) the Group has entered into two loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB1,306,917,000 are available to the Group for not less than twelve months from 31 August 2020;
- (iii) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

3. 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 2019. IFRSs comprise International Financial Reporting Standards; International Accounting Standards (“IAS”) and Interpretations. 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 16 “Leases”

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under IAS 17 “Leases.”

IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised at the date of initial application of IFRS 16, being 1 September 2019. Prior periods have not been restated.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 September 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historical assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The operating lease commitments disclosed as at 31 August 2019 were RMB1,302,000 while the lease liabilities recognised as at 1 September 2019 were RMB1,269,000.

The differences between the operating lease commitments discounted using the lessee’s incremental borrowing rate of 5% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of IFRS 16 comprised the exclusion of short-term lease recognised on a straight-line basis as expenses.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 16 "Leases" (Continued)

The Group has adopted IFRS 16 retrospectively from 1 September 2019, but has not restated comparatives as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening consolidated statement of financial position on 1 September 2019 as follows:

	As originally stated 31 August 2019 RMB'000	IFRS 16 Adjustments RMB'000	As adjusted 1 September 2019 RMB'000
Non-current assets			
Right-of-use assets	–	355,768	355,768
Prepaid lease payments	346,112	(346,112)	–
Current assets			
Prepaid lease payments	8,387	(8,387)	–
Current liabilities			
Lease liabilities	–	1,269	1,269

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.

4. 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 5.

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.

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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.

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(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.

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%
Teaching and electronic equipment	9.5% – 19%



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land use rights	50 years
Buildings	over the lease term of 1 year to 2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000 (approximately equivalent to RMB35,000).



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(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.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and debt investments 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the Year Ended 31 August 2020

4. 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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

5. 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 consolidated 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 2 to consolidated financial statements.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Critical judgements in applying accounting policies (Continued)

(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.

(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 12. 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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Critical judgements in applying accounting policies (Continued)

(c) *Income taxes* (Continued)

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.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets 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.

(c) Impairment loss for prepayment for cooperation agreements and investment fund and advance to colleges

The Group makes impairment loss based on assessments of the recoverability of its prepayment for cooperation agreements and investment fund and advance to colleges, 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.

6. 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 Dollars 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

For the Year Ended 31 August 2020

6. 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.

	2020 RMB'000	2019 RMB'000
HK\$	5,189	6,701
USD	17,449	20,102

(b) Interest rate risk

The Group's certain 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 2020, 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 RMB2,941,000 (2019: RMB5,915,000) 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 RMB1,360,000 (2019: RMB5,915,000) lower, arising mainly as a result of higher interest expense on borrowings.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

6. 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

For the Year Ended 31 August 2020

6. 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	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2020					
Accruals and other payables	401,594	–	–	401,594	401,594
Borrowings	1,299,959	66,442	488,201	1,854,602	1,793,011
	1,701,553	66,442	488,201	2,256,196	2,194,605
	On demand or less than 1 year RMB'000	1 – 2 years RMB'000	2 – 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

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

6. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)**(e) Categories of financial instruments at 31 August**

	2020 RMB'000	2019 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)	768,108	976,941
	768,108	1,086,798
Financial liabilities		
Financial liabilities at amortised cost	2,194,605	1,695,615

(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

For the Year Ended 31 August 2020

7. 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 and 1 September 2019	109,857
Redemption	(110,935)
Total gains or losses recognised	
– in profit or loss	587
– in other comprehensive income	491
	–

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

7. FAIR VALUE MEASUREMENTS (Continued)

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

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.

(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

For the Year Ended 31 August 2020

8. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the operation of private higher education institutions in the People's Republic of China ("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 4.

	2020 RMB'000	2019 RMB'000
Tuition fees	668,082	501,960
Boarding fees	34,411	57,420
Total revenue	702,493	559,380

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 2020 (2019: 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

For the Year Ended 31 August 2020

9. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grants (<i>note i</i>)	2,964	3,146
Academic administrative income	–	2,149
Interest income	4,590	14,162
Service income	14,623	12,264
Consultancy income (<i>note ii</i>)	16,038	15,330
Others	1,130	727
	39,345	47,778

Notes:

- (i) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- (ii) 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").

10. OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
Net foreign exchange (loss)/gain	(19,591)	22,837
Loss on disposals of property, plant and equipment	–	(5)
Loss on initial recognition of refund of prepayment for land use rights	(1,499)	–
Waiver of interest receivable from Hubei College	(4,483)	–
Loss on redemption of debt investment at fair value through other comprehensive income	(783)	–
	(26,356)	22,832



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

11. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses in relation to:		
– Bank borrowings	55,101	38,517
– Borrowings from non-banking institutes	40,314	35,681
– Lease liabilities	33	–
	95,448	74,198
Less: capitalised in construction in progress	(3,120)	(13,638)
	92,328	60,560

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.2% per annum (2019: 7.8%).

12. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax – PRC Enterprise Income Tax	6,873	4,576

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

	2020 RMB'000	2019 RMB'000
Profit before tax	148,205	169,310
Tax calculated at applicable tax rate of 25% (2019: 25%)	37,051	42,328
Tax effect of expenses not deductible/income not taxable for tax purpose	28,321	11,515
Tax effect of profit from non-profit making organisation exempted for tax purpose	(58,499)	(49,267)
Income tax expense	6,873	4,576

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

12. INCOME TAX EXPENSE (Continued)**Reconciliation between income tax expense and accounting profit at applicable tax rate**
(Continued)

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 2020 (2019: 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 2020 (2019: 25%).

As mentioned in note 5, 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 2020, Anyang University and Shangqiu University (including Kaifeng Campus) enjoyed tax exemption for tuition related income.

13. PROFIT FOR THE YEAR

This is stated at after charging the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of prepaid lease payments	–	8,387
Auditor's remuneration	2,077	3,888
Depreciation of property, plant and equipment	113,181	75,426
Depreciation of right-of-use assets	10,070	–
Loss on disposals of property, plant and equipment	–	5
Operating lease charges on land and buildings	–	1,113
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	189,412	175,199
– Retirement benefit scheme contributions	15,642	20,867
– Equity-settled share-based payments	12,263	11,852
	217,317	207,918



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS

	2020 RMB'000	2019 RMB'000
Fee, salaries and allowances	3,678	3,463
Retirement benefit scheme contributions	19	15
Equity-settled share-based payments	7,566	7,312
	11,263	10,790

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:

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

	2020				
	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	-	2,751	3,711
Executive directors					
Mr. Hou	-	1,035	19	2,064	3,118
Ms. Jiang Shuqin	-	822	-	2,751	3,573
Independent non-executive directors					
Dr. Jin Xiaobin	277	-	-	-	277
Ms. Fok Pui Ming Joanna	277	-	-	-	277
Mr. Lau Tsz Man	307	-	-	-	307
Total	861	2,817	19	7,566	11,263

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

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

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

	2019				Total RMB'000
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	
Chairman and non-executive director					
Mr. Hou Chunlai	–	960	2	2,659	3,621
Executive directors					
Mr. Hou	–	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

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2019: three) directors whose emoluments are set out in note (a) above. The emoluments of the remaining one (2019: two) individuals are set out below:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	500	786
Retirement benefit scheme contributions	–	45
Equity-settled share-based payments	688	665
	1,188	1,496

The emoluments fell within the following bands:

	2020	2019
Nil – HK\$1,000,000	–	2
HK\$1,000,000–HK\$1,500,000	1	–
	1	2

During the year ended 31 August 2020, 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 (2019: nil). Neither the chief executive nor any of the directors of the Company waived any emoluments during the year ended 31 August 2020 (2019: nil).

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

15. EARNINGS PER SHARE

	2020	2019
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	141,332	164,734
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,200,000,000	1,190,136,986
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	9,470,031	2,076,133
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,209,470,031	1,192,213,119

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 31 as the potential ordinary shares are dilutive for the year ended 31 August 2020.

16. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 August 2020 and 2019.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Teaching and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
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 and 1 September 2019	996,589	114,790	15,718	203,463	501,219	1,831,779
Additions	109,495	39,147	2,731	157,187	341,627	650,187
Transfer from construction in progress	591,763	6,212	–	5,112	(603,087)	–
At 31 August 2020	1,697,847	160,149	18,449	365,762	239,759	2,481,966
Accumulated depreciation						
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 and 1 September 2019	260,423	61,972	8,746	109,640	–	440,781
Charge for the year	70,550	13,673	1,596	27,362	–	113,181
At 31 August 2020	330,973	75,645	10,342	137,002	–	553,962
Carrying amount						
At 31 August 2020	1,366,874	84,504	8,107	228,760	239,759	1,928,004
At 31 August 2019	736,166	52,818	6,972	93,823	501,219	1,390,998

As of 31 August 2020, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB1,300,120,000 (2019: RMB716,467,000) which are located in the PRC.

At 31 August 2020, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB43,653,000.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

18. LEASES AND RIGHT-OF-USE ASSETS

	2020 RMB'000
At 31 August:	
Right-of-use assets	
– Land use rights	440,345
– Buildings	137
	440,482
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	141
Depreciation charge of right-of-use assets	
– Land use rights	8,950
– Buildings	1,120
	10,070
Lease interests	33
Total cash outflow for leases	(1,146)
Additions to right-of-use assets	94,784

The Group leases various land use rights and buildings.

Lease agreements of the buildings are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The land use rights are depreciated on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

As of 31 August 2020, the Group was in the process of obtaining the land certificates for the land use rights with an aggregate carrying value of approximately RMB120,635,000 which are located in the PRC.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

19. PREPAID LEASE PAYMENTS

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

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. As disclosed in note 3, the balances as at 1 September 2019 are reclassified as right-of-use assets due to the adoption of IFRS 16.

20. PREPAYMENT FOR COOPERATION AGREEMENTS

	2020 RMB'000	2019 RMB'000
Prepayment for cooperation agreements		
– Hubei College (<i>note i</i>)	100,000	100,000
Prepayment for cooperation agreements		
– Tianping College (<i>note ii</i>)	400,056	400,056
	500,056	500,056

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 MOE 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 the 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 approximately RMB800 million, among which approximately 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.

Up to the approval date of the consolidated financial statements approximately RMB640,056,000 were paid to Suzhou University of Science and Technology for the cooperation agreements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

21. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for prepaid lease payments	–	90,448
Prepayments/deposits paid for acquisition of property, plant and equipment	35,738	30,194
Prepayment for investment fund of Hubei College	80,000	–
Refund of prepayment for land use rights	14,430	–
Advance to Hubei College	–	114,548
Pledged deposit (note i)	276,689	–
Deposit paid (note ii)	50,000	–
	456,857	235,190

Notes:

- (i) Offshore foreign deposit of USD40,000,000 is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year, the repayment date of the onshore loan was extended to July 2023. The offshore foreign deposit was reclassified as non-current asset accordingly as at 31 August 2020.
- (ii) Deposit paid of RMB50,000,000 represents the refundable security deposit paid to Suzhou University of Science and Technology.

To guarantee that the Group will safeguard the school facilities and reputation of Suzhou University of Science and Technology and that the Group will operate the Tianping College properly, the Group paid RMB50 million as security deposit and provided a guarantee of RMB150 million (the "Guarantee") to Suzhou University of Science and Technology. The Guarantee is provided by a financial institution and counter guaranteed by Mr. Hou.

22. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Tuition and boarding fee receivables (note i)	5,691	1,046
Third party payment platform receivables	–	12,213
Service income receivables	25,000	9,500
Consultancy income receivables from Hubei College	13,250	16,250
Advance to a third party (note ii)	26,509	45,620
Advance to Tianping College (note iii)	500	–
Advance to Hubei College (note iv)	105,900	–
Refund of prepayment for land use right	27,714	–
Other receivables	17,637	17,880
Interest receivables	770	567
Prepaid expenses	1,130	91
Pledged deposit	–	285,691
	224,101	388,858

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

22. TRADE AND OTHER RECEIVABLES (Continued)

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) As at 31 August 2020, the advance with principal amount of HK\$30,000,000 is unsecured, interest bearing at 4% per annum and repayable in December 2020.
- As at 31 August 2019, the advance with principal amount of HK\$50,000,000 was unsecured, interest bearing at 2.5% per annum and fully repaid in March 2020.
- (iii) The advance to Tianping College is unsecured, non-interest bearing and repayable on 31 August 2021.
- (iv) The advance to Hubei College is unsecured, non-interest bearing (2019: bearing interest at 4.75% per annum) and repayable on 30 August 2021.

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:

	2020 RMB'000	2019 RMB'000
181-365 days	5,691	1,040
More than 1 year	–	6
	5,691	1,046

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 2020	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	5,691
Loss allowance (RMB'000)	–
At 31 August 2019	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	1,046
Loss allowance (RMB'000)	–

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

23. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 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.

The Bond with principal and interests were fully redeemed in June 2020.

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 2020, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB58,460,000 (2019: RMB413,549,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

26. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Interest payables	2,151	8,927
Accrued staff benefits and payroll	29,990	19,026
Payables for purchase of property, plant and equipment and construction	274,618	97,599
Receipt on behalf of ancillary services providers	8,313	20,461
Advance from Tianping College (<i>note i</i>)	50,000	–
Other payables, accruals and deposits received	36,522	29,491
Other taxes payables	10,535	8,979
	412,129	184,483

Note:

- (i) The amount advanced from Tianping College is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

27. CONTRACT LIABILITIES

	As at 31 August 2020 RMB'000	As at 31 August 2019 RMB'000	As at 1 September 2018 RMB'000
Contract liabilities – tuition and boarding fees	89,092	447,130	353,928

	2020 RMB'000	2019 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	447,130	353,928

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

	2020 RMB'000	2019 RMB'000
2020	–	447,130
2021	89,092	–
	89,092	447,130

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

27. CONTRACT LIABILITIES (Continued)

Significant changes in contract liabilities during the year:

	2020 RMB'000	2019 RMB'000
Increase due to operations in the year	344,455	652,582
Transfer of contract liabilities to revenue	(702,493)	(559,380)

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.

28. LEASE LIABILITIES

	Lease payments 2020 RMB'000	Present value of lease payments 2020 RMB'000
Within one year	141	140
Less: Future finance charges	141 (1)	140
Present value of lease obligations	140	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(140)
Amount due for settlement after 12 months		-

At 31 August 2020, the average effective borrowing rate was 5%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

29. BORROWINGS

	2020 RMB'000	2019 RMB'000
Unsecured and unguaranteed	3,824	3,824
Secured and guaranteed (note i)	1,182,545	545,000
Secured and unguaranteed (note ii)	282,642	534,940
Unsecured and guaranteed (note iii)	324,000	436,347
	1,793,011	1,520,111
The borrowings are repayable as follows:		
On demand or within one year	1,294,203	1,291,111
In the second year	60,630	125,000
In the third to fifth years, inclusive	438,178	104,000
	1,793,011	1,520,111
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,294,203)	(1,291,111)
Amount due for settlement after 12 months	498,808	229,000
The exposure of borrowings		
– Fixed rate	1,453,011	928,611
– Variable rate	340,000	591,500
	1,793,011	1,520,111

Notes:

- (i) Certain bank borrowings of RMB930,000,000 (2019: RMB805,000,000) were secured and/or guaranteed by the followings:
- secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Kaifeng Campus (collectively the "Schools");
 - secured by equity share of Shangqiu University and Kaifeng Campus;
 - guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally; and
 - guaranteed by several subsidiaries of the Company.

As at 31 August 2020, the Schools has receivables of tuition fees of RMB5,691,000.

Certain borrowing with carrying amount of RMB252,545,000 (2019: nil) is secured by the Group's plant and equipment of RMB43,653,000 and guaranteed by Mr. Hou and Ms. Jiang Shuqin.

- (ii) A loan from a third party with carrying amount of RMB282,642,000 (2019: 274,940,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB276,689,000) (note 21).
- (iii) Certain bank borrowing 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

For the Year Ended 31 August 2020

29. 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:

	2020	2019
Effective interest rate:		
Fixed-rate	2.5% – 7.6%	2.5% – 8.0%
Variable-rate	4.4% – 6.5%	4.4% – 7.1%

30. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount RMB	Amount RMB'000
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2018, 31 August 2019, 1 September 2019 and 31 August 2020	50,000,000,000	500,000	424,570	425
Issued and fully paid:				
As at 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 September 2019 and 31 August 2020	1,200,000,000	12,000	9,867	10

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

For the Year Ended 31 August 2020

31. 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 Options 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 Option Scheme held by the directors of the Company and employees during the year:

	Balances as at 1 September 2018, 31 August 2019, 1 September 2019, and 31 August 2020
Directors	
Mr. Hou Chunlai	8,000,000
Mr. Hou	6,000,000
Ms. Jiang Shuqin	8,000,000
Directors in aggregate	22,000,000
Employees in aggregate	13,950,000
Total	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 18 years (2019: 19 years) and the exercise prices were HK\$0.00001 (2019: HK\$0.00001). The share options were granted on 9 August 2018. The estimated fair value of each option on that date is RMB1.66.

The Group recognised share-based compensation expense of approximately RMB12,263,000 for the year ended 31 August 2020 (2019: RMB11,852,000).

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

32. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 August 2020 and 2019.

33. COMMITMENTS

(a) Capital commitments

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	170,336	140,070
Capital expenditure in respect of land use right	11,460	11,460
Capital expenditure in respect of acquisition of Hubei College (<i>note 20</i>)	20,000	20,000
Capital expenditure in respect of capital contribution to Tianping College	30,000	30,000
Capital expenditure in respect of acquisition of Tianping College (<i>note 20</i>)	400,056	400,056
	631,852	601,586

(b) Lease commitments

As at 31 August 2019, the total future minimum lease payments of the Group under non-cancellable operating leases were payable as follows:

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

34. 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 13.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

35. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

	2020 RMB'000	2019 RMB'000
Acquisition of property, plant and equipment and land use rights from Hubei College (<i>note ii</i>)	150,000	–
Consultancy income from Hubei College (<i>note ii</i>)	16,038	15,330
Waiver of interest receivable of Hubei College (<i>note ii</i>)	4,483	–
The balances with related parties at the end of the reporting period are as follows:		
Advance to Hubei College (<i>note ii</i>)	105,900	114,548
Advance to Tianping College (<i>note iii</i>)	500	–
Advance from Tianping College (<i>note iii</i>)	50,000	–

Notes:

- (i) As at 31 August 2020, the Group has provided financial guarantees for banking facilities of RMB70,000,000 granted to Hubei College. The bank loan of Hubei College with carrying amount of RMB50,000,000 was guaranteed by the Group at the end of the report date.
- (ii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Hubei College.
- (iii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Tianping College.

(b) 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 14.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, Tianping College paid security deposit of RMB50 million to Suzhou University of Science and Technology on behalf of the Group (note 21).

(b) 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	Lease liabilities RMB'000	Accrued share issue costs RMB'000	Total liabilities from financing activities RMB'000
At 1 September 2018	8,743	952,106	–	2,965	963,814
Changes in cash flows	(73,414)	567,405	–	(27,755)	466,236
Non-cash changes					
– interest charged	73,598	600	–	–	74,198
– Issue costs accrued	–	–	–	24,790	24,790
At 31 August 2019	8,927	1,520,111	–	–	1,529,038
Changes in cash flows	(84,931)	255,640	(1,146)	–	169,563
Non-cash changes					
– IFRS 16 adjustments	–	–	1,269	–	1,269
– interest charged	78,155	17,260	33	–	95,448
– exchange differences	–	–	(16)	–	(16)
At 31 August 2020	2,151	1,793,011	140	–	1,795,302

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in a subsidiary (<i>note</i>)	–	–
Property, plant and equipment	763	–
Right-of-use assets	137	–
Other non-current assets	276,689	875
	277,589	875
Current assets		
Prepayments and other receivables	34,078	368,313
Debt investment at fair value through other comprehensive income	–	109,857
Amount due from a shareholder	7	7
Amount due from subsidiaries	27,660	92
Bank balances	139,086	53,462
	200,831	531,731
Current liabilities		
Amounts due to subsidiaries	12,655	29,696
Accrued expenses	3,202	2,043
Lease liabilities	140	–
	15,997	31,739
Net current assets	184,834	499,992
NET ASSETS	462,423	500,867
Capital and reserves		
Share capital	10	10
Reserves	462,413	500,857
TOTAL EQUITY	462,423	500,867

Note: The investment in a subsidiary is USD1.



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Reserves of the Company

	Share premium <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Debt investment revaluation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
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
At 1 September 2019	516,431	12,549	(491)	(27,632)	500,857
Loss and total comprehensive loss for the year	–	–	491	(51,198)	(50,707)
Recognition of equity-settled share-based payments	–	12,263	–	–	12,263
At 31 August 2020	516,431	24,812	–	(78,830)	462,413

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

38. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Date and place of incorporation/ establishment	Paid up capital	Equity interest attributable to the Company at 31 August		Principal activity
			2020	2019	
<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
Chunlai Information (note ii)	19 January 2018 The PRC	USD1,000,000	100%	100%	Rendering of education services
Chunlai Technology (note i)	1 August 2017 The PRC	RMB30,000,000	100%	100%	Investment holding
Shangqiu University (note i)	21 June 2004 The PRC	RMB80,322,912	100%	100%	Rendering of education services
Anyang University (note i)	27 November 2008 The PRC	RMB80,000,000	100%	100%	Rendering of education services
Kaifeng Campus (note 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 (note i)	11 July 2018 The PRC	RMB200,000,000	100%	100%	Investment holding
上海春景投資管理有限責任公司 (note i)	31 July 2015 The PRC	RMB200,000,000	100%	100%	Investment holding
湖北健康職業學院 (note i)	8 April 2020 The PRC	RMB30,000,000	100%	–	Rendering of education services
蘇州春來教育科技有限公司 (note i)	12 December 2020 The PRC	RMB50,000,000	100%	–	Investment holding

Notes:

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



Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2020

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

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.

39. EVENTS AFTER THE REPORTING PERIOD

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 2020.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 November 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 memorandum and 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”	ZHONHUI 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“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

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 Growth Enterprise Market 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)
“Mr. Hou”	Mr. Hou Junyu (侯俊宇), a PRC citizen, an executive Director 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
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the year ended 31 August 2020
“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

