2020
Annual Report

希望教育集團有限公司
Hope Education Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1765

Contents

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Changjun *(Chairman)*
Mr. Wang Huiwu *(Chief Executive Officer)*
Mr. Li Tao

Non-executive Directors

Mr. Wang Degen
Mr. Lu Zhichao
Mr. Tang Jianyuan

Independent Non-executive Directors

Mr. Zhang Jin
Mr. Chen Yunhua
Dr. Gao Hao

Audit Committee

Mr. Zhang Jin *(Chairman)*
Mr. Lu Zhichao
Mr. Tang Jianyuan
Mr. Chen Yunhua
Dr. Gao Hao

Nomination and Remuneration Committee

Mr. Chen Yunhua *(Chairman)*
Mr. Wang Huiwu
Dr. Gao Hao

Strategy and Development Committee

Mr. Wang Huiwu *(Chairman)*
Mr. Xu Changjun
Mr. Wang Degen
Mr. Lu Zhichao
Mr. Li Tao

AUTHORIZED REPRESENTATIVES

Mr. Li Tao
Ms. Leung Wing Han Sharon

JOINT COMPANY SECRETARIES

Mr. Huang Zhongcai
Ms. Leung Wing Han Sharon

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

5/F, Administrative Building
Sichuan TOP IT Vocational Institute
2000 Xi Qu Avenue, Pidu District
Chengdu
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

William Ji & Co. LLP (in association
with Tian Yuan Law Firm Hong Kong Office)
Suite 702, 7th Floor
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

CORPORATE INFORMATION

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

COMPLIANCE ADVISOR

Giraffe Capital Limited
3/F, 8 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China
China Minsheng Bank
Agricultural Bank of China

COMPANY'S WEBSITE

www.hopeedu.com

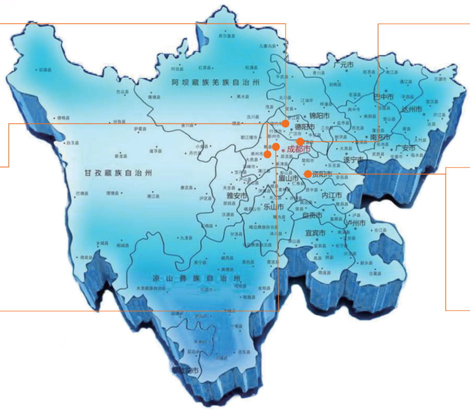
STOCK CODE

1765

OUR SCHOOLS

OVERVIEW AND DISTRIBUTION OF OUR SCHOOLS

We have **16** Schools in **6** provinces, include **6** Colleges & Universities, **8** Junior Colleges, **2** Technician Colleges



Sichuan Tianyi College

- Provide junior college education
- M&A in 2011

Sichuan Vocational college of Culture & Communication

- Provide junior college education
- M&A in 2014

Sichuan TOP IT vocational Institute

- Provide junior college education
- M&A in 2017

Southwest Jiaotong University Hope college

- Provide Undergraduate and junior college education
- Found in 2009

Sichuan Hope Automotive Vocational college

- Provide junior college education
- Found in 2013

Sichuan Hope Automotive Technician College

- Provide Technician college education
- Found in 2016

Yinchuan University of Energy

- Provide Undergraduate and junior college education
- M&A in 2019

ShanXi Medical University Jinci College

- Independent College that provide undergraduate education
- M&A in 2014

Hebi Automotive Engineering College

- Provide junior college education
- M&A in 2019

Suzhou TOP Institute of information & technology

- Provide junior college education
- M&A in 2019

Guizhou Vocational Institute of Technology

- Provide junior college education
- Found in 2016

Guizhou Technician College of technology

- Provide Technician college education
- Found in 2019

College of Science and technology of Guizhou University

- Independent College that provide undergraduate education
- M&A in 2019

Business College of Guizhou University of Finance and Economics

- Independent College that provide undergraduate education
- M&A in 2014

Nanchang Vocational institute of film and television communication

- Provide junior college education
- M&A in 2020

CAMPUS UNDER CONSTRUCTION

INTI International University of Malaysia

- A higher education institution that offers junior college, pre-university, bachelor, master and doctor degrees
- M&A in 2020

Gansu Baiyin Minde vocational college

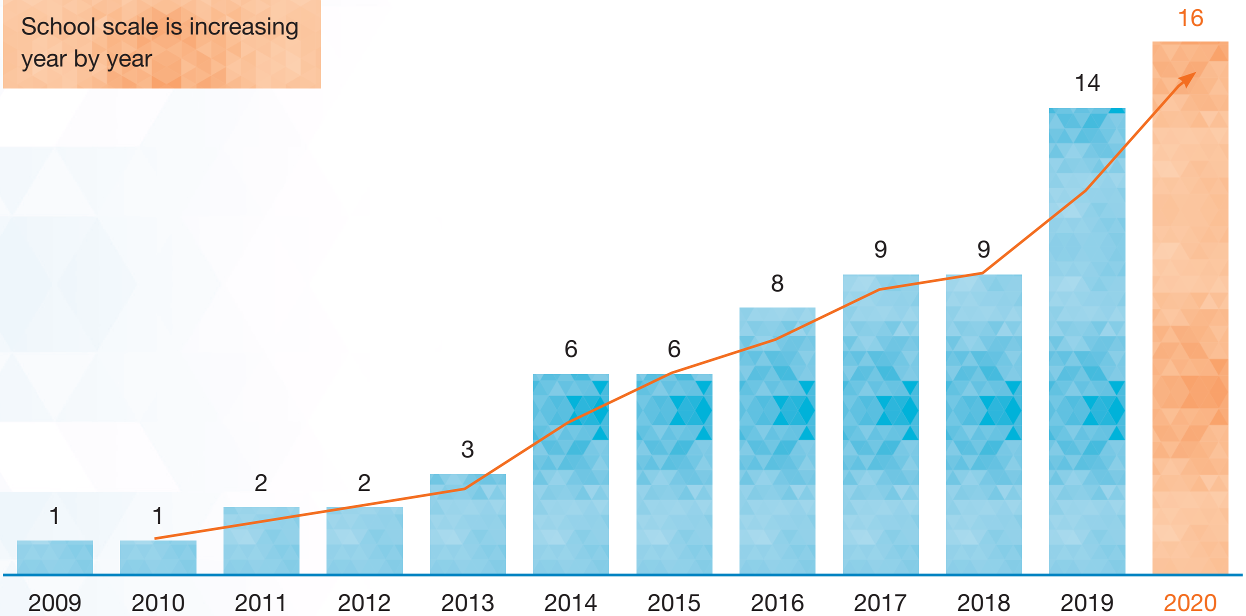
Xingtai Vocational Institute of Technology

Chong Qing Digital and Technology College

JiangXi Zhangshu Medical college

BUSINESS PERFORMANCE REVIEW

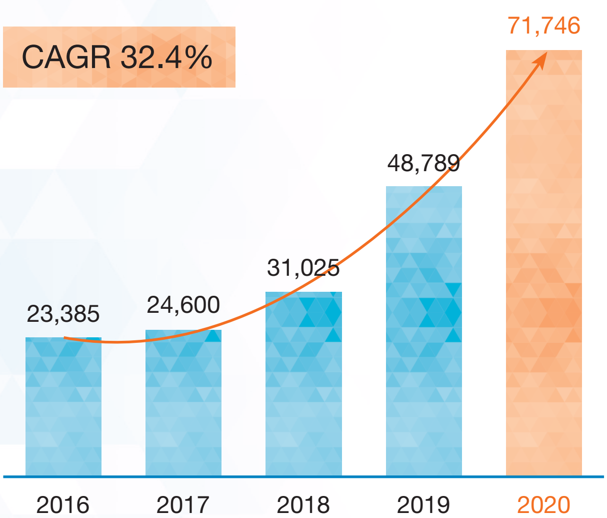
School scale is increasing year by year



BUSINESS PERFORMANCE REVIEW

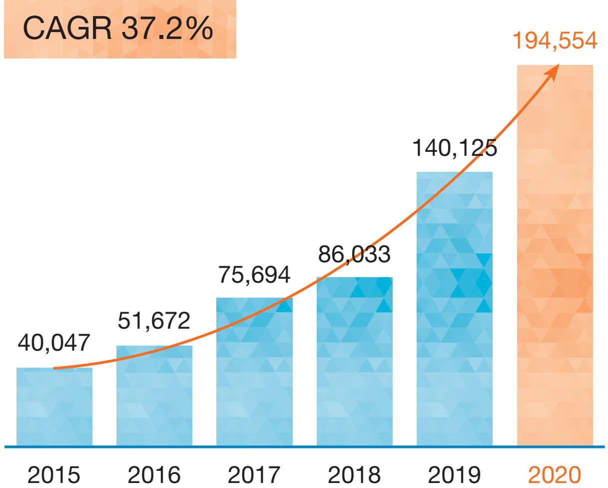
Scale of enrollment

CAGR 32.4%



Enrolled students

CAGR 37.2%



Dear Shareholders,

On behalf of the Board, I am pleased to present to the Shareholders the annual report of the Company for the eight months ended 31 August 2020.

STRIVE AHEAD IN THE UNUSUAL YEAR OF 2020

2020 is an unusual year. Under this circumstance, we strive ahead and consolidate the outstanding development momentum from the past few years, which let us to attain a better result and realized the all-round enhancement in the following four areas: school operating scale, school operating region, operating results and financial results.

– Continuous expansion in school operating scale: since our listing in 2018, the number of schools under the Company has been increased from nine higher education institutions to 16 higher education institutions, which includes six colleges and universities, eight junior colleges and two technician colleges. Four junior colleges are under construction, which means the number of schools of the Company will increase to 20 in the foreseeable future, and the number is doubled as compare to the number during our listing. Currently, there are nearly 200,000 full-time students, a record high of the Company.

– Breakthrough in overseas operation: in 2020, the Company acquired Inti International University of Malaysia. Inti International University of Malaysia is entitled to award doctorate and master degrees, and our goal is to develop this university into an internationally well-known university. The Company is actively promoting the synergy in source of students between domestic and foreign institutions, and more than 17,000 students from schools under the Company enrolled in Inti International University of Malaysia and other foreign institutions under cooperation. The acquisition of Inti International University of Malaysia provides a stable path for students from schools in PRC under the Company to study abroad, meanwhile, it provides support and protection to the sustainable and speed development of Inti International University of Malaysia, and this synergy will be fully realized.

– The consolidation of acquired schools is further demonstrated: The Company acquired Hebi Automotive Engineering Vocational College, Suzhou Top Institute of Information Technology and Yinchuan University of Energy last year, the enrollment and the registration rate recorded a significant increase. After the acquisition, the enrollment of the above three schools recorded an average increase of 91.6%, and the highest number is 166.9%, which laid a better foundation for the sustainable growth in the revenue of the Company for the next three to four years. By referencing Suzhou Top Institute of Information Technology as an example for colleges, the enrollment for the academic year 2019/2020, which is before the acquisition, was 1,677, and in the academic year of 2020/2021 the enrollment is 4,476, a year-on-year increase of 166%, for independent colleges, Yinchuan University of Energy is used as an example, the enrollment for the academic year 2019/2020, which is before the acquisition, was 4,843, and in the academic year of 2020/2021 the enrollment is 7,380, a year-on-year increase of 52.3%. The registration rate of these three schools recorded a significant increase, in which the registration rate of Yinchuan University of Energy has been increased from 84.4% for the academic year of 2019/2020 (before the acquisition) to 94.9% for the academic year of 2020/2021.

In the past five years, the operating income, EBITDA, students enrolled and net profit of the Company recorded a speedy growth, which increased by nearly three times, four times, five times and six times respectively, and the school operating network covers seven provinces of Mainland China. These results are the outcomes from the joint efforts of all academic staff and management members, and the benefits from the strong emphasis and support on education industry from the state.

CHAIRMAN'S STATEMENT

THE BRIGHT FUTURE ENHANCED CONFIDENCE ON DEVELOPMENT

We are a team that emphasis on "action", and insist on the strategy of "firmly seize the opportunity": we uphold our value on continuous expansion of school operating network through the main strategy of merger and acquisition complement with newly built schools and trusteeship on one hand, and on the other hand we uphold the value of continuous enhancement on talent cultivation quality and the goodwill and employment quality of schools, in order to facilitate the enrollment of schools.

There are two ways to further ensure the stable enhancement of teaching quality, first we insist on management by experts, and strengthen our existing education management committee by proactively introducing well-known education management experts and professors into the committee, and provide guidance to the education and teaching works of schools; second, we further strengthen our teaching teams to enhance the quality of education and teaching as well as talent cultivation.

Going forward, we will uphold our spirit and style of pragmatism, diligence and dedication, and contribute to the development of higher education and the high-quality development of social economy.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to all local governments, all sectors of society and our Shareholders for their continued care and support for the development of Hope Education Group Co., Ltd. I would also like to thank all students and their parents. Also, I would like to express my sincere appreciation to the Board members, senior management as well as the management and teaching staff within our schools for their contribution and dedication.

Hope Education Group Co., Ltd.
Chairman
Xu Changjun
Hong Kong, 27 November 2020

FINANCIAL AND BUSINESS SUMMARY

	For the eight months ended 31 August 2020 (in millions of RMB) (Audited)	For the twelve months ended 31 December 2019 (in millions of RMB) (Audited)	Change (in millions of RMB)	Change (percentage)
Revenue	**872.08**	1,331.38	(459.30)	(34.5%)
Gross profit	**377.61**	674.50	(296.89)	(44.0%)
Adjusted gross profit	**406.53**	692.85	(286.32)	(41.3%)
Net profit	**119.35**	490.03	(370.68)	(75.6%)
Adjusted net profit	**201.26**	501.16	(299.90)	(59.8%)

CALCULATION OF ADJUSTED NET PROFIT

Items	For the eight months ended 31 August 2020	For the twelve months ended 31 December 2019
Profit from continuing operations for the period	**119.35**	490.03
Add:		
Listing expenses	**–**	–
Equity-settled share option expense	**0.86**	20.53
Additional depreciation and amortization from fair value adjustment of identifiable assets resulted from acquisition of		
Jinci College of Shanxi Medical University	**0.58**	0.87
Sichuan Vocational College of Culture & Communication	**0.78**	1.16
Sichuan TOP IT Vocational Institute	**1.34**	1.35
Suzhou Top Institute of Information Technology	**4.25**	2.57
Yinchuan University of Energy	**23.19**	12.65
Hebi Automotive Engineering Vocational College	**0.75**	0.80
College of Science and Technology of Guizhou University	**3.69**	2.57
Finance cost accrued at amortized cost because of an overdue payment for the acquisition of equity interest	**13.14**	6.60
Less:		
Exchange gains	**(33.33)**	37.97
Adjusted net profit	**201.26**	501.16

FINANCIAL AND BUSINESS SUMMARY

Descriptions:

1. As the academic year of domestically-operated schools of the Group in the People's Republic of China ("**PRC**") ends in August every year, to facilitate schools' management and preparation of the consolidated financial statements of the Group and to better reflect the operational results of the Group for the financial year, on 25 March 2020, the Board has resolved to change the end date of the financial year of the Company from 31 December to 31 August for the convenience of aligning the end date of the financial year of the Group with the academic year of domestically-operated schools of the Group in the PRC (the academic year ends in August every year), and also help to prepare the consolidated financial statements of the Group.

2. As this is the first financial year after the change of financial year end date, the Reporting Period covered by the financial statements presented is the eight-month period from 1 January 2020 to 31 August 2020, and the corresponding comparative figures cover the twelve-month period from 1 January 2019 to 31 December 2019.

FINANCIAL REVIEW

Descriptions:

After the change of financial year, the whole year of the new financial year will be from 1 September to 31 August next year. Due to the periodic nature of formal educational services ran by the Group, no tuition fees are generated in the spring and summer holidays in February, July and August each year, so the data for the eight-month period from 1 January 2020 to 31 August 2020 and for the twelve-month period from 1 January 2019 to 31 December 2019 are not comparable, and without predictability from an analysis of obvious trends. In order to present the operating positions of the Group for the new financial year clearly, the Group voluntarily presents the unaudited financial information for the twelve months commencing from 1 September 2019 to 31 August 2020 and the unaudited financial information for the twelve months commencing from 1 September 2018 to 31 August 2019 for the period-on-period comparison.

	For the twelve months ended 31 August 2020 (in millions of RMB) (Unaudited)	For the twelve months ended 31 August 2019 (in millions of RMB) (Unaudited)	**Change** (in millions of RMB)	**Change** (percentage)
Revenue	**1,568.12**	1,079.31	488.81	45.3%
Gross profit	**777.38**	504.05	273.33	54.2%
Adjusted gross profit	**822.36**	507.79	314.57	61.9%
Adjusted gross profit margin	**52.4%**	47.0%		5.4%
Net profit	**456.45**	341.88	114.57	33.5%
Adjusted net profit	**575.78**	358.14	217.64	60.8%
Adjusted net profit margin	**36.7%**	33.2%		3.5%

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company also uses adjusted gross profit, adjusted net profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance.

Calculation of adjusted gross profit

Items	For the twelve months ended 31 August 2020 (in millions of RMB) (Unaudited)	For the twelve months ended 31 August 2019 (in millions of RMB) (Unaudited)	Change (in millions of RMB)	Change (percentage)
Gross profit	**777.38**	504.05	273.33	54.2%
Add:				
Additional depreciation and amortization from fair value adjustment of identifiable assets resulted from acquisition of Jinci College of Shanxi Medical University	**0.87**	0.87		
Sichuan Vocational College of Culture & Communication	**1.16**	1.27		
Sichuan TOP IT Vocational Institute	**1.31**	1.60		
Suzhou Top Institute of Information Technology	**6.35**			
Yinchuan University of Energy	**33.69**			
Hebi Automotive Engineering Vocational College	**1.60**			
Adjusted gross profit	**822.36**	507.79	314.57	61.9%

Descriptions: Adjusted gross profit is measured by gross profit for the period after eliminating additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy and Hebi Automotive Engineering Vocational College.

Calculation of adjusted net profit

Items	For the twelve months ended 31 August 2020 (in millions of RMB) (Unaudited)	For the twelve months ended 31 August 2019 (in millions of RMB) (Unaudited)	Change (in millions of RMB)	Change (percentage)
Profit from continuing operations for the period	456.45	341.88	114.57	33.5%
Add:				
Equity-settled share option expense	8.19	72.15	(63.96)	(88.6%)
Additional depreciation and amortization from fair value adjustment of identifiable assets resulted from acquisition of				
Jinci College of Shanxi Medical University	0.87	0.87		
Sichuan Vocational College of Culture & Communication	1.16	1.27		
Sichuan TOP IT Vocational Institute	1.31	1.60		
Suzhou Top Institute of Information Technology	6.82			
Yinchuan University of Energy	35.84			
Hebi Automotive Engineering Vocational College	2.09			
College of Science and Technology of Guizhou University	5.77	0.48		
Finance cost accrued at amortized cost because of an overdue payment for the acquisition of equity interest	19.74			
Less:				
Exchange gains/(losses)	(37.54)	60.11	(97.65)	(162.5%)
Adjusted net profit	575.78	358.14	217.64	60.8%

Descriptions: Adjusted net profit is measured by adjusting (i) equity-settled share option expense; (ii) exchange gains/(losses); (iii) additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College and College of Science and Technology of Guizhou University; (iv) finance cost accrued at amortized cost because of a payment due over one year for the acquisition of equity interest under the relevant agreement. The Company considers that adjustment to the above issues could eliminate potential impacts of items that the management do not consider to be indicative of the Group's operating performance, which in turns facilitates comparisons of operating performance from period to period and company to company.

Overview

The unaudited financial information for the twelve months commencing from 1 September 2018 to 31 August 2019 and from 1 September 2019 to 31 August 2020 is set out below:

Items	**For the twelve months ended 31 August 2020 (in millions of RMB) (Unaudited)**	For the twelve months ended 31 August 2019 (in millions of RMB) (Unaudited)	**Change** (in millions of RMB)	**Change** (percentage)
Revenue	**1,568.12**	1,079.31	488.81	45.3%
Cost	**790.74**	575.26	215.48	37.5%
Gross profit	**777.38**	504.05	273.33	54.2%
Gross profit margin	**49.6%**	46.7%		2.9%
Other income and gains	**240.37**	264.32	(23.95)	(9.1%)
Gain on a bargain purchase	**27.26**			
Administrative expenses	**195.45**	186.40	9.05	4.9%
Selling expenses	**61.33**	25.70	35.63	138.6%
Finance costs	**208.62**	155.14	53.48	34.5%
Other expenses	**51.90**	35.29	16.61	47.1%
Share of profit/(loss) of a joint venture	**9.76**	(4.08)	13.84	(339.2%)
Income tax	**81.02**	19.88	61.14	307.5%
Net profit	**456.45**	341.88	114.57	33.5%
Net interest rate	**29.1%**	31.7%		(2.6%)

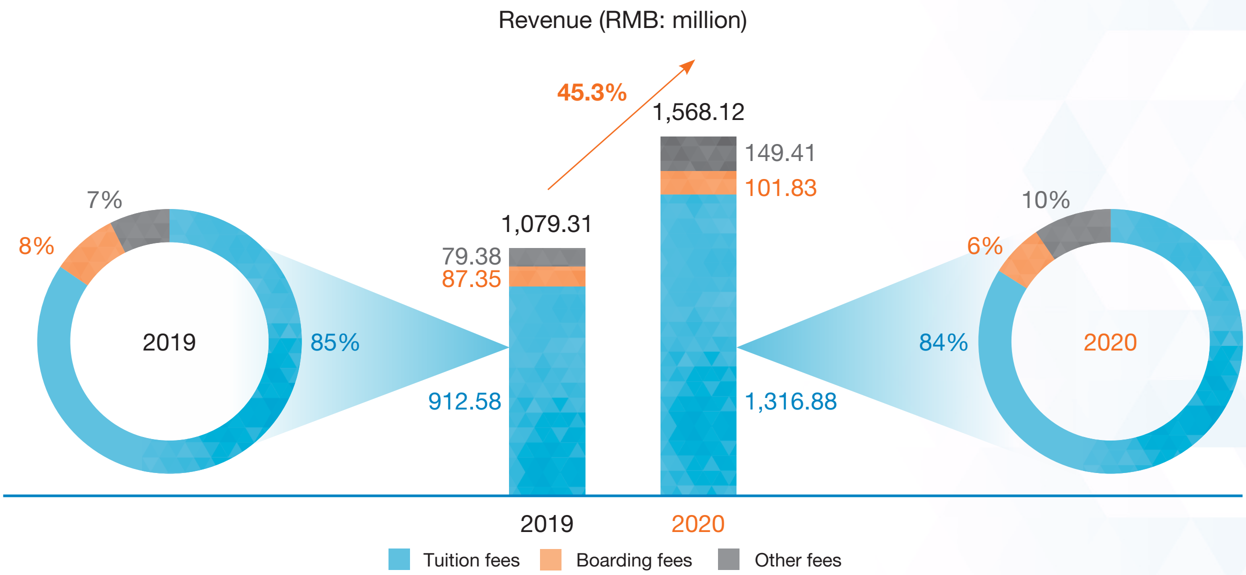
Revenue

For the eight months ended 31 August 2020, revenue of the Group amounted to RMB872.08 million; for the twelve months ended 31 December 2019, revenue of the Group amounted to RMB1,331.38 million.

For the twelve months ended 31 August 2020, revenue of the Group amounted to RMB1,568.12 million; for the twelve months ended 31 August 2019, revenue of the Group amounted to RMB1,079.31 million.

Revenue grew by RMB488.81 million compared with the same period last year, representing an increase of 45.3%. The increase was mainly attributable to (i) substantial increase in the enrollment of existing schools; (ii) the newly acquired schools (Hebi project, Kunshan project and Yinchuan project) have been included in the Group's financial statements successively.

REVENUE STRUCTURE



Cost of Sales

For the eight months ended 31 August 2020, cost of sales and adjusted cost of sales of the Group amounted to RMB494.47 million and RMB465.55 million, respectively.

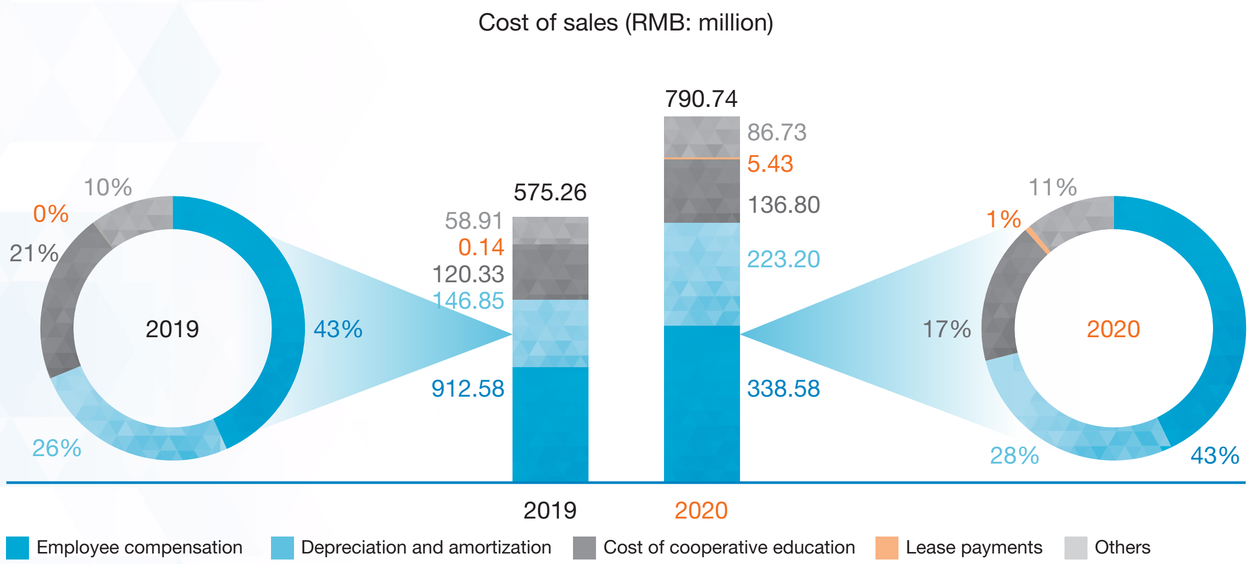
For the twelve months ended 31 December 2019, cost of sales and adjusted cost of sales of the Group amounted to RMB656.87 million and RMB638.53 million, respectively.

For the twelve months ended 31 August 2020, cost of sales and adjusted cost of sales of the Group amounted to RMB790.74 million and RMB745.76 million, respectively.

For the twelve months ended 31 August 2019, cost of sales and adjusted cost of sales of the Group amounted to RMB575.26 million and RMB571.52 million, respectively.

Cost of sales rose by RMB215.48 million compared with the same period last year, representing an increase of 37.5%; adjusted cost of sales rose by RMB174.24 million compared with the same period last year, representing an increase of 30.5%. The increases were mainly attributable to (i) the enhancement of input in terms of teacher quality and teaching facilities as a result of the increment in the number of students enrolled in the original schools of the Group; (ii) the increase in costs following the consolidation of financial statements of various schools upon completion of acquisition during the period.

COST STRUCTURE



Gross Profit and Gross Profit Margin

For the eight months ended 31 August 2020, adjusted gross profit and gross profit of the Group amounted to RMB406.53 million and RMB377.61 million, with adjusted gross profit margin and gross profit margin of 46.6% and 43.3%, respectively; for the twelve months ended 31 December 2019, adjusted gross profit and gross profit of the Group amounted to RMB692.85 million and RMB674.50 million, with adjusted gross profit margin and gross profit margin of 52.0% and 50.7%, respectively.

For the twelve months ended 31 August 2020, adjusted gross profit and gross profit of the Group amounted to RMB822.36 million and RMB777.38 million, with adjusted gross profit margin and gross profit margin of 52.4% and 49.6%, respectively; for the twelve months ended 31 August 2019, adjusted gross profit and gross profit of the Group amounted to RMB507.79 million and RMB504.05 million, with adjusted gross profit margin and gross profit margin of 47.0% and 46.7%, respectively.

Adjusted gross profit grew by RMB314.57 million compared with the same period last year, representing an increase of 61.9%; adjusted gross profit margin rose by 5.4% compared with the same period last year. The improvement in gross profit margin was mainly attributable to the preliminary achievement of the Group arising from scale effect, with better cost control amid revenue growth.

Other Income and Gains

For the eight months ended 31 August 2020, other income and gains of the Group amounted to RMB129.75 million; for the twelve months ended 31 December 2019, other income and gains of the Group amounted to RMB253.63 million.

For the twelve months ended 31 August 2020, other income and gains of the Group amounted to RMB240.37 million; for the twelve months ended 31 August 2019, other income and gains of the Group amounted to RMB264.32 million.

Other income and gains decreased by RMB23.95 million, or 9.1%, compared with the same period last year, mainly due to a decrease of RMB60.11 million in foreign exchange gains.

Selling Expenses

For the eight months ended 31 August 2020, selling expenses of the Group amounted to RMB41.28 million; for the twelve months ended 31 December 2019, selling expenses of the Group amounted to RMB45.28 million.

For the twelve months ended 31 August 2020, selling expenses of the Group amounted to RMB61.33 million; for the twelve months ended 31 August 2019, selling expenses of the Group amounted to RMB25.70 million.

Selling expenses rose by RMB35.63 million, or 138.6%, compared with the same period last year, mainly due to the increase in marketing expenses for recruitment of students. Recruitment promotion achieved remarkable results during 2020/2021 school year, with the number of new students enrolled increasing by 47.1% compared with the same period last year.

Administrative Expenses

For the eight months ended 31 August 2020, administrative expenses of the Group amounted to RMB113.60 million; for the twelve months ended 31 December 2019, administrative expenses of the Group amounted to RMB172.40 million.

For the twelve months ended 31 August 2020, administrative expenses of the Group amounted to RMB195.45 million; for the twelve months ended 31 August 2019, administrative expenses of the Group amounted to RMB186.40 million.

Administrative expenses rose by RMB9.05 million compared with the same period last year, representing an increase of 4.9%. The continuous expansion of the Group's school operation without a substantial increase in administrative expenses was mainly attributable to: (i) the decrease in equity-settled share option expenses; and (ii) offset by the consolidation of financial statements of newly acquired schools.

Other Expenses

For the eight months ended 31 August 2020, other expenses of the Group amounted to RMB42.64 million; for the twelve months ended 31 December 2019, other expenses of the Group amounted to RMB16.46 million.

For the twelve months ended 31 August 2020, other expenses of the Group amounted to RMB51.90 million; for the twelve months ended 31 August 2019, other expenses of the Group amounted to RMB35.29 million.

Other expenses increased by RMB16.61 million, or 47.1%, compared with the same period last year, mainly due to (i) an increase of RMB37.54 million in foreign exchange losses during the year; and (ii) a donation of RMB3.01 million during the COVID-19 pandemic and toilet renovation funds of RMB1 million to rural primary and secondary schools in Wei County.

Finance Costs

For the eight months ended 31 August 2020, finance costs of the Group amounted to RMB143.94 million; for the twelve months ended 31 December 2019, finance costs of the Group amounted to RMB170.68 million.

For the twelve months ended 31 August 2020, finance costs of the Group amounted to RMB208.62 million; for the twelve months ended 31 August 2019, finance costs of the Group amounted to RMB155.14 million.

Finance costs increased by RMB53.48 million, or 34.5%, compared with the same period last year, mainly due to (i) an increase in finance costs resulting from the adoption of amortised cost according to the requirement of the accounting standard as the considerations for the acquisition of equity interests in Suzhou Top Institute of Information Technology and Yinchuan University of Energy in 2019 had long payment periods according to the agreements; (ii) higher interest costs resulting from certain high-interest debts in relation to our newly acquired schools, which had not expired during the period and is being replaced by the Company; and (iii) an increase in expenses as the Company expanded its school operation.

Profits of the Reporting Period

For the eight months ended 31 August 2020, the Group recorded adjusted net profit of RMB201.26 million, net profit of RMB119.35 million, adjusted net profit margin of 23.1%, and net profit margin of 13.7%; for the twelve months ended 31 December 2019, the Group recorded adjusted net profit of RMB501.16 million, net profit of RMB490.03 million, adjusted net profit margin of 37.6%, and net profit margin of 36.8%.

For the twelve months ended 31 August 2020, the Group recorded adjusted net profit of RMB575.78 million, net profit of RMB456.45 million, adjusted net profit margin of 36.7%, and net profit margin of 29.1%; for the twelve months ended 31 August 2019, the Group recorded adjusted net profit of RMB358.14 million, net profit of RMB341.88 million, adjusted net profit margin of 33.2%, and net profit margin of 31.7%.

Adjusted net profit increased by RMB217.64 million or 60.8% compared with the same period last year, whereas adjusted net profit margin rose by 3.5% compared with the same period last year. The increase in adjusted net profit was mainly attributable to (i) the continuous increases in enrollment in various schools of the Group; (ii) the embodiment of the advantages of the scale of centralized operation of school; (iii) the effective control of costs and expenses under lean management of the Company.

Capital Commitments

The Group's capital commitments were primarily related to the acquisition of property and equipment. The following table sets forth a summary of our capital commitments as at the dates indicated:

	31 August 2020	31 December 2019
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**945,923**	740,782
Acquisition of a subsidiary	**1,226,168**	–
	2,172,091	740,782

CAPITAL AND FINANCIAL RESOURCES

As at 31 August 2020, the Group had total cash and bank balances of RMB3,412.99 million, among which: (i) cash and cash equivalents amounted to RMB2,894.44 million (31 December 2019: RMB1,690.42 million); (ii) restricted bank balances amounted to RMB229.85 million; (iii) pledged deposits amounted to RMB283.70 million; and (iv) Wealth management products amounted to RMB5 million.

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consist of short-term loans for working capital and long-term loans for construction of school buildings and facilities, merger and acquisitions and other projects. The Group supplements its working capital and finances its expenditure primarily through borrowings obtained from banks. As at 31 August 2020, the aggregate loan balance amounted to RMB3,113.41 million. All of our loans were denominated in RMB. As at 31 August 2020, the Group's bank loans and other borrowings bore effective interest rates ranging from 4.34% to 8.55% per annum. Without taking into account certain loans arising from new schools acquired during 2019, bank loans and other borrowings of the Group's other entities bore effective interest rates ranging from 4.34% to 7.50% per annum. The Group considers that, as subsequent loans bore by the entities of Yinchuan acquisition project being settled when due, the loans' effective interest rates per annum will be reduced continuously, coupled with the relatively small amount of principal bearing high annual interest rates, impacts on finance costs of the Group will not be material.

The Group's objective is to maintain a balance between the continuity and flexibility in the supply of funds through the use of cash flows generated within our Group's operations and other borrowings. The Group regularly reviews major funding positions to ensure adequate financial resources to meet its financial obligations.

Current Ratio

As at 31 August 2020, current assets of the Group amounted to RMB3,958.28 million, consisting of bank balance of RMB2,960.14 million, Wealth management products of RMB5 million and other current assets of RMB993.14 million. Current liabilities of the Group amounted to RMB3,368.25 million, including accruals and other payables of RMB1,307.62 million, contract liabilities of RMB403.62 million, interest-bearing bank and other loans of RMB1,443.33 million and other current liabilities of RMB213.68 million. As at 31 August 2020, current ratio (current assets divided by current liabilities) of the Group was 1.18 (31 December 2019: 1.12).

Contingent Liabilities

As at 31 August 2020, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

Net Debt to Equity Ratio

As at 31 August 2020, net debt to equity ratio equalled to total interest-bearing bank loans and other borrowings of RMB3,113.41 million, net of cash and cash equivalents of RMB2,894.44 million, restricted cash deposits of RMB229.85 million, pledged deposits of RMB283.70 million and wealth management products of RMB5 million as at the end of the period divided by total owner's equity of RMB5,686.42 million as at the end of the period. The Group's net debt to equity ratio was -5.3%, basically unchanged from the net debt to equity ratio of -5.6% as at 31 December 2019.

Debt to Equity Ratio

As at 31 August 2020, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank loans by total equity) was 54.8% (31 December 2019: 56.9%).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other plans for material investments and capital assets. There are no other material acquisition and disposal related to subsidiaries and associates.

PLEDGED ASSETS

Save as disclosed in note 21 and note 25 under the section "Notes to the Financial Statements", as at 31 August 2020, the Group had no additional assets or rights pledged.

FOREIGN EXCHANGE RISK MANAGEMENT

The majority of our Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company. As at 31 August 2020, certain bank balances were denominated in U.S. dollar and Hong Kong dollar. Our Group has not entered into any financial tools for hedging purpose as it is expected that there will be no material foreign exchange exposure.

BUSINESS REVIEW

During the Reporting Period, the Group has operated and invested in twelve higher education schools and two technical colleges in China, including (i) five independent colleges, namely, Southwest Jiaotong University Hope College, Jinci College of Shanxi Medical University, Business College of Guizhou University of Finance and Economics, College of Science and Technology of Guizhou University and Yinchuan University of Energy; (ii) seven junior colleges, namely Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology, Sichuan TOP IT Vocational Institute, Hebi Automotive Engineering Vocational College and Suzhou Top Institute of Information Technology; and (iii) two technical colleges, namely, Sichuan Hope Automotive Technical College and Guizhou Technical College of Technology. According to the Group's announcement of enrollment figures on 15 October 2020, the total number of school students under the Group amounted to 194,554, representing a significant increase of 38.8% as compared with the same period last year.

STUDENT ENROLLMENT

The Group believes the pragmatic teaching philosophy of its schools, its well-developed curriculum and system, good-quality teachers as well as its high graduate employment rate help attract high-quality students who are seeking for their ideal employment.

Schools	Student Enrollment **2019/2020 academic year**	2018/2019 academic year	Change	Change in percentage
Undergraduate Colleges	**71,259**	38,784	32,475	83.7%
Junior Colleges	**60,631**	43,053	17,578	40.8%
Technical Education	**8,235**	4,196	4,039	96.3%
Total	**140,125**	86,033	54,092	62.9%
Among which:				
Merger and acquisition	**35,974**			
Original	**104,151**	86,033	18,118	21.1%

DORMITORY UTILIZATION RATE

	As at 15 October 2020	As at 15 October 2019
Number of student enrollment (including Inti)	**194,554**	140,125
Number of beds (including Inti)	**224,006**	171,170
Overall utilization rate	**86.9%**	81.9%

Significant Events for the Reporting Period

1. *Project expansion (merged and acquired)*

   On 2 March 2020, the Company entered into acquisition agreement with Exeter Street Holdings Sdn. Bhd. for the acquisition of 100% equity of Inti Education Holdings Sdn, Bhd. (or INTI Education Holdings), INTI Education Holdings is one of the largest and most prestigious private universities in Malaysia. After the completion of the acquisition, the Group owns totally 15 private schools, of which ten are included in the Group through merger and acquisition, representing the strong capability in school merger and acquisition of the Company.

2. *Project expansion (newly established)*

In 2020, the Group has completed the allocation of land for the new school establishment located in Baiyin City, Gansu Province, Wei County, Hebei Province, Zhangshu City, Jiangxi Province, Zhong County, Chongqing City, respectively, in China. Progress in detail is as follows:

1) Gansu Mingde Vocational Education College has acquired a school site for phrase one. The construction works for teaching building and dormitory building is in progress.

2) Xingtai Vocational Institute of Technology has acquired a school site for phrase one, the construction works for teaching building and dormitory building is in progress, and the contract arrangement of industrial-academic collaborations in the disciplines of Preschool Education, Nursing, Automobile Testing and Maintenance, E-commerce, New Energy for Automobiles is completed.

3) Chongqing Digital Industry Vocational College has acquired a school site for phrase one. Currently, the construction works for teaching building and dormitory building is in progress.

4) Jiangxi Zhangshu Vocational College of Traditional Chinese Medicine has acquired a school site for phrase one, the construction works for teaching building and dormitory building is in progress, contract arrangements for the sites of industrial-academic collaborations with related parties in the disciplines of Nursing, Acupuncture and Massage, Chinese Medicine Studies, Production and Processing of Chinese Medicine, Drugs Operation and Management have been completed.

The above new school establishment projects are progressing in an orderly manner. The gradual completion of the new schools shows the strong establishment capability of the Group.

3. *External financing*

On 23 July 2020, the Company completed a syndicated loan with a credit amount of US$250 million. On 6 August 2020, the Company completed the placing of 465,000,000 new Shares on the Stock Exchange, raising an aggregate of US$153 million. Accordingly, the Company has raised external financing with aggregate amount of US$403 million in 2020, showing the strong financing ability of the Company.

The proceeds will be utilized in extending the school network of the Group, enhancing the level of school operation of the Group, improving the condition of the hardware, increasing the investment of practical equipment, enhancing welfares of the staff and repaying domestic bank loans.

4. *Integration after merger and acquisition*

On 15 October 2020, schools organized by the Group completed the enrollment for the 2020/2021 school year. During the Reporting Period, the Group completed the integration and centralized management after acquisition to the newly acquired Hebi Automotive Engineering Vocational College, Suzhou Top Institute of Information Technology and Yinchuan University of Energy in 2019, new students enrolled increased significantly with the average growth rate of 91.6%, the highest is 166.9%, showing the Group's strong ability in integration and centralized management after acquisition.

5. *Change of the financial year end date*

On 25 March 2020, the Company changed the closing date of financial year, from commencing on 1 January to 31 December to commencing on 1 September in prior year to 31 August next year.

Our Schools

As at 31 August 2020, we held five independent colleges, seven junior colleges and two technical colleges. The table below sets out some details of our schools.

School	Year Founded	Year of Joining our Group	Description
Southwest Jiaotong University Hope College	2009	2009	The college offered a total of 43 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region.
Jinci College of Shanxi Medical University	2002	2014	The college offered a total of 13 undergraduate majors and is one of the twelve private undergraduate medical schools in China and is the only independent college in Shanxi that provides clinical medical education.
Business College of Guizhou University of Finance and Economics	2004	2014	The college offered a total of 28 undergraduate majors, featuring economics and management and finance majors.
College of Science and Technology of Guizhou University	2001	2019	The college offered 24 majors to train professional talents possessing knowledge and skills in information technology, science and finance.

School	Year Founded	Year of Joining our Group	Description
Yinchuan University of Energy	1999	2019	The university offered 34 undergraduate majors, covering 8 disciplines, had 1 national key laboratory and 3 provincial experimental teaching demonstration centers. It is the only private university in Ningxia that can enroll foreign students.
Tianyi College	1994	2011	The college offered 21 majors and is one of the first private schools (including seven schools) in China and the first private school in Southwest China approved to be a formal private higher education institution.
Sichuan Hope Automotive Vocational College	2013	2013	The college offered 21 majors, specialising in automobile related majors.
Sichuan Vocational College of Culture & Communication	2005	2014	The college offered over 30 majors, specialising in film, media and pre-school education majors.
Guizhou Vocational Institute of Technology	2016	2016	The college offered over 10 majors, specialising in pre-school education and healthcare majors.
Sichuan TOP IT Vocational Institute	2000	2017	The college offered 39 majors, specialising in computer and information and software technology majors and is the MOE approved national demonstration software vocational and technical college and the national high-skilled personnel training base for the electronic information industry.
Hebi Automotive Engineering Vocational College	2011	2019	The college offered over 40 majors to train professional talents possessing automobile related knowledge and skills.
Suzhou Top Institute of Information Technology	2003	2019	The college offered 30 majors, specialising in computer and information software technology majors.
Sichuan Hope Automotive Technical College	2016	2016	The college offered 15 majors to train professional talents possessing automobile related knowledge and skills.
Guizhou Technical College of Technology	2019	2019	The college offered nearly 20 majors, specialising in pre-school education and healthcare majors.

Southwest Jiaotong University Hope College

The first university (independent college) established by the Group in 2009, located in Chengdu, Sichuan Province, provides undergraduate and junior college education. Having run for 11 years, the number of enrolled students in 2020-2021 academic year reached a new record; the one-time employment rate of graduates in 2013-2019 exceeded 95.0% for seven consecutive years. Transportation and civil engineering were approved as the first-class undergraduate majors at the provincial level and recommended to apply for the first-class undergraduate professional nurturing point at the national level.

Jinci College of Shanxi Medical University

Founded in 2002, Jinci College of Shanxi Medical University is the sole independent college of full-time undergraduate education for medical majors in Shanxi Province approved by the MOE and the People's Government of Shanxi Province and established with new mechanisms and new models. Jinci College has eight departments and divisions, including clinical medicine department, nursing department, oral medicine department, preventive medicine and management department, laboratory department, rehabilitation treatment department, imaging department and fundamentals division; and also offers 13 majors, including clinical medicine, oral medicine, anesthesiology, nursing, preventive medicine, medical laboratory technique, medical imaging technique, rehabilitation treatment, oral medicine technique, optometry, pharmaceuticals, pharmaceutical products and traditional Chinese medicine.

Business College of Guizhou University of Finance and Economics

Business College of Guizhou University of Finance and Economics is an independent undergraduate college of finance and economics in Guizhou Province. In the past six years, the enrollment work of the Group has reached a new high, and the registration rate ranked in the forefront of similar schools and ranked first in the province.

College of Science and Technology of Guizhou University

College of Science and Technology of Guizhou University is a comprehensive independent college in Qiannan Prefecture, Guizhou Province. It has successively won the titles of national "Advanced Independent College (先進獨立學院)", national "Advanced Grassroots Party Organization with Excellent Performance (創先爭優先進基層黨組織)", national "8 March Red-banner Group (三八紅旗集體)", national "Advanced Education and Scientific Research Group under the 11th Five-Year Plan ("十一五"教育科研先進集體)". At present, the college has 5 professional education departments, namely literature department, law and public management department, engineering department, commerce department and art department as well as 2 public education units, namely Marxism-Leninism education division and sports education and research center. By offering 20 undergraduate majors including Han language literature, journalism, English, law, administration and management, public affairs management, computer science and technology, electronic information science and technology, electronic information engineering, communication engineering, Internet of things technology, finance, business administration, financial management, tourism management, visual communication design, environment design, performance, musical performance and drawing, etc., the college covers seven disciplines, including literature, law, economics, management, science, engineering and art.

Yinchuan University of Energy

Founded in October 1999, the undergraduate college is located in Ningxia and provides undergraduate and junior college education, with three campuses namely Wangtai campus, Binhe campus and Hequan Lake. The college has 12 secondary colleges and 2 education divisions and offers 34 undergraduate majors, hiring 143 teachers with medium-grade titles, 287 teachers with master or doctor degrees, and 156 dual-qualified teachers. It has the largest library among higher education institutions in Ningxia in terms of single zone area, with more than 1 million books. The college has 1 national key laboratory, 3 provincial experimental teaching demonstration centers, 3 provincial off-campus practical education bases for college students, 9 practical teaching centers, 195 experimental training rooms and 65 stable off-campus practice bases for college students built with enterprises. The college is the intended cooperative college of the national "Internet + Made in China 2025" Plan for the Integration and Promotion of Industry and Education ("互聯網+中國製造2025"產教融合促進計劃項目). The college has trained over 30,000 graduates in different fields in total and commenced skill training and assessment for various occupations, training over 13,000 corporate employees as well as urban and rural labors in aggregate. By proactively commencing external cooperation in education, the college has successively established long-term and stable school cooperation with 12 foreign high schools, and is the only private higher education institution in Ningxia that can enroll foreign students.

Tianyi College

Founded in 1994, Tianyi College was one of the first private schools in China and the first full-time private school in Southwest China approved by the MOE to be a formal private higher education institution. As at 31 August 2020, the college was successfully approved with the second batch of national 1+X pilot certificates (website operation and promotion), established three provincial featured majors, one key featured major of Sichuan Association for Non-Government Education (四川省民辦教育協會), and 20 teacher scientific research projects. In respect of cooperation between the college and enterprises, the 2016 and 2018 Baoye order classes were established by the department of construction engineering and Baoye Group, and 1 set of teaching materials was jointly developed. In respect of practical training, 41 off-campus training bases were established.

Sichuan Hope Automotive Vocational College

Sichuan Hope Automotive Vocational College was the first formal higher education institution established by the Group in Ziyang, Sichuan Province in 2013, and has been successively recognized as the high-skilled talents nurturing and training base at national and provincial levels. As at the date of this annual report, the number of enrolled students achieved a new record high. The college has 20 majors, formulating a characterized and professional deployment oriented on automotive related majors, supported by mechanical and engineering majors, extended to operation and management majors and explored to healthcare and pre-school education majors. It has 181 practical training rooms covering over 20 categories including comprehensive automotive structure. The college has successively signed school-enterprise cooperation agreements with more than 200 well-known enterprises such as Changzheng-BMW Group (長征寶馬集團), Sichuan Hyundai Automobile and CRRC Group. The college has successfully applied for 7 education research plans above provincial level, with 112 persons winning various awards and 25 teaching materials being involved in preparation.

Sichuan Vocational College of Culture & Communication

Sichuan Vocational College of Culture & Communication is a full-time formal higher education institution approved by the People's Government of Sichuan Province, filed by MOE, administered by the Education Office of Sichuan Province, included into the national uniform enrollment scheme and possessing the qualification of independently issuing national recognized college diploma. The college has currently established 3 provincial featured majors, namely "animation design", "public culture services and management" and "film and television multimedia technology". A relatively comprehensive professional construction structure with featured majors at school level, group level and provincial level has basically been formulated. As at the date of this annual report, the number of students enrolled has recorded a new high.

Guizhou Vocational Institute of Technology

Guizhou Vocational Institute of Technology was the first formal higher education institution established by the Group in Guizhou Province in 2016. The college offers more than 20 majors, such as automobile inspection and maintenance technology, automobile refitting technology, automobile new energy technology, urban rail transit operation and management, accounting, tourism management, electronic commerce, nursing, applied chemistry, pharmaceutical production and technology, etc.. In respect of practical training and cooperation between the college and enterprises, the college has built more than 50 experiment and training rooms, and signed school-enterprise cooperation agreements with more than 100 enterprises such as Shanghai Volkswagen, Wengfu Group, Chanhen Chemical, etc. and more than 20 county-level hospitals in Guizhou.

Sichuan TOP IT Vocational Institute

Founded in 2000, Sichuan TOP IT Vocational Institute is one of the first national demonstration software vocational and technical colleges approved by the MOE. It is also a national training base for skilled talents in short supply, a national high-skilled personnel training base for the electronic information industry, a national service outsourcing talents training base, and a training base for young technicians in the electronic information industry in Sichuan Province. The college is equipped with 7 on-campus innovative training bases for integration of industry and education, as well as more than 60 professional experimental training rooms with advanced equipment. As at the date of this annual report, the number of students enrolled has recorded a new high.

Hebi Automotive Engineering Vocational College

Hebi Automotive Engineering Vocational College is the only formal automobile engineering higher education institution in Henan Province. Since 2020, 67 projects above department level, 38 utility model patents, 15 education research achievement awards above provincial level, 2 municipal scientific and technological progress awards (second prize) were added, while 58 academic papers (including 6 core journals) and 28 textbooks were published. In 2020, the college signed strategic cooperation agreements with 7 enterprises.

Suzhou Top Institute of Information Technology

Suzhou Top Institute of Information Technology is located in Kunshan, Jiangsu Province, with 36 majors. Focusing on school-enterprise cooperation and deepening the integration of industries and education, in 2019, the college and enterprises deepened cooperation by opening 5 customized classes in the mode of rotating the learning and work experience, as such, internship of more than 2,473 students were successfully completed. There were 27 internship projects, of which, 5 units cooperated for the first time. The college won the title of “excellent college for “government-school-enterprise” cooperation” for six consecutive years.

Sichuan Hope Automotive Technical College

Sichuan Hope Automotive Technical College is established in 2016 with the approval of the People’s Government of Sichuan Province on the basis of Automobile College. The college is located in Ziyang High-tech Industrial Zone, adjacent to many well-known enterprises such as Sichuan Nanjun Automobile Group Co., Ltd., Hyundai Truck & Bus (China) Co., Ltd. and CRRC GROUP. Leveraging its geographical features, coupled with its strengths in aspects such as cultivation of technicians, technological innovation, technique competition, training and evaluation, the college collaborated with the enterprises in-depth in terms of co-building of training base, sharing of faculty, co-cultivation of technicians, co-studying in technological innovation and co-organization of technique competition. The college adhered to its school operation mode of “collaboration between school and enterprises for industrial studying” by achieving resource sharing and co-development with enterprises.

Guizhou Technical College of Technology

Guizhou Technical College of Technology is established in 2019 with the approval of the People’s Government of Guizhou Province. The college is located in Fuquan City, Guizhou Province and, to date, has established partnerships with 86 major enterprises and industrial associations. In particular, the co-building of internship training bases inside and outside the college has been carried out by its department of nursing with The People’s Hospital of Qiandongnan Miao and Dong Autonomous Prefecture (黔東南苗族侗族自治州人民醫院), The People’s Hospital of Guiyang (貴陽市人民醫院), The First People’s Hospital of Fuquan City, etc.; its department of chemical technology with Guizhou Henghua Co. LTD, etc.; and its department of automobile with BAIC Yinxiang Automobile Co., Ltd, etc..

INDUSTRY POLICY DIRECTION

In 2019, China's gross enrolment rate of higher education reached 51.6%, officially entering the stage of higher education popularisation, but there was still a big gap compared with the figure in developed countries (60.0% to 95.0%). Currently, China is promoting a high standard development in the transformation of economy in full speed, developments in industries result in demanding a higher standard for technical talents with applied skills. Meanwhile, the effect of universities to ease the pressure on employment becomes more and more important. After the issuance of "20 Principles of Vocational Education" by the Central Government in 2019, a series of specific measures have been implemented continuously, encouraging and supporting a greater development in higher vocational education, in particular to support the participation from the community in the development of vocational education. The Government Work Report approved by the National People's Congress and the Chinese People's Political Consultative Conference in 2020 states clearly that 35 million people subject to vocational skills training and expand enrolment in higher vocational colleges to 2 million people in both this year and next year. On 1 September 2020, the 15th meeting of the Central Comprehensively Deepening Reforms Commission considered and approved "Certain Opinions on Revitalising Higher Education in the Central and Western Regions in the New Era", which clearly outlined that the higher education in central and western China shall be revitalized, and to effectively stimulating the internal momentum and vitality of higher education in the central and western regions to promote the establishment of a higher education system that aligns with the development and opening-up situation in the central and western regions.

In summary, a series of policy enacted by the state make new rooms in the market and provide new development opportunity for education group engaged in higher education.

OUTLOOK

Since the inception of the Group, our priority is to provide quality higher education graduates and cultivating high quality technical talents with technical skills to the society, and focus on continuous enhancement in quality of school operation and talents cultivation with the expansion of its scale in operation, and strike a balance between speed and quality as well as scale and efficiency. Going forward, we will continue to implement the following strategies:

(1) Strengthen organic growth. In the 2019/2020 academic year, the "organic growth rate" of current students in our original schools was 21.0%. In the 2020/2021 academic year, the "organic growth rate" of current students in our original schools increased further to 73.0%. While the scale of our school operation continues to growth, we enjoy the added advantages in student recruitment ability and advantages. In the future, we will continue to expand our education management committee composed of experts in the higher education industry by actively introducing academic and professional forerunners to strengthen the Group's teaching team, strengthening the establishment of practical skills capability, and to establish the complete industry chain covering college, undergraduate, master, and doctoral education to meet the diversified demand for academic qualification enhancement and improve the standing and reputation of our school operation.

(2) Deepen external expansion. In the past 13 years, the Group has been expanding the scale of our school operation through mergers and acquisitions and the self-built asset-heavy model, as of the date of this annual report, our school operation has been increased from just one school in 2009 to 16 schools, and will reach 20 in the foreseeable circumstance. In the future, while seeking asset-heavy opportunities for external expansion, we will actively explore asset-light expansion paths and fully utilize our advantage with established, nationwide expansion and student recruitment network to further realise the potential of external development.

OTHER EVENTS

Events after the Reporting Period

(i) On 29 September 2020, all conditions precedent under the acquisition agreement in relation to the Inti International University of Malaysia had been fulfilled. Upon completion, the Inti International University of Malaysia becomes a wholly-owned subsidiary of the Company, and its financial results will be consolidated into the accounts of the Group.

(ii) On 7 October 2020, the Group entered into an acquisition agreement with Nanchang Chuangzhi Supply Chain Co., Ltd. (南昌創智供應鏈有限公司) in relation to Nanchang Dongmei Education Technology Co., Ltd. (南昌東美教育科技有限公司), Nanchang Vocational Institute of Film and Television Communication (南昌影視傳播職業學院), and Jiangxi Fanmei Art Secondary Professional School (江西泛美藝術中等專業學校) (collectively "**Nanchang Schools**"). As at the date of this annual report, the transfer of ownership of Nanchang Schools is completed and these schools become subsidiaries of the Company, and their financial results will be consolidated into the accounts of the Group.

Upon completion of the acquisition, the Group will further deepen its industry layout in Jiangxi Province, and expand its school operation network. Together with the advantage of centralized management, it can enhance the teaching level and student recruitment ability of Nanchang Schools.

(iii) On 12 October 2020, the Company entered into a share transfer agreement with Dingli Corp., Ltd. (珠海世紀鼎利科技股份有限公司) through its wholly-owned subsidiary Sichuan Tequ Mayflower Education Management Co., Ltd. (四川特驅五月花教育管理有限公司). Upon completion of the share transfer, the Company will hold approximately 8.8% of the entire share capital of Dingli through Sichuan Tequ Mayflower. On the same day, Sichuan Tequ Mayflower and Dingli entered into a subscription agreement. Upon completion of new shares issued, the Company will hold approximately 29.8% of the entire share capital of Dingli through Sichuan Tequ Mayflower.

The acquisition will diversify the scope of business of the Group and lay a foundation for new business development for the Group; seek greater industrial synergy and expand channels for the growth of the Group; enhance the market competitiveness of the Group; especially in seeking for room of breakthrough in industry extension of vocational education.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company has reviewed the Group's annual results and consolidated financial statements for the eight months ended 31 August 2020.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information (not including the unaudited figures for the years ended 31 August 2020 and 31 August 2019) set out in this annual report does not constitute the Group's audited accounts for the eight months ended 31 August 2020, but represents an extract from the consolidated financial statements for the eight months ended 31 August 2020 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the audit committee of the Company and approved by the Board

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election.

The following table sets out key information in respect of the Directors of our Company:

Name	Age	Date of Joining the Group	Position	Date of Appointment	Responsibility
XU Changjun (徐昌俊)	63	18 April 2012	Chairman, Executive Director	2 February 2018 29 June 2020	Responsible for overseeing the affairs of the Board
WANG Huiwu (汪輝武)	47	5 January 2005	Executive Director, Chief Executive Officer, President	29 June 2020 2 February 2018 2 February 2018	Responsible for implementing Board resolutions, overall strategic planning and operational management of the Group
LI Tao (李濤)	50	5 December 2010	Executive Director, Chief Strategy Officer	28 May 2019 2 February 2018	Responsible for business development and mergers and acquisitions of the Group
WANG Degen (王德根)	49	15 October 2007	Non-executive Director	29 June 2020	Responsible for monitoring overall management and Strategic planning of the Group
LU Zhichao (吕志超)	49	13 March 2017	Non-executive Director	28 May 2019	Responsible for monitoring overall management and strategic planning of the Group
TANG Jianyuan (唐健源)	52	7 September 2016	Non-executive Director	28 May 2019	Responsible for monitoring overall management and strategic planning of the Group
ZHANG Jin (張進)	61	14 July 2018	Independent Non-executive Director	14 July 2018	Responsible for monitoring the Group and providing independent advice
CHEN Yunhua (陳雲華)	68	14 July 2018	Independent Non-executive Director	14 July 2018	Responsible for monitoring the Group and providing independent advice
GAO Hao (高皓)	38	14 July 2018	Independent Non-executive Director	14 July 2018	Responsible for monitoring the Group and providing independent advice

The following table sets out key information in respect of the senior management of our Company:

Name	Age	Date of First Joining the Group	Position	Date of Appointment	Roles and Responsibilities
WANG Huiwu (汪輝武)	47	5 January 2005	Chief Executive Officer, President	2 February 2018 2 February 2018	Responsible for implementing Board resolutions, overall strategic planning and operational management of the Group
JIANG Lin (蔣林)	53	18 February 2016	Chief Operating Officer, Executive Vice President	2 February 2018 2 February 2018	Responsible for overseeing the day-to-day operations of the Group
LOU Qunwei (婁群偉)	51	12 January 2005	Senior Vice President	2 February 2018	Responsible for the teaching and management of students
LI Tao (李濤)	50	5 December 2010	Chief Strategy Officer	2 February 2018	Responsible for business development and mergers and acquisitions of the Group
HE Xuan (何旋)	50	20 June 2017	Chief Financial Officer	2 February 2018	Responsible for finance management of the Group
HUANG Zhongcai (黃忠財)	35	1 July 2014	Vice President, Joint Company Secretary	14 November 2018 15 March 2018	Responsible for capital operations and investor relations
MA Jialing (馬嘉靈)	36	1 July 2006	Vice President	14 November 2018	Responsible for the administrative management of the Group

DIRECTORS AND SENIOR MANAGEMENT

Directors

XU Changjun (徐昌俊), aged 63, is the chairman of the Board and an executive Director. Mr. Xu has been appointed as chairman of the Company since 2 February 2018 and executive Director of the Company since 13 March 2017. Mr. Xu has been a director of Hope Education since April 2012; the chairman of Hope Education since September 2016; a council member of Southwest Jiaotong University Hope College since June 2016; and a director of WFOE since 19 January 2018.

Mr. Xu was the chief auditor and director of financial supplies of Xihua University (formerly Chengdu Normal College (成都師範高等專科學校)) from 1989 to 1997, during which he was also the vice president of Sichuan Accounting Association of Colleges (四川省高校會計學會). From March 1997 to June 2010, he served as the director of the finance department, the supervision and audit department and the investment department of East Hope Group Co., Limited. The main businesses of East Hope Group Co. Limited are agriculture and heavy chemical industry; heavy chemical industry involves power, non-ferrous metals, bio-chemicals, coal chemical, chlor-alkali chemical, petrochemical, mining and building materials.

Mr. Xu received his master's education in statistics at Southwestern University of Finance and Economics in June 1989 and was qualified as a certified accountant in June 2000. He was selected as "Outstanding CFO in China" by Xin Li Cai Magazine《新理財》in April 2009 and was chosen to be featured on the cover page of CFO World in April 2010.

WANG Huiwu (汪輝武), aged 47, is an executive Director, the chief executive officer and the president. Mr. Wang has been appointed as executive Director of the Company since 13 March 2017 and chief executive officer and president of the Company since 2 February 2018. Mr. Wang has been the chairman of Sichuan Mayflower Professional College (四川五月花專修學院) since December 2004; a director and the president of Hope Education since October 2007; a supervisor of Sichuan Guojian Investment Limited since December 2007; a director of Southwest Jiaotong University Hope College since January 2009; an executive director of Shanghai Shurui Investment Consultant Limited since September 2011; a director of Tianyi College since September 2011; a director of Ziyang Maysunshine Education Investment Limited since November 2012; the chairman of the council of Sichuan Hope Automotive Vocational College since May 2013; a director of Business College of Guizhou University of Finance and Economics since September 2014; a director of Jinci College of Shanxi Medical University since December 2014; the chairman of the council of Sichuan Hope Automotive Technical College since January 2017; and a director of WFOE since 19 January 2018.

Mr. Wang served as the principal and managing director of Chengdu Mayflower Computer Science Professional College (成都五月花計算機專業學校) from March 1999 to September 2007; and a supervisor of Hope Education from January 2005 to October 2007.

Mr. Wang graduated from Sichuan Normal University (Adult Higher Education) (四川師範大學(成人高等教育)) in June 2009, majoring in business administration, and from Sichuan Normal University with a bachelor's degree in education in June 2013.

LI Tao (李濤), aged 50, is an executive Director and the chief strategy officer. Mr. Li has been appointed as executive Director of the Company since 13 March 2017 and chief strategy officer of the Company since 2 February 2018. Mr. Li has served as a director of Tianyi College since September 2011; a director of Business College of Guizhou University of Finance and Economics since August 2014; a senior vice president of Hope Education since October 2014; a director of Jinci College of Shanxi Medical University since December 2014.

Mr. Li was the general manager of Chengdu Hanwang Technology Co., Ltd. (成都漢王科技有限公司) from July 1999 to December 2010. Chengdu Hanwang Technology Co., Ltd. is principally engaged in development of computer hardware technologies, technology transfer, technology consultation, technology services, investment consultation (excluding securities, finance, futures), sales of computer software, hardware and external equipment, machinery equipment and communication equipment (excluding radio equipment).

Mr. Li has been enrolled in the executive master of business administration distance learning program at China Europe International Business School in Beijing since May 2016.

WANG Degen (王德根), aged 49, is an non-executive Director. Mr. Wang has been appointed as an executive Director of the Company since 13 March 2017. Mr. Wang has served as the general manager of Neijiang Wanqian Feed Co., Ltd. (內江萬千飼料有限公司) since September 1999, Neijiang Wanqian Feed Co., Ltd. is principally engaged in process, production and sales of feed; the chairman of Sichuan Tequ Investment Group Limited since August 2005; a director of Hope Education since October 2007; the chairman of Hope Education since April 2012; the president of West Hope since March 2013; the chairman of Sichuan Dekang Farming and Technology Co., Ltd. (四川德康農牧科技有限公司) since April 2014, Sichuan Dekang Farming and Technology Co., Ltd. is principally engaged in sales of livestock and research and development of pigs farming; an authorized representative of Hope Education since May 2015; a council member of Southwest Jiaotong University Hope College since June 2016.

Mr. Wang served as the chairman and authorized representative of Southwest Jiaotong University Hope College from 20 July 2012 to 20 June 2016, and an executive director and authorized representative of Sichuan Guojian Investment Limited from April 2012 to May 2017.

Mr. Wang graduated from the MBA program at Guanghua School of Management of Peking University in July 2006, and graduated from electronic engineering profession (電子設備結構專業) at the University of Electronic Science and Technology of China in July 1994. Mr. Wang was awarded Outstanding Enterprising Talents in Sichuan Province (四川省優秀創業人才) by the People's Government of Sichuan Province of the Sichuan Provincial Party Committee (中共四川省委四川省人民政府) in August 2003; the "Top Ten Outstanding CEO" in China's animal husbandry and feed industry (中國畜牧飼料行業"十大傑出CEO") by the Feed Economy Specialized Committee of China in December 2012; he was elected as the vice president of Sichuan Youth Federation in the 13th session of the committee plenary meeting of Sichuan Youth Federation in December 2014.

LU Zhichao (吕志超), aged 49, is a non-executive Director. Mr. Lu has been appointed as a non-executive Director of the Company since 13 March 2017. Mr. Lu has served as the managing director of the Renminbi Mezzanine Fund at China Everbright Limited since 3 June 2013.

Mr. Lu served in several positions at Bank of Nova Scotia from April 2001 to May 2013, including the chief representative of the Beijing Representative Office and the strategy development officer of the China region. From May 1995 to August 1998, Mr. Lu served as the deputy chief of the credit approval department of Bank of Communication, Shenzhen Branch (交通銀行深圳分行). From February 1994 to April 1995, he served as the forex trading manager of Shenzhen Ben Feng Investment Consulting Co., Ltd. (深圳市本豐投資諮詢有限公司). Shenzhen Ben Feng Investment Consulting Co., Ltd. is principally engaged in investment consultation services. From October 1992 to January 1994, Mr. Lu served as the account executive of China Merchants Bank, Shenzhen Branch (招商銀行深圳分行).

Mr. Lu obtained a bachelor's degree in international finance from Renmin University of China (中國人民大學) in June 1992; a degree of master of arts from University of British Columbia in Canada in November 1999; a degree of master in business administration from University of Western Ontario in Canada in April 2001; and was qualified as a lawyer in China by the Ministry of Justice in September 1995.

TANG Jianyuan (唐健源), aged 52, is a non-executive Director. Mr. Tang has been appointed as non-executive Director of the Company since 13 March 2017. Mr. Tang has served as standing vice president and vice chairman of Sichuan Tequ Investment since December 2010 and a director of Hope Education since September 2016.

Mr. Tang served as the general manager at AnShun Tequ Feed Limited (安順特驅飼料有限公司) from April 2003 to December 2010. AnShun Tequ Feed Limited is principally engaged in process and sales of pigs and livestock feed.

Mr. Tang graduated from the executive master of business administration program at the School of Business of Renmin University of China (中國人民大學) in October 2006. In December 2016, he was elected vice president of Feed Industry Association of Sichuan Province (四川省飼料工業協會) and was awarded the National Science and Technology Progress Second Prize issued by the State Council in January 2018.

ZHANG Jin (張進), aged 61, is an independent non-executive Director. Mr. Zhang has been appointed as independent non-executive Director of the Company since 14 July 2018. Mr. Zhang has served as the chief accountant of West China Second University Hospital of Sichuan University since March 2015; the vice chairman of the Health Accounting Branch of China Health Economics Association since December 2015; a review expert in government procurement bidding of the Ministry of Finance since January 2013; the vice president of the Sichuan Health Economics Association since June 2016; a senior accountant review expert of Sichuan Province since February 2003; an internal control consultant of Sichuan Province since June 2017; a professor of Hospital Management Master of Business Administration of Sichuan University (四川大學) since June 2016; and a training expert in hospital management consulting in the PRC.

Mr. Zhang worked at the Health and Family Planning Commission of Sichuan Province till April 1988, being responsible for financial operation. He also served as a public servant before April 1998 and served as the finance minister of West China University Hospital of Sichuan University (四川大學華西醫院) from June 1998 to April 2011.

Mr. Zhang obtained a master's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in June 1990 and a MBA in hospital management from California American University in May 2006. Mr. Zhang qualified as a senior accountant in July 2000.

CHEN Yunhua (陳雲華), aged 68, is an independent non-executive Director. Mr. Chan has been appointed as independent non-executive Director of the Company since 14 July 2018. Mr. Chan has been hired by the Ministry of Public Security as the head of Public Security Policeman Training Center (公安幹警培訓基地) since March 2017.

Mr. Chen was awarded Class I Police Rank from February 2010 to August 2014. He served as the vice president of the Sichuan Police Academy (四川省警察學會) from March 2002 to August 2014; the principal of Sichuan Police Academy (四川警察學院) from June 2009 to August 2014; the deputy secretary to the Party committee from June 2009 to August 2014 and a committee member of 11th Chinese People's Political Consultative Conference of Sichuan Province (四川省十一屆政協) from October 2010 to November 2015.

Mr. Chen obtained an undergraduate degree in December 1993 and a master's degree in law from Sichuan Union University (四川聯合大學) in October 1998.

GAO Hao (高皓), aged 38, is an independent non-executive Director. Dr. Gao has been the director of the Global Family Business Research Center (全球家族企業研究中心) at the Tsinghua University Institute of Financial Research (清華大學國家金融研究院) since September 2015. He was the director of the Strategic Cooperation and Development Office (戰略合作與發展辦公室) and the executive director of the China Financial Case Center (中國金融案例中心) of Tsinghua University PBC School of Finance (清華大學五道口金融學院) from December 2014 to February 2020 and from June 2013 to December 2014, respectively. Dr. Gao's research and teaching center on corporate governance, corporate finance, family business and wealth management. He has authored more than 150 articles in domestic and international academic journals and finance magazines and has authored, edited or translated 15 books, and the cases co-authored were included as the first private bank case from Asia and the first family office case from China by Harvard Business School.

Dr. Gao has been appointed as a member of Global Future Councils and an expert of Expert Network of World Economic Forum since August 2019 and March 2019 respectively. He has been a council member of Think Tank Council of All-China Federation of Industry and Commerce (全國工商聯智庫委員會) since February 2019, a council member and research fellow of the China Enterprise Reform and Development Society (中國企業改革與發展研究會) since December 2018 and September 2017 respectively. Since October 2020, Dr. Gao has been a member of the China Board of STEP (國際信託與資產規劃學會) and the chairman of its sub-committee on public policy, Dr. Gao has been a member of FFI since July 2020. He has been the editor-in-chief of the Family Business Governance Series (家族企業治理叢書) and Family Wealth Succession Series (家族財富傳承叢書) by People's Publishing House/The Oriental Press (人民出版社／東方出版社) since December 2010, and an co-editor of Wealth Management Journal since January 2019.

Dr. Gao obtained a bachelor's degree in engineering from Tsinghua University in July 2005. He received a bachelor's degree in economics from Peking University in July 2007 and a doctorate degree in management science from Tsinghua University in June 2012. He received the postdoctoral certificate on applied economics (finance) from Tsinghua University in April 2017, and the postdoctoral certificate on theoretical economics from Tsinghua University in November 2019. Dr. Gao was awarded certificates on "Corporate Board", "Audit Committee" and "Remuneration Committee" from Harvard Business School in July 2015, and certificates on "merger and acquisition" and "manpower, culture and performance" from Stanford Graduate School of Business in August 2017. Dr. Gao also received the certificate on "corporate level strategy" from Harvard Business School in March 2018, the certificate on "venture capital" from Wharton School in May 2018, and the certificate on "High Performance Board" at the IMD Business School in October 2018. In August 2020, Dr. Gao also received the qualification certificate of independent director of listed company from Shenzhen Stock Exchange.

Dr. Gao has served as an independent non-executive director of Modern Media Holdings Limited (HKSE stock code: 72) since August 2016, and an independent director of Xinyuan Real Estate Co., Ltd. (NYSE stock code: XIN) since May 2018. He has been the independent non-executive director of Hope Education Group Co., Ltd. (HKSE stock code: 1765) since July 2018.

Senior Management

WANG Huiwu (汪輝武), aged 47, is the chief executive officer and the president. For the biography of Mr. Wang, see "– Directors".

JIANG Lin (蔣林), aged 53, is the chief operating officer and the executive vice president. Mr. Jiang has been appointed as chief operating officer and executive vice president since 2 February 2018. Mr. Jiang has served as a standing vice president of Hope Education since February 2016.

Mr. Jiang Lin served as a technician at Hunan Chenxi Posts and Telecommunication Bureau from July 1981 to December 1983; secretary at Hunan Chenxi Posts and Telecommunication Bureau from December 1983 to March 1993; general secretary at Hunan Posts and Telecommunication Bureau Administration Office from July 1987 to March 1993; assistant and deputy director at Hunan Posts and Telecommunication Bureau Administration Office from March 1993 to April 1995. Mr. Jiang worked at the General Research Office of Hunan Posts and Telecommunication Bureau from April 1995 to October 1995; served as deputy director at News Department of Posts and Telecommunication Bureau from October 1995 to December 1996; deputy director at Secretary office at Posts and Telecommunication Bureau from December 1996 to October 1997, responsible for overseeing the general operation. He served as the deputy director and special secretary at Secretary office at Posts and Telecommunication Bureau from October 1997 to March 1998; special secretary at Information and Industry Bureau from March 1998 to August 1998; manager and assistant to office director at People's telecommunication office of Information and Industry Bureau from August 1998 to December 2001; deputy director at People's telecommunication office of Information and Industry Bureau from December 2001 to July 2007. Mr. Jiang served as a committee member of the Standing Committee and deputy mayor of Sichuan Ziyang Municipal from July 2007 to September 2012 and a committee member of the Standing Committee of Sichuan Ziyang Municipal Committee from September 2012 to January 2016. He has rich experience in the education, health, business, investment advancement and modern service industries as well as in administrative management and education management.

Mr. Jiang studied for his secondary school diploma in integrated telecommunications at Hunan Posts and Telecommunications School (湖南省郵電學校) in July 1981, his junior college diploma in Party and government administration from Hunan Radio and Television University (湖南省廣播電視大學) in July 1987 and his bachelor's degree in economics and management from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) from August 2002 to December 2004. He studied business management at Graduate School of Chinese Academy of Social Science (中國社會科學院) from April 1994 to April 1996 and received his senior economist qualification from the Personnel department of the Ministry of Posts and Telecommunications of the People Republic of China in September 1998.

DIRECTORS AND SENIOR MANAGEMENT

LOU Qunwei (婁群偉), aged 51, is the senior vice president. Ms. Lou has been appointed as the senior vice president of the Company since 2 February 2018. Ms. Lou has served as a supervisor of Shanghai Shurui Investment Consultant Limited since September 2011; a director of Tianyi College since September 2011; a director of Sichuan Hope Automotive Vocational College since May 2013; the chairman of the council and legal representative of Sichuan Vocational College of Culture & Communication since July 2014; the senior vice president of Hope Education since October 2014; a council member of Sichuan Hope Automotive Technical College since January 2017; and a director of Sichuan Guojian Investment Limited since May 2017.

Ms. Lou served as assistant to the principal of Chengdu Jinjiang Cuisine School (now known as Chengdu New East Cuisine School) from November 2001 to August 2004; the head of office and external liaison officer of Chengdu Mayflower Computer Science Professional College from September 2004 to September 2007; the head of the human resources department, a manager of the administration department, an officer of the external liaison department and an assistant to the president of Hope Education from January 2005 to October 2014; and a director of Sichuan Yonghe Education Investment Limited from April 2014 to April 2017.

Ms. Lou received her junior college diploma education in economics and management at Xichang College (西昌學院) in July 1991 and a bachelor's degree in administrative management from China Central Radio and Television University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in July 2010.

LI Tao (李濤), aged 50, is the chief strategy officer. For the biography of Mr. Li, see "– Directors".

HE Xuan (何旋), aged 50, is the chief financial officer. Mr. He has been appointed as chief financial officer of the Company since 2 February 2018. Mr. He has served as the chief financial director of Hope Education since June 2017.

Mr. He worked as an accountant in Huaxi Hope Luohe Wanqian Feedstuff Co., Ltd. (華西希望漯河萬千飼料有限公司) from April 1999 to April 2000, and was responsible for the infrastructure financial auditing during the company's construction preparation period and assisting in the early stages of preparation, market research, establishment of company's management system etc.; as head of finance division of Huaxi Hope Luohe Wanqian Feed Co., Ltd. from May 2000 to October 2001 (in charge of overall operation); as vice manager of the finance department of Huaxi Hope Luohe Wanqian Feed Co., Ltd. from November 2001 to December 2002 (in charge of overall operation, also in charge of the administration office of the company during the period); as manager of the finance department of Huaxi Hope Luohe Wanqian Feed Co., Ltd. from January 2003 to April 2008, responsible for assisting the general manager in strengthening the daily operation and management, strictly implementing the systems of rewards and punishments and disciplines, as well as offering advice and opinions, thereby enabled the company to achieve economic benefits.

Mr. He received college education in accounting at Southwestern University of Finance and Economic in October 1997.

HUANG Zhongcai (黃忠財), aged 35, is the Vice President and Joint Company Secretary. Mr. Huang was appointed as the Vice President of the Company with effect from 14 November 2018 and as the Joint Company Secretary of our Company with effect from 15 March 2018. Mr. Huang has been the Vice President of Hope Education since July 2014.

From December 2012 to July 2014, he served as head of finance department at Chengdu Mayflower Computer Science Professional College. Mr. Huang worked at E'mei Shan E'mei Chun Spirits Co., Ltd. (峨眉山峨眉春酒業有限公司) as general manager from 2011 to 2012. He has also worked at Sichuan Xian Zhi Zhu Jian Tea Sales Co., Ltd. (四川省仙之竹尖茶葉銷售有限公司) as manager, responsible for finance operation.

In June 2007, Mr. Huang graduated from Sichuan Agriculture University (四川農業大學) with a bachelor's degree in finance management.

MA Jialing (馬嘉靈), aged 36, is the Vice President of the Group. Ms. Ma was appointed as the Vice President of the Company since 14 November 2018. Ms. Ma was appointed as the director of security management department and member of presidents' meeting (總裁辦公會) of Hope Education since October 2014 and formulated a logistics support system, a charge management and student status management system under group management. In 2016 and 2017, she was awarded as an outstanding employee of Hope Education Group for two consecutive years. She was appointed as the general manager of Chengdu Muma Car Rental Co., Ltd (成都木馬汽車租賃有限公司) since October 2014.

Ms. Ma served as the consulting teacher, principal assistant, head of financial department and assistant to the president of Chengdu Mayflower Computer Science Professional College (成都五月花計算機專業學校) from August 2006 to September 2014.

Ms. Ma obtained her bachelor's degree in music education from Mianyang Teachers' College in Sichuan in June 2006.

CHANGE IN DIRECTOR'S INFORMATION

Save as disclosed herein, the Directors confirmed that there was no information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules in respect of their biographies.

JOINT COMPANY SECRETARIES

HUANG Zhongcai (黃忠財) was appointed as one of the joint company secretaries of our Company on 15 March 2018. For the biography of Mr. Huang Zhongcai, see "– Senior Management".

LEUNG Wing Han Sharon (梁穎嫻) was appointed as one of the joint company secretaries of our Company on 15 March 2018. Ms. Leung is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Leung is a fellow 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.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the eight months ended 31 August 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group focuses on providing higher education services. Details of the activities of its principal subsidiaries and consolidated affiliated entities are set out in Note 1 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the eight months ended 31 August 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 124 of this annual report.

A fair review of the business of the Group during the year and its future development and outlook, important events affecting the Company that have occurred during the eight months ended 31 August 2020, an analysis of the Group's performance during the year using financial key performance indicators, and the Company's environment policy and performance as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report, which also constitute part of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance. The Group has also adopted the Model Code.

The Group and its activities are required to comply with the requirements of laws and regulations of China, including but not limited to the Foreign Investment Industries Guidance Catalogue (2017 version) (《外商投資產業指導目錄》(2017年修訂)), the Education Law of the PRC (《中華人民共和國教育法》), the Law for Promoting Private Education (《民辦教育促進法》), the Implementation Rules for the Law for Promoting Private Education (《民辦教育促進法實施條例》), the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) and other normative documents.

During the eight months ended 31 August 2020, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

EMPLOYEES

As of 31 August 2020, the Group had approximately 8,484 faculty members. For details of the gender and age distribution and loss rate of employees, see the "Environmental, Social and Governance Report" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers are primarily our students.

Our suppliers primarily comprise book suppliers, teaching equipment vendors, equipment and materials vendors and the university with which we have a partnership agreement. for the eight months ended 31 August 2020, the percentage of purchases attributable to the Group's five largest suppliers combined were less than 57.69% of our cost of revenue.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with employees, suppliers and customers. During the eight months ended 31 August 2020, there were no material and significant dispute between the Group and its employees, suppliers and/or customers.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in other section in this report, the following list is a summary of certain principal risks and uncertainties facing by the Group:

- Our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels.

- The private higher education business is relatively new and may not gain wide acceptance in China.

- We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditure.

- We may not be able to execute our growth strategies successfully or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities.

- We may not be able to successfully establish new schools pursuant to our proposed timeline or at all. We may not be able to successfully execute our plan to establish an university in the United States.

- We may not be able to successfully integrate businesses that we acquire, which may cause us to lose the anticipated benefits from such acquisitions and to incur significant additional expenses.

- We are subject to uncertainties brought by the Amendment of Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法修正案》) and the Draft Revision of the Implementation Rules on the Law for Promoting Private Education of the PRC (the Draft for Review) (《中華人民共和國民辦教育促進法實施條例(修正草案)(送審稿)》).

- We may not be able to register the independent colleges as for-profit private schools or complete relevant procedures or obtain the government registrations under the current form of the MOE Draft for Comments.

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.

The Company has implemented various measures to mitigate these risks and uncertainties. Further reviews are set out in the section headed "Corporate Governance Report – Risk Management and Internal Controls" in this annual report.

DIVIDEND POLICY

Our Company has adopted a dividend policy on payment of dividends. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant (including all applicable PRC laws and regulations which our schools are required to comply with). Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to propose payment of a final dividend of RMB0.008 per share for the eight months ended 31 August 2020, in a total amount of RMB60.38 million, and the final dividend shall be proposed in RMB and be paid in Hong Kong dollars. The exchange rate adopted for such translation is the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of final dividend (i.e. from 20 November 2020 to 26 November 2020) (HK$1.0 to RMB0.8484). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK$0.98 cents per share.

The final dividend will be paid on or about Monday, 12 April 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 26 March 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Friday, 29 January 2021. Notice convening the forthcoming annual general meeting and other relevant documents will be published and dispatched to the Shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the forthcoming annual general meeting to be held on Friday, 29 January 2021, the register of members of the Company will be closed from Tuesday, 26 January 2021 to Friday, 29 January 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 January 2021.

In order to be qualified for the final dividend, the register of members of the Company will be closed from Wednesday, 24 March, 2021 to Friday, 26 March, 2021 (both days inclusive), during which period no transfer of shares will be registered. All share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 March, 2021.

SHARE CAPITAL

Details of changes in the share capital of the Company during the eight months ended 31 August 2020 are set out in Note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the eight months ended 31 August 2020 are set out in Note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Company during the eight months ended 31 August 2020 are set out in Note 29 to the consolidated financial statements.

Our reserves available for distribution to the Shareholders consist of share premium. Under the Companies Law of the Cayman Islands and subject to compliance with the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividends to the Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 August 2020, the Company's reserve available for distribution to Shareholders amounted to approximately RMB3,670.4 million.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the eight months ended 31 August 2020 and up to the date of this annual report were:

Executive Directors
Mr. Xu Changjun *(Chairman)*
Mr. Wang Huiwu *(Chief Executive Officer and President)*
Mr. Li Tao *(Chief Strategy Officer)*

Non-Executive Directors
Mr. Wang Degen
Mr. Lu Zhichao
Mr. Tang Jianyuan

Independent Non-Executive Directors
Mr. Zhang Jin
Mr. Chen Yunhua
Dr. Gao Hao

Pursuant to Article 16.18 of the Articles of Association, Mr. Xu Changjun Mr. Zhang Jin, and Dr. Gao Hao shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for an initial term of three years from 24 July 2018, and is subject to re-election as and when required under the Articles of Association. The term of each of the service contracts shall end when the service contract is terminated in accordance with the terms and conditions of the service contract or by either party giving to the other party not less than one month's prior notice in writing.

Each of our independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years from 24 July 2018, and is subject to re-election as and when required under the Articles of Association, which may be terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other party not less than one month's prior notice in writing.

Save as aforesaid, no Director has a service contract or a letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 August 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Position	Capacity/Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at 31 August 2020[3]
Wang Huiwu (汪輝武)[1]	Executive Director	Interest in controlled corporation	4,140,948,240	Long Position	57.28%
Wang Degen (王德根)[2]	Non-executive Director	Interest of spouse	4,183,190,943	Long Position	57.86%

Notes:

(1) Wang Huiwu (汪輝武) holds 100% interest in Maysunshine Trust Limited (Credit Suisse Trust Limited as trustee), Maysunshine Trust Limited holds 100% interest in Maysunshine Holdings Limited, Maysunshine Holdings Limited hold 96% interest in Maysunshine Limited, Maysunshine Limited hold 49% interest in Hope Education Investment Limited, Hope Education Investment Limited holds 57.28% interest in the Company. Accordingly, Wang Huiwu (汪輝武) is deemed as holding interest in the Company through Hope Education Investment Limited.

(2) Wang Degen (王德根) and Zhang Qiang (張強) are spouses. Therefore, for the purpose of the SFO, Wang Degen (王德根) is deemed or taken to be interested in all the shares Zhang Qiang (張強) is interested in.

(3) Based on the number of issued Shares as at 31 August 2020, being 7,229,881,918 Shares.

Save as disclosed above, as at 31 August 2020, none of the Directors and chief executive(s) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Options granted to the Directors, at no time during the eight months ended 31 August 2020 was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporations.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the knowledge of any of Directors or chief executives of the Company, as at 31 August 2020, the following persons (other than the Directors or chief executives of the Company) or entities have an interest or short positions in Shares or underlying Shares of the Company which are 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 under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at 31 August 2020[3]
Hope Education Investment Limited[1]	Beneficial interest	4,140,948,240	Long Position	57.28%
Maysunshine Limited[1]	Interest in controlled corporation	4,140,948,240	Long Position	57.28%
Tequ Group A Limited[1]	Interest in controlled corporation	4,140,948,240	Long Position	57.28%
Tequ Group (Hong Kong) Company Limited[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司)[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Sichuan Tequ Investment[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
West Hope[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司)[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Zhang Qiang (張強)[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Chen Yuxin (陳育新)[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
Zhao Guiqin (趙桂琴)[1]	Interest in controlled corporation	4,183,190,943	Long Position	57.86%
China Everbright Limited[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%
Honorich Holdings Limited[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%
Datten Investments Limited[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%
China Everbright Holdings Co., Limited ("**CE Hong Kong**")[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%
China Everbright Group Ltd. ("**China Everbright Group**")[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%
Central Huijin Investment Limited ("**Central Huijin**")[2]	Interest in controlled corporation	572,019,338	Long Position	7.91%

Notes:

(1) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited.

Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares.

(2) China Everbright Limited was owned as to approximately 49.39% by Honorich Holdings Limited and 0.35% by Everbright Investment & Management Limited（光大投資管理有限公司）, respectively. Honorich Holdings Limited was wholly-owned by Datten Investments Limited, and each of Everbright Investment & Management Limited（光大投資管理有限公司）and Datten Investments Limited was in turn wholly-owned by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 63.16% by Central Huijin.

Accordingly, each of China Everbright Limited, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong, China Everbright Group and Central Huijin is deemed to be interested in the Shares or security interest in shares held by each of related controlled corporation under the SFO.

(3) Based on the number of issued Shares as at 31 August 2020, being 7,229,881,918 Shares.

Save as disclosed above, as at 31 August 2020, the Directors or chief executives of the Company are not aware of any other person or entity who has an interest or short positions in Shares or underlying Shares of the Company which are 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 under Section 336 of the SFO.

2018 PRE-IPO SHARE OPTION SCHEME

The Company adopted the 2018 Pre-IPO Share Option Scheme on 18 March 2018 for the purpose of incentivizing eligible participants for their contribution to the Group. The following is a summary of the principal terms of the 2018 Pre-IPO Share Option Scheme. The terms of the 2018 Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2018 Pre-IPO Share Option Scheme will not involve the grant of Pre-IPO Share Options by us to subscribe for Shares after we have become a listed issuer.

Purpose

The 2018 Pre-IPO Share Option Scheme is a share incentive scheme and is established to, among others, promote the success and enhance the value of the Company by linking the personal interests of the selected participants to those of the Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. The 2018 Pre-IPO Share Option Scheme will enable the Company to retain, motivate and reward the services of the selected participants, and to provide remuneration, compensation and/or benefits.

Who may Join

The eligible participants under the 2018 Pre-IPO Share Option Scheme (the "**Participants**") include the following:

(i) any director (including Executive Director, Non-executive Director and Independent Non-executive Director) of any member of the Group from time to time and any employee or officer of any member of the Group; and

(ii) any senior officer, advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group;

whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Maximum Number of Shares

The total number of Shares subject to the 2018 Pre-IPO Share Option Scheme is 500,000,000 Shares, representing approximately 6.92% of the total issued Shares as at the date of this annual report.

Maximum Entitlement of Each Participant

Under the 2018 Pre-IPO Share Option Scheme, the Board shall be entitled to make an offer to any participant for the grant of an option for the subscription of such number of Shares as the Board may determine. Any offer may be accepted by the grantees of the Pre-IPO Share Options (the "**Grantees**") in respect of less than the number of Shares to which the offered option relates.

Vesting and Exercise Period

Except as provided otherwise and subject to the terms and conditions upon which such Pre-IPO Share Option was granted, the vesting period for any Pre-IPO Share Option granted to a Grantee under the 2018 Pre-IPO Share Option Scheme will be stated in the grant letter through which the offer is made.

The Pre-IPO Share Options are only exercisable upon the Listing of our Shares on the Hong Kong Stock Exchange. There is no performance target that needs to be achieved by the Grantee before the Pre-IPO Share Options can be exercised.

Amounts Payable for Application or Acceptance of Share Options

The Pre-IPO Share Option shall remain open for acceptance by the participant to whom an offer is made for a period of five days from the offer date, provided that no such offer shall be open for acceptance after the 2018 Pre-IPO Share Option Scheme has been terminated in accordance with the provisions thereof. HK$1.00 is required to be paid by the Grantees as consideration for the grant of the Pre-IPO Share Option.

Exercise Price

There are in total three tranches of Pre-IPO Share Options under the 2018 Pre-IPO Share Option Scheme, namely Pre-IPO Share Options under tranche A ("**Tranche A Options**"), tranche B ("**Tranche B Options**") and tranche C ("**Tranche C Options**"). Subject to any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of the Company, the exercise price is HK$0.68 for Tranche A Options, HK$1.07 for Tranche B Options, and HK$1.30 for Tranche C Options.

Duration of the 2018 Pre-IPO Share Option Scheme

The 2018 Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the scheme adoption date of 18 March 2018 and expiring on the day immediately prior to the date on which the Shares first commence trading on the Hong Kong Stock Exchange (i.e. 3 August 2018), after which period no further Pre-IPO Share Options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

Share Options Granted under the 2018 Pre-IPO Share Option Scheme

As of 31 August 2020, the number of relevant Shares subject to outstanding options granted under the 2018 Pre-IPO Share Option Scheme is 347,956,042 Shares, representing approximately 4.8% of the issued share capital of the Company. As of 31 August 2020, our Company had granted Pre-IPO Share Options to 321 Participants under the 2018 Pre-IPO Share Option Scheme.

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme:

Granted	As at 1 January 2020	Grantees during the period	Exercised during the period	Lapsed during the period	As at 31 August 2020	Date of grant	Exercise period	Exercise Price per share option RMB per share	Vesting period	price of share of the Company before the date of grant RMB per share	Immediately before the date of exercise RMB per share	As at the date of exercise of share options HK$ per share
Directors												
Xu Changjun	1,288,871	–	–	–	1,288,871	18 March 2018	From 2 February 2019 to 2 August 2038	0.9311	From 18 March 2018 to 2 February 2019	–	–	–
	859,247		859,247		–		From 2 February 2020 to 2 August 2020		From 18 March 2018 to 2 February 2020			
Li Tao	6,659,167	–	10,000	–	6,649,167	18 March 2018	From 2 February 2019 to 2 August 2038	0.9311	From 18 March 2018 to 2 February 2019	–	–	–
	2,685,148	–	2,685,148	–	–		From 2 February 2020 to 2 August 2020		From 18 March 2018 to 2 February 2020			
Sub-total	**11,492,433**	**–**	**3,554,395**	**–**	**7,938,038**					**–**	**–**	**–**
Employees (including Senior Management) and other Grantees												
319 individuals	434,930,021	–	94,659,523	252,494	340,018,004	18 March 2018	From 2 February 2019 to 2 August 2038 or From 2 February 2020 to 2 August 2020	0.9311/1.131	From 18 March 2018 to 2 February 2019 or From 18 March 2018 to 2 February 2020	–	–	–
Total	**446,422,454**	**–**	**98,213,918**	**252,494**	**347,956,042**					**–**	**–**	**–**

As of 31 August 2020, save for disclosed above, no share options were exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme.

Note: Details of the 2018 Pre-IPO Share Option Scheme adopted on 18 March 2018 are set out in note 28 to the consolidated financial statements of this annual report.

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

During the eight months ended 31 August 2020, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group on 31 August 2020 are set out in Note 25 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the 2018 Pre-IPO Share Option Scheme as described in the above, no equity-linked agreements were entered into by the Company during the eight months ended 31 August 2020.

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, during the eight months ended 31 August 2020, none of the Directors or entities connected with the Directors, had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its controlling company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the eight months ended 31 August 2020.

CONTRACTS OF SIGNIFICANCE ENTERED INTO WITH CONTROLLING SHAREHOLDERS

During the eight months ended 31 August 2020, save as disclosed in the section headed "Continuing Connected Transactions" in this report, no other contract of significance was entered into by the Company or any of its subsidiaries with the Controlling Shareholders of the Company or its subsidiaries.

During the eight months ended 31 August 2020, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder of the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

In the related party transactions disclosed in Note 31 to the consolidated financial statements, the following transactions constitute continuing connected transactions of the Company and need to be disclosed in this annual report under Chapter 14A of the Listing Rules. The Company confirms that it has been in compliance with disclosure requirements under Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

1. **Property Leasing Framework Agreement**

Since 2014 and during the eight months ended 31 August 2020, our schools have leased certain properties to certain of the 30%-controlled companies of Mr. Wang Huiwu and the then subsidiaries of Hope Education, which became subsidiaries of Tequ Education following the division as discussed in "History – Reorganization of our Consolidated Affiliated Entities – The Division of Hope Education for Delineation of Business" in the Prospectus. Our Company, Mr. Wang Huiwu and Tequ Education entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") on 20 July 2018 in respect of the leasing of land, buildings, ancillary facilities from us to Tequ Education and/or its associates. The following table sets forth a summary of the Property Leasing Framework Agreement.

Lessee	Lessor	Duration of the Lease	Description of the properties leased	Historical amounts for the year ended 31 December				Proposed annual cap for the year ended 31 December		
				(in millions of RMB)						
				2016	2017	2018	2019	2018	2019	2020
Mr. Wang Huiwu and Tequ Education and/or their respective associates	Our Company	For a period of three years commencing on the Listing Date; if neither party raises any objection and subject to the regulatory requirements in the place where our Shares are listed, the term will be automatically renewed for a further term of three years upon expiry.	Land area of approximately 0.3 million sq.m.; gross floor area of approximately 0.2 million sq.m.	24.6	23.3	25.9	20.0	27.0	29.0	31.0

As Mr. Wang Huiwu is an executive Director of our Company and Tequ Education is an associate of our Substantial Shareholders, each of Mr. Wang Huiwu and Tequ Education is our connected person under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules.

Mr. Wang Huiwu and Tequ Education and/or their respective associates lease certain of our properties for the use of teaching, training and ancillary activities, and we expect that we will continue to lease such properties to Mr. Wang Huiwu and Tequ Education and/or its associates in the future to better utilize our idle properties.

The rental receivable per annum is determined with reference to the market rate as determined by our property valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, pursuant to applicable laws and regulations and the Listing Rules.

The amounts of rent paid or payable by Tequ Education and/or its associates to us for the years ended 31 December 2017, 2018, 2019 and eight months ended 31 August 2020 were RMB23.3 million, RMB25.9 million and RMB20.0 million and 12.3 million, respectively. The annual caps were estimated based on the rental receivable as determined with reference to (i) the historical amounts; and (ii) as advised by our property valuer, according to market practice, landlords would usually offer a discounted rental rate for the first couple of years in long-term leases of large sites, after which rental rates would be gradually increased over the course of the term of the lease. Our property valuer has confirmed that (i) the terms and conditions of the Property Leasing Framework Agreement are made on normal commercial terms, fair and reasonable and on market rate; and (ii) the total amount payable to us under the Property Leasing Framework Agreement is no less favorable than those offered by Independent Third Parties.

2. **Equipment Procurement Framework Agreement**

We entered into an equipment procurement framework agreement with Sichuan Mayflower Precision Instrument Co., Ltd. (四川五月花精密機械有限公司) ("**Mayflower Precision Instrument**") on 20 July 2018 (the "**Equipment Procurement Framework Agreement**"), whereby Mayflower Precision Instrument agreed to sell certain equipment to our Group, including but not limited to dormitory beds, student training equipment such as models and tools.

The Equipment Procurement Framework Agreement became effective on the Listing Date and is valid for a term of three years. If neither party raises any objection and subject to the regulatory requirements in the place where our Shares are listed, the term will be automatically renewed for a further term of three years upon expiry.

Mayflower Precision Instrument is a majority-controlled company of Mr. Wang Huiwu, an executive Director. Therefore, Mayflower Precision Instrument is a connected person under Rules 14A.07(1) and 14A.12(1)(c) of the Listing Rules.

The Group has from time to time purchased equipment including dormitory beds and student training equipment from Mayflower Precision Instrument. Based on the established long-term cooperation relationship between Mayflower Precision Instrument and our Group, Mayflower Precision Instrument has a track record of providing stable supply of quality and customized equipment. As compared to many other suppliers who are Independent Third Parties, Mayflower Precision Instrument has a better understanding of the equipment required by educational institutions, and our needs. Furthermore, there had not been any material disputes between our Group and Mayflower Precision Instrument with regard to settlement and quality of the equipment procured. Our Directors (including the non-executive Directors) are of the view that it is in the interest of our Company and the Shareholders as a whole to enter into the Equipment Procurement Framework Agreement and continue to procure equipment from Mayflower Prevision Instrument.

Under the Equipment Procurement Framework Agreement, the procurement costs shall be determined on a cost-plus basis, with a mark-up rate of no more than 5%, which is arrived at after arm's length negotiation between the parties and with reference to market price for similar products provided by suppliers who are Independent Third Parties in the vicinity. With respect to the assessment and selection of equipment suppliers, the Group will compare the quotations submitted by no less than two suppliers who are Independent Third Parties with that of Mayflower Precision Instrument before entering into any definitive equipment procurement agreement, taking into account a variety of factors including but not limited to price, quality of products and prior cooperation relationship.

The procurement costs payable by our Group to Mayflower Precision Instrument for the three years ended 31 December 2017, 2018, 2019 and for the eight months ended 31 August 2020 were RMB3.78 million, RMB5.53 million and nil and nil respectively.

The maximum amount of procurement costs payable to Mayflower Precision Instrument for each of the three years ended 31 December 2018, 2019 and 2020 shall not, based on the aforesaid pricing mechanism, exceed the caps set out below:

	Proposed annual cap for the year ended 31 December		
	2018	**2019**	**2020**
		(RMB'000)	
Total amount	6,000	6,000	6,000

In arriving at the above annual caps, our Directors have considered (i) the prevailing market rates for the similar types of equipment in the vicinity; (ii) the historical procurement costs incurred by our Group during the Track Record Period; and (iii) the expected increase in demand for relevant equipment in light of our potential business development and expansion plan to construct new schools.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company, having considered the summary of continuing connected transactions of the Group as recorded during the eight months ended 31 August 2020, have confirmed that the above continuing connected transactions for the eight months ended 31 August 2020 were entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Independent Auditor

Ernst & Young, the independent auditor of the Company, has been 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.

In respect of Rule 14A.56 of the Listing Rules, Ernst & Young has provided a letter to the Board containing its findings and conclusions, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board of Directors; (ii) 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 terms of the relevant agreements governing such transactions; and (iii) with respect to the aggregate amount of each of the abovementioned continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the maximum aggregate annual value disclosed in the Prospectus. The auditor has provided the auditor's letter to the Hong Kong Stock Exchange.

The Directors confirmed that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

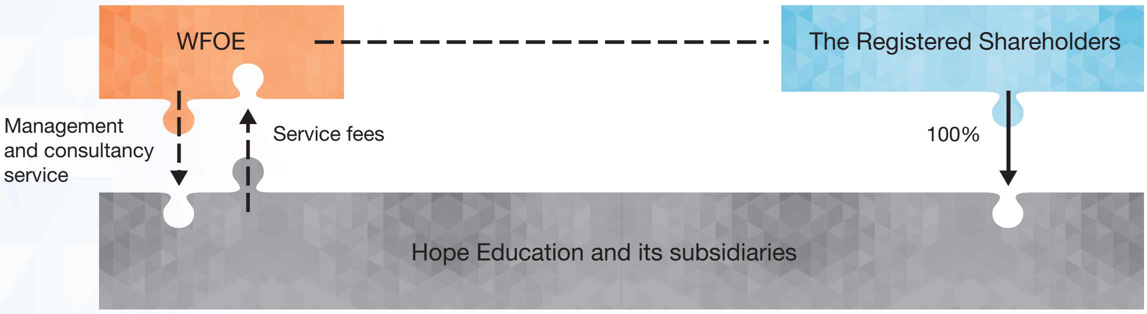
3. Contractual Arrangements

Reasons for Entering into Contractual Arrangements

We currently conduct our private education business through our consolidated affiliated entities in the PRC, as PRC laws and regulations, or the implementation of PRC laws and regulations relating to foreign ownership in the higher education industry by relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign ownership in the private education sector have, with very limited exception, been withheld. We do not hold any direct equity interest in our consolidated affiliated entities. 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 minimize 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, on 14 March 2018, our wholly-owned subsidiary, WFOE entered into various agreements (as amended and superseded by certain agreements dated 22 June 2018, as the case may be) that together constitute the contractual arrangements with, among others, our consolidated affiliated entities, under which substantially all economic benefits arising from the business of our consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by our consolidated affiliated entities to WFOE.

The following simplified diagram illustrates the flow of economic benefits from Hope Education to us under the contractual arrangements:



Notes:

(1) "⟶" denotes direct legal and beneficial ownership in the equity interest.

(2) "- - -▶" denotes contractual relationship.

(3) "– – –" denotes the control by WFOE over the Registered Shareholders through (1) powers of attorney to exercise all shareholders' rights in Hope Education, (2) exclusive options to acquire all or part of the equity interests in Hope Education and (3) equity pledges over the equity interests in Hope Education.

(4) Registered Shareholders refer to shareholders of Hope Education, namely, Sichuan Tequ Investment, Chengdu Mayflower Investment Management, CEL Maiming and Guangwei Qinghe.

As of the date of this annual report, we had not encountered any interference or encumbrance from any PRC governing bodies in relation to the contractual arrangements. The consolidated financial results of our consolidated affiliated entities, which engage in education service, are consolidated into those of our Group.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the contractual arrangements and the nature of their connection with our Group. The transactions under the contractual arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationships
Sichuan Tequ Investment and Chengdu Mayflower Investment Management	A substantial shareholder of Hope Education, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Wang Huiwu and Tang Jianyuan	Substantial Shareholders and Directors of the Company and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Wang Degen	A Director of the Company, and a substantial shareholder and a director of Hope Education and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Sichuan Shengbo Genyuan Trade Limited (四川生搏根源貿易有限公司), Fu Wenge (付文革), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒)	Substantial Shareholders of the Company and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Chengdu Mayflower Investment Management, CEL Maiming, Guangwei Qinghe	Substantial Shareholders of Hope Education and therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules
Spouses of the Substantial Shareholders (as applicable)	Spouses of the Substantial Shareholders of the Company and therefore connected persons of our Company under Rule 14A.07(1) and Rule 14A.12(1)(a) of the Listing Rules

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Exclusive Management Consultancy and Business Cooperation Agreement

Pursuant to the exclusive management consultancy and business cooperation agreement dated 14 March 2018 entered into by and among WFOE, Hope Education and its subsidiaries and its Registered Shareholders (the "**Exclusive Management Consultancy and Business Cooperation Agreement**"), WFOE has the exclusive right to provide, or designate any third party to provide each of our consolidated affiliated entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services. WFOE is entitled to own all intellectual property rights arising out of the performance of this agreement. Our consolidated affiliated entities agree to pay the entirety of their total income for the services provided by WFOE (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld).

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on 22 June 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second exclusive management consultancy and business cooperation agreement (the "**Second Exclusive Management Consultancy and Business Cooperation Agreement**"), which replaced and superseded the Exclusive Management Consultancy and Business Cooperation Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Exclusive Management Consultancy and Business Cooperation Agreement are substantially the same as those of the Exclusive Management Consultancy and Business Cooperation Agreement.

In order to comply with the PRC laws and regulations while availing the Company to international capital markets and maintaining effective control over all of the operations, on 8 July 2020, the Company, WFOE, Tequ Mayflower WFOE, Hope Education and its subsidiaries and its Registered Shareholders entered into the Supplemental Agreement to supplement the terms of the Second Exclusive Management Consultancy and Business Cooperation Agreement, under which substantially all economic benefits arising from the business of the Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by the Consolidated Affiliated Entities to WFOE.

(2) Exclusive Call Option Agreement

Under the exclusive call option agreement dated 14 March 2018 entered into among WFOE, Hope Education and its Registered Shareholders (the "**Exclusive Call Option Agreement**"), the Registered Shareholders unconditionally and irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in Hope Education for the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Hope Education. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall return the amount of purchase price they have received to WFOE or its designated third party. WFOE has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on 22 June 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second exclusive call option agreement (the "**Second Exclusive Call Option Agreement**"), which replaced and superseded the Exclusive Call Option Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Exclusive Call Option Agreement are substantially the same as those of the Exclusive Call Option Agreement.

(3) Equity Pledge Agreement

Pursuant to the equity pledge agreement dated 14 March 2018 entered into by and among WFOE, Hope Education and its Registered Shareholders (the "**Equity Pledge Agreement**"), the Registered Shareholders unconditionally and irrevocably offered first priority pledge over all of the equity interests in Hope Education to WFOE to guarantee (i) performance of the obligations of Hope Education, its subsidiaries and the Registered Shareholders under the Exclusive Management Consultancy and Business Cooperation Agreement; and (ii) performance of Hope Education and the Registered Shareholders' obligations under the Exclusive Call Option Agreement and the Powers of Attorney (as defined below). Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE's interest.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on 22 June 2018, the WFOE, Hope Education and its Registered Shareholders entered into a second equity pledge agreement (the "**Second Equity Pledge Agreement**"), which replaced and superseded the Equity Pledge Agreement in its entirety. Save for the date of and parties to the agreement, the terms and conditions of the Second Equity Pledge Agreement are substantially the same as those of the Equity Pledge Agreement.

(4) Powers of Attorney

The Registered Shareholders have executed an irrevocable power of attorney dated 14 March 2018 appointing WFOE, or any person designated by WFOE (excluding non-independent persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Hope Education requiring shareholders' approval under its respective articles of associations and under the relevant PRC laws and regulations. The power of attorney remains effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement. As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on 22 June 2018, each of the Registered Shareholders has executed an irrevocable power of attorney, which replaced and superseded the powers of attorney executed by the Registered Shareholders on 14 March 2018 in their entirety. Save for the date of the powers of attorney, the terms and conditions of the powers of attorney dated 22 June 2018 are substantially the same as those dated 14 March 2018.

(5) Shareholders' Undertaking

Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), West Hope, Wang Degen (王德根), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒) gave an undertaking on 14 March 2018 and Wang Huiwu (汪輝武), Fu Wenge (付文革), Wang Degen (王德根) gave an undertaking on 14 March 2018 in favor of our Company and WFOE, to acknowledge and agree the Registered Shareholders to offer first priority pledge over all of their respective equity interests in Hope Education to WFOE (the "**Shareholders' Undertaking**"). Pursuant to Shareholders' Undertaking, each of the promisors does not and will not use their direct or indirect interests in the Registered Shareholders to make pledge, sale, other third party guarantees, other third party priority rights, or other disposals or transactions that have equal economic effects to affect the first priority pledge over interests in Hope Education to WFOE and the stability of the operation of contractual arrangements, nor he/she/it will directly or indirectly engage in, possess, invest, participate in or operate any businesses or activities which compete or might compete with Hope Education and its subsidiaries ("**Competing Businesses**") with any information obtained from Hope Education or its subsidiaries, or derive any benefits from any Competing Businesses.

As Zhuhai Maiwen became a shareholder of Hope Education after conversion of the Convertible Loan and thus a Registered Shareholder, on 22 June 2018, each of CEL Huiling (also being the general partner of Zhuhai Maiwen) and Yixing CEL executed an undertaking on 22 June 2018 in favour of our Company and WFOE to acknowledge and agree the Registered Shareholders (including Zhuhai Maiwen) to offer first priority pledge over all of their respective equity interests in Hope Education to WFOE (the "**Second Shareholders' Undertaking**"). The Second Shareholders' Undertaking replaced and superseded the Shareholders' Undertaking in its entirety. Save for the date of the undertaking, the terms and conditions of the Second Shareholders' Undertaking are substantially the same as those of the Shareholders' Undertaking.

Business Activities of Consolidated Affiliated Entities

Consolidated affiliated entities of the Group includes Hope Education and its subsidiaries (i.e. our schools and our education investment platforms). The principle business of Hope Education and our education investment platforms is higher education investment. Our schools mainly provide higher education services.

The Importance and Financial Contribution of the Consolidated Affiliated Entities to the Group

Under the contractual arrangements, our Group has obtained control of the consolidated affiliated entities through WFOE and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the consolidated affiliated entities. The following table sets forth the financial contributions of the consolidated affiliated entities to the Group:

	The Importance and Financial Contribution to the Group		
	Income	Net profit	Total assets
	For the Eight months ended 31 August 2020	For the Eight months ended 31 August 2020	As at 31 August 2020
The importance and financial contribution to the Group	95.41%	112.60%	87.24%

Income and Assets Involved in the Contractual Arrangements

The following table sets forth the (i) income; and (ii) the total assets involved in the consolidated affiliated entities for the eight months ended 31 August 2020, which will be consolidated into the Group's financial statements in accordance with the contractual arrangements:

	Income RMB million	Assets RMB million
Consolidated Affiliated Entities	832.06	10,831.94

Governing Framework

(1) Higher education

Pursuant to the Foreign Investment Industries Guidance Catalogue (Amended in 2017) (the "**Foreign Investment Catalogue**"), the provision of higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of schools or education institutions shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**"). On 28 June 2018, the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) and Ministry of Commence of the PRC (中國商務部) jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List**"), which became effective on 28 July 2018 and replaced the Foreign Investment Catalogue. Under the Negative List, the restriction on foreign investments in higher education remain unchanged.

In relation to the interpretation of "Sino-foreign cooperation", pursuant to the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013 (the "**Sino-Foreign Regulation**"), the foreign investor in a Sino-foreign joint venture school which provides higher education mainly for PRC students (a "**Sino-Foreign Joint Venture Private School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), 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. All of our schools are 100% held by PRC entities. Our PRC Legal Advisor is of the view that none of our schools is a Sino-foreign joint venture private school, nor are they subject to the Sino-Foreign Regulation, including the Foreign Control Restriction.

Our PRC Legal Advisor has advised that as at the date of this annual report, there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations, and it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience or form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

(2) Plan to comply with the Qualification Requirement

We have adopted a specific plan and have begun to take concrete steps which we reasonably believe are meaningful endeavors to demonstrate the compliance with the Qualification Requirement. For our efforts and actions taken to comply with the Qualification Requirement, please refer to "Contractual Arrangements" in the Prospectus. As at the date of this annual report, we are still awaiting the approval of The Bureau for Private Post-secondary Education for the establishment of a school in California, and in the process of searching for appropriate school premises as well as suitable management for the operation of the new university in California, the United States, with assistance from the U.S. Consultant. For taking the steps mentioned above, we incurred approximately US$70,000.

Our PRC Legal Advisor is of the view that while Sino-foreign cooperative schools are to be jointly established by both foreign and domestic educational institutions, 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 that it meets the Qualification Requirement. Based on their understanding of the existing general provisions of the Qualification Requirement and the steps that we have undertaken as mentioned above, our PRC Legal Advisor is of the view that we are taking all reasonable steps towards fulfilling the Qualification Requirement.

Our PRC Legal Advisor has also advised that if the Foreign Ownership Restriction and the Foreign Control Restriction are both removed but the Qualification Requirement remains, we will be able to operate our schools in the PRC directly through Hope California in the event that Hope California gains sufficient foreign experience to satisfy the current Qualification Requirement and obtains approval from the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School.

We have undertaken to the Hong Kong Stock Exchange that we will:

- under the guidance of our PRC Legal Advisor, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

- provide periodic updates in our annual and interim reports after the Listing to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

As of the Latest Practicable Date, there is no further development regarding this plan.

(3) Foreign Investment Law

For details of the latest development of the Foreign Investment Law, please refer to "– Significant Events after the Reporting Period – Foreign Investment Law and its Impact on the Group and its Business Operation".

Risks in relation to the Arrangements and Actions Taken to Reduce Risks

Our wholly-owned subsidiary WFOE entered into the contractual arrangements pursuant to which it is entitled to receive substantially all of the economic benefits from our consolidated affiliated entities. We have been and are expected to continue to be dependent on our contractual arrangements to operate our education business. If the contractual arrangements that establish the structure for operating our China business are found to be in violation of any existing or future PRC laws, rules or regulations or fail to obtain or maintain any of the required permits or approvals, we may not be able to consolidate the results of operations of our consolidated affiliated entities. The relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries or consolidated affiliated entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or consolidated affiliated entities;
- imposing additional conditions or requirements with which we, our PRC subsidiaries or consolidated affiliated entities may not be able to comply;
- requiring us to undergo a costly and disruptive restructuring such as forcing us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- restricting or prohibiting our use of proceeds from public offering or other financing activities to finance our business and operations in China; or
- taking other regulatory or enforcement actions, including imposing fines, which could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business in China and a loss of our economic benefits in the assets and operations of our consolidated affiliated entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the consolidated affiliated entities or our right to receive its economic benefits, we would no longer be able to consolidate such entity. Such entity contributes substantially all of our consolidated net revenues.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the contractual arrangements and our compliance with the contractual arrangements:

- major issues arising from the implementation and compliance with the contractual arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board will review the overall performance and compliance with the contractual arrangements at least once a year;

- our Company will disclose the overall performance and compliance with the contractual arrangements in our annual reports;

- our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under "Contractual Arrangements – Background to the Contractual Arrangements" in the Prospectus and the latest development of the applicable laws and regulations as disclosed under "Contractual Arrangements – Development in PRC Legislation on Foreign Investment" in the Prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

- our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the contractual arrangements, review the legal compliance of WFOE and our consolidated affiliated entities to deal with specific issues or matters arising from the contractual arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and we are capable of managing our business independently after the Listing under the following measures:

- the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

- each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company;

- we have appointed three independent non-executive Directors, comprising half of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

- we will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Review the Transactions Carried Out during the Reporting Period in accordance with the Contractual Arrangements

Our independent non-executive Directors have reviewed the contractual arrangements and confirmed for the eight months ended 31 August 2020, that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the contractual arrangements, (ii) no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the consolidated affiliated entities during the relevant financial period are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole.

The Board has reviewed the overall performance and compliance of the contractual arrangements for the eight months ended 31 August 2020.

The auditor of the Group has reviewed the transactions carried out under the contractual arrangements 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, and a letter has been sent to the Directors and a copy has been sent to the Hong Kong Stock Exchange to confirm that the transactions have been approved by the Directors and has been entered into in accordance with the relevant contractual arrangements and that no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

The Directors confirmed that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of the contractual arrangements.

Material Changes

As of the date of this annual report, there is no material change in the circumstances on which the contractual arrangements and/or the adoption of the contractual arrangements are based.

Unwind the Contractual Arrangements

As of the date of this annual report, no contractual arrangements have been unwound and no circumstances occurred in which contractual arrangements could not be unwound in the event of cancellation of restrictions on the adoption of the contractual arrangements. For details, please refer to "Contractual Arrangements – PRC Laws and Regulations relating to Foreign Ownership in the Higher Education Industry – Circumstances in which we will unwind the Contractual Arrangements" in the Prospectus. If the regulatory environment in China changes and all Qualification Requirements are removed or we are able to meet the Qualification Requirements, and the Foreign Ownership Restriction and the Foreign Control Restriction are removed (assuming there are no other changes in the relevant PRC laws and regulations), our Company will be allowed to directly hold 100% of the interests in our schools and our Company will fully unwind the contractual arrangements and directly hold all equity interest in the schools. Our Company will also acquire rights to appoint all members to the board of directors of the schools.

LAND USE RIGHT CERTIFICATES, BUILDING OWNERSHIP CERTIFICATES AND FIRE CONTROL ASSESSMENT REQUIREMENTS

As of 31 August 2020, the total area of land used by our schools which had not obtained the land use right certificates and has not paid the land transfer fee increase as compared with the previous year. The lack of land use right certificates is due to the insufficient quota for the land for educational use as a result of government's zoning policies. The competent authorities are completing their internal procedures to modify the zoning policies and to issue the land use right certificates.

As of 31 August 2020, 41.91% of the total housing area of our schools had not yet obtained the building ownership certificates, primarily due to the lack of construction planning permit (建設工程規劃許可證), construction commencement permit (施工許可證) and acceptance inspection upon completion (竣工驗收), having not passed fire control assessment and/or environmental protection inspection assessment as required under relevant PRC laws and regulations. We have implemented extensive and comprehensive measures to rectify the above defects in our owned buildings and buildings under construction. We are in the process of applying to relevant government authorities for the relevant outstanding certificates and permits and are closely following up with the government authorities with respect to our applications.

In addition, as of 31 August 2020, some of our schools did not fully meet the regulatory requirements in terms of the teaching and administrative building area per student or the site area per student.

As of 31 August 2020, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the defects of the properties mentioned above. The Directors are of the view that the defects of our owned properties above will not have any significant and adverse effect on our operations and financial conditions as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the eight months ended 31 August 2020 are presented in Note 31 to the consolidated financial statements. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

NON-COMPETE UNDERTAKING

Each of West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴), Zhang Qiang (張強), Wang Degen (王德根), Tang Jianyuan (唐健源), Liu Birong (劉碧容), Wang Qiang (王強), Lan Hai (蘭海), Zeng Zheng (曾正), Zhou Xingbang (周興幫), Wang Xiaoguo (王孝國), Xiao Song (肖崧), Mei Shaofeng (梅紹鋒), Wang Huiwu (汪輝武) and Fu Wenge (付文革), being our Controlling Shareholders, and their respective close associates undertake to our Company and WFOE as part of the contractual arrangements that, unless with the prior written consent of WFOE and Hope Education, so long as he/she/it remains a shareholder of Hope Education, each of the aforementioned Controlling Shareholders and their respective close associates will not directly or indirectly engage in, possess, invest, participate in or operate any businesses or activities which compete or might compete with the existing businesses of Hope Education and its subsidiaries ("**Competing Businesses**") for interests of itself or other parties, or engage in Competing Businesses with any information obtained from Hope Education or its subsidiaries, or derive any benefits from any Competing Businesses.

As of the date of this annual report, the Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with the business of Hope Education or its subsidiaries.

For details of the non-compete undertakings, please refer to "Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Non-compete Undertaking" and "Relationship with Controlling Shareholders – Corporate Governance Measures" in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the non-compete undertaking during the eight months ended 31 August 2020 for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the non-compete undertaking during the eight months ended 31 August 2020 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the non-compete undertaking.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates is engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

REMUNERATION POLICIES AND DIRECTORS' REMUNERATION

As of 31 August 2020, the Group had approximately 8,484 faculty members. Employee compensation includes salary, bonus and stock option schemes. The Group provides pre-employment training for new teachers to help new teachers integrate into the teaching staff faster and better. The remuneration packages of the Group's employees are determined by reference to individual qualifications, experience, performance, contribution to the Group and current market standards. In accordance with PRC laws and regulations, the Group participates in employee social security schemes managed by local governments for employees, including housing, pensions, medical insurance, maternity insurance and unemployment insurance.

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on the remuneration policies and structure for all Directors and senior management as well as on the establishment of formal and transparent procedures for developing remuneration policies, taking into account the skills, knowledge and experience of the Board. None of the Directors shall determine his own remuneration.

The Directors and senior management may also receive options to be granted under the 2018 Pre-IPO Share Option Scheme. For further details of the 2018 Pre-IPO Share Option Scheme, see "2018 Pre-IPO Share Option Scheme" on page V-16 of the Prospectus.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 8 and Note 9 respectively, to the consolidated financial statements in this annual report.

None of the Directors has waived any remunerations for the eight months ended 31 August 2020.

RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the Company's retirement and employee benefit plans are set out in Note 2.5 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the public information available to the Company and to the best knowledge of the Directors, the Company has been maintained the public float as required by the Listing Rules as of the date of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on the section headed "Financial and Business Summary" of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS

(1) Use of Proceeds from the Listing

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB2,704.86 million. As at 31 August 2020, the Group has utilized a total of RMB1,767.49 million of the net proceeds in accordance with the allocation set out in the Prospectus.

The following sets forth a summary of the utilization of the net proceeds:

Use	% of total	Net proceeds RMB (million)	Amount utilized (as at 31 August 2020) RMB (million)	Amount unutilized (as at 31 August 2020) RMB (million)
Used to acquire higher education schools and establish new campus for the acquired schools	40.0%	1,081.94	219.64	862.30
Used to construct new buildings for education purposes	30.0%	811.46	731.50	79.96
Used to repay bank loans and other borrowings	20.0%	540.97	540.97	–
Used for working capital and general corporate purposes	10.0%	270.49	270.49	–
Total	100.0%	2,704.86	1,762.60	942.26

The remaining balance of the net proceeds (approximately RMB942.26 million) have been deposited in banks. The Group expects that the remaining net proceeds shall be utilized gradually in accordance to the actual business needs and in the manner stated in the Prospectus, and they shall be fully utilized within five years.

(2) **Use of Proceeds from the Placing of New Shares under General Mandate**

On 13 August 2020, the Company placed a total of 465,000,000 new shares ("**Placing**") at a placing price of HK$2.55 per share (the net placing price is HK$2.53 per share) to not less than six Placees who are individual, enterprise, institution or other investors.

On 5 August 2020 (being the date on which terms of Placing have been determined), the closing price is HK$2.78, and the aggregate nominal value of Placing Shares is approximately US$4,650 and the market price is approximately HK$1,292.70 million. The gross proceeds from the Placing is approximately HK$1,185.75 million, the net proceeds from the Placing, after deducting the underwriting fees and related expenses, is approximately HK$1,176.77 million.

The Company intends to apply the net proceeds from the Placing primarily for acquisitions of schools in the PRC, construction and development of the Company's schools in the PRC and general corporate purpose as to:

(a) approximately 70.0% to 80.0% of the net proceeds will be utilized to further extend the school operation network of the Company and to seek more opportunities for expansion; and

(b) approximately 20.0% to 30.0% of the net proceeds will be utilized to further enhance the level of operating the existing colleges and universities, improve the conditions of hardware and increase the investment of practical equipment.

Please refer to the announcements of the Company dated 6 August 2020 and 13 August 2020 for details of the Placing.

As at 31 August 2020, none of the proceeds from the Placing have been utilized by the Company, the Group anticipated that the remaining net proceeds shall be utilized gradually in a manner stated in the announcement of placing of new share in accordance to the actual business needs, and shall be fully utilized within five years.

REPORT OF DIRECTORS

TAX CONCESSION AND EXEMPTION

The Company is not aware of any tax concession and exemption granted to Shareholders by virtue of their holding of securities in the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

DIRECTORS' PERMITTED INDEMNITY PROVISION

According to the Memorandum and Articles of Association of the Company, each Director, auditor or other senior management of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or legal liabilities incurred or suffered by him as the Director, auditor or other senior management of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favor or in which he is discharged. During the eight months ended 31 August 2020, the Company has maintained appropriate liability insurance for directors and the management of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

For details of the Group's significant events after the reporting period please refer to "Management Discussion and Analysis – Events after the Reporting Period" of this annual report.

AUDITOR

At the forthcoming annual general meeting, a resolution will be proposed to re-appoint Ernst & Young as the independent auditor of the Company.

In addition, the Company has not changed its auditor in the past three years.

By order of the Board
Hope Education Group Co., Ltd.
Chairman
Xu Changjun

Hong Kong, 27 November 2020

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

The Board confirmed that the Company has complied with the Corporate Governance Code throughout the eight months ended 31 August 2020.

THE BOARD

The names of the directors and the members of the committee established by the Board are as follows:

Executive Directors

Mr. Xu Changjun (徐昌俊) (Chairman, member of the Strategy and Development Committee)
Mr. Wang Huiwu (汪輝武) (Chief Executive Officer, chairman of the Strategy and Development Committee, member of the Nomination and Remuneration Committee)
Mr. Li Tao (李濤) (member of the Strategy and Development Committee)

Non-executive Directors

Mr. Wang Degen (王德根) (member of the Strategy and Development Committee)
Mr. Lu Zhichao (呂志超) (member of the Strategy and Development Committee, member of the Audit Committee)
Mr. Tang Jianyuan (唐健源) (member of the Audit Committee)

Independent non-executive Directors

Mr. Zhang Jin (張進) (chairman of the Audit Committee)
Mr. Chen Yunhua (陳雲華) (chairman of the Nomination and Remuneration Committee) member of the Audit Committee)
Dr. Gao Hao (高皓) (member of the Audit Committee, member of the Nomination and Remuneration Committee)

All of the Directors are knowledgeable and have extensive experience in the business of the Group. The biographies of Directors are set out in the section headed "Directors and Senior Management" in this annual report. As far as the Company is aware, there are no relationships among the members of the Board. The Company reviews the composition of the Board from time to time, to ensure that the Board has a balance of skills and experience appropriate to the Company's business, and the Board has a strong independent element to safeguard the interests of Shareholders.

DELEGATION BY THE BOARD

The Board reserves its decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Group regularly reviews the duties and powers delegated in the above manner to ensure that the duties and powers are still appropriate. The Board has also established an Audit Committee, a Nomination and Remuneration Committee and a Strategy and Development Committee to perform various duties delegated by the Board. Further details of these committees are set out below.

CORPORATE GOVERNANCE FUNCTIONS

The Board will also be responsible for the corporate governance functions of the Company, which include developing the policies and practices on corporate governance and comply with laws and regulations; monitoring the training and continuous professional development of Directors and senior management; developing the code of conduct and compliance manual applicable to directors and employees; and reviewing the compliance with the CG Code and review the disclosure in the Corporate Governance Report. The Board has received and discussed the corporate governance practices of the Group and is satisfied with the effectiveness of the corporate governance practices. The Board will continue to assess and commit to continuous development and improvement of the Group's corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the date of the Listing and up to the date of this annual report, Mr. Xu Changjun served as the chairman of the Board and Mr. Wang Huiwu served as the chief executive officer. The chairman is responsible for the management of the Board, and the chief executive officer of the Company leads the day-to-day management of the Group's business. There is a clear and effective division of responsibilities between the chairman and the chief executive officer to ensure a balance of power and authority.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association has established the procedures and processes for the appointment, re-election and removal of directors.

According to the Articles of Association, at each annual general meeting of the Company, one-third of the Directors shall retire by rotation and each director shall retire at least once every three years. The term of the newly appointed Directors shall last until the next annual general meeting of the Company and will then be eligible for re-election at the meeting. Non-executive Directors are appointed for a term of three years.

All Directors are subject to retirement and re-election at the annual general meeting at least every three years in accordance with the Articles of Association.

As the 2019 Annual General Meeting of the Company was convened on 29 June 2020 and directors were re-elected in the meeting, the re-election of directors for the year 2020 will be proceeded in the forthcoming annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The roles of the independent non-executive Directors are to provide independent and objective advices to the Board and to provide sufficient constraints and balance to the Group, in order to safeguard the interests of the Shareholders and the Group as a whole. Independent non-executive directors actively participate in the Board and board committees, providing independent, constructive and informed advice.

The Company has received an annual written confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company believes that all independent non-executive Directors have met the independence criteria set out in Rule 3.13 of the Listing Rules.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy to ensure that the Company will consider membership diversity in all aspects when determining the composition of the Board. The Company has established the following measurable objectives: the screening of candidates will be based on a number of aspects, including, among other things, age, culture and educational background, ethnicity, professional experience, skills and knowledge. However, the appointment of the Board will ultimately be determined on the basis of the value and contribution to the Board. The Nomination and Remuneration Committee oversees the implementation of the board diversity policy and will review the policy periodically to make any necessary updates.

In reviewing the structure, size, composition and diversity of the Board, the Nomination and Remuneration Committee has taken into account the measurable objectives as set out in the board diversity policy. The Nomination and Remuneration Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the Directors. However, the Nomination and Remuneration Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the board diversity policy in order to achieve increasing diversity at the Board level.

DIRECTORS' AND SENIOR MANAGEMENT'S INSURANCE

As at the date of this annual report, the Company has made appropriate insurance arrangements for potential legal proceedings against its Directors and senior management.

BOARD MEETINGS

According to the code provisions of the Corporate Governance Code, the board meetings shall be held at least four times a year, approximately every quarter, and at least 14-day notices shall be given for regular board meetings. The Board meets from time to time to discuss the Group's overall strategy, operations and financial performance. Directors may attend board meetings in person or through electronic communication.

The notices and agenda of the board meetings and the relevant documents were sent to the Directors in time before the meeting.

Minutes of the Board meetings and committee meetings are/will be recorded in sufficient detail about the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During eight months ended 31 August 2020, 11 Board meetings and 2 general meetings were held and the attendance of each Director at these meetings is set out in the table below:

	Number of Board meetings attended/held	Number of general meetings attended/held
Directors		
Executive Directors		
Mr. Xu Changjun	11/11	1/2
Mr. Wang Huiwu	11/11	1/2
Mr. Li Tao	11/11	1/2
Non-executive Directors		
Mr. Tang Jianyuan	11/11	1/2
Mr. Lu Zhichao	11/11	1/2
Mr. Wang Degen	11/11	1/2
Independent non-executive Directors		
Mr. Zhang Jin	11/11	2/2
Mr. Chen Yunhua	11/11	2/2
Dr. Gao Hao	9/11	2/2

BOARD COMMITTEES

The Board has established three Board committees (namely the Audit Committee, the Nomination and Remuneration Committee and the Strategy and Development Committee), to oversee the Company's affairs in all aspects. All Board committees have established clear written terms of reference and report to the Board on their decisions or recommendations.

The Board committees are provided with sufficient resources to perform their duties and may seek independent professional advices where appropriate when receiving reasonable requests. The relevant costs shall be borne by the Company.

AUDIT COMMITTEE

The Audit Committee was established on 14 July 2018 and consists of five members (namely Mr. Zhang Jin, Mr. Tang Jianyuan, Mr. Lu Zhichao, Mr. Chen Yunhua and Dr. Gao Hao), among them, Mr. Zhang Jin, Mr. Chen Yunhua and Dr. Gao Hao are independent non-executive Directors, and Mr. Tang Jianyuan and Mr. Lu Zhichao are non-executive Directors. Mr. Zhang Jin serves as the chairman of the Audit Committee, who has the appropriate professional qualifications and accounting and related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are as follows:

1. Relationship with the Company's auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall review and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report and make recommendations to the Board on any matters where action or improvement is needed;

2. **Review of the Company's financial information**

(d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in these statements and reports. In reviewing these statements and reports before submission to the Board, the Audit Committee shall focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

3. **Oversight of the Company's financial reporting system, risk management and internal control systems**

(e) to review the Company's financial controls, and unless expressly addressed by a separate risk committee under the Board, or by the Board itself, to review the Company's risk management and internal control systems;

(f) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include adequacy of resources, staff qualifications and experience, training programmes and the relevant budget of the Company's accounting and financial reporting function;

(g) to consider major investigation results on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these results;

(h) reviewing the Company's internal audit function, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(i) to review the Group's financial and accounting policies and practices;

(j) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(k) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(l) to report to the Board on the matters set out in this Terms of Reference; and

(m) to consider other topics, as defined by the Board.

The audited financial results of the Group for the year ended 31 December 2019, the unaudited financial results for the six months ended 29 February 2020 and the audited financial results for the eight months ended 31 August 2020 have been reviewed by the Audit Committee, and the Audit Committee considers that the relevant financial statements have been prepared in accordance with applicable accounting standards and requirements and have been fully disclosed. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and the selection and appointment of external auditors. In addition, the Audit Committee has reviewed the Group's internal controls and has monitored the Group's risk management and internal control systems.

During the eight months ended 31 August 2020, 2 meetings of the Audit Committee was held and the attendance of each member at the meeting is set out in the table below:

Members	**Number of Audit Committee meetings attended/held**
Non-executive Directors	
Mr. Tang Jianyuan	2/2
Mr. Lu Zhichao	2/2
Independent non-executive Directors	
Mr. Zhang Jin	2/2
Mr. Chen Yunhua	2/2
Dr. Gao Hao	2/2

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee was established on 14 July 2018 and consists of three members (namely Mr. Chen Yunhua, Mr. Wang Huiwu and Dr. Gao Hao), among them, Mr. Chen Yunhua and Dr. Gao Hao are independent non-executive Directors, and Mr. Wang Huiwu is an executive Director. Mr. Chen Yunhua serves as the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee include, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; to review the structure, size and composition (including the skills, knowledge and experience) of the Board regularly and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; to evaluate the balance of skills, knowledge and experience on the Board before appointments are made by the Board, and, in the light of this evaluation, preparing a description of the roles and capabilities required for a particular appointment; to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on establishing a formal and transparent procedure for developing remuneration policy; to review and approve senior management's remuneration proposals with reference to the Board's corporate goals and objectives; to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment; to review the performance of duties by the Directors and senior management and to conduct annual performance appraisal; and to carry out other matters authorized by the Board.

The composition and written terms of reference of the Nomination and Remuneration Committee are in compliance with the provisions of the Corporate Governance Code. The Company held one meeting of the Nomination and Remuneration Committee during the eight months ended 31 August 2020, and the attendance of each member at the meeting is set out in the table below:

Members	Number of Nomination and Remuneration Committee meetings attended/held
Executive Directors	
Mr. Wang Huiwu	1/1
Independent Non-executive Directors	
Mr. Chen Yunhua	1/1
Dr. Gao Hao	1/1

DIRECTOR NOMINATION POLICY

Procedure for Nomination of Directors

1. When there is a vacancy on the Board, the Nomination and Remuneration Committee evaluates the balance of skills, knowledge, experience and characteristics of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Nomination and Remuneration Committee to evaluate whether he or she meets the criteria adopted by the Nomination and Remuneration Committee for nomination of directors. One or more members of the Nomination and Remuneration Committee will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Nomination and Remuneration Committee meeting to discuss and vote on which candidate(s) to nominate to the Board.

7. Make recommendations to the Board on the candidate(s) for directorship.

8. Convene a Board meeting to discuss and vote on which candidate(s) to appoint to the Board.

The Nomination and Remuneration Committee will refer to the following criteria when assessing candidates:

1. Reputation.

2. Achievements and experience in the education industry, especially in the private high education sector.

3. Time available.

4. Diversification of the Board, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure.

During the eight months ended 31 August 2020, no Director has been appointed.

STRATEGY AND DEVELOPMENT COMMITTEE

The Strategy and Development Committee was established on 14 July 2018 and consists of five members (namely Mr. Wang Huiwu, Mr. Xu Changjun, Mr. Li Tao, Mr. Lu Zhichao and Mr. Wang Degen), among them, Mr. Wang Huiwu, Mr. Xu Changjun and Mr. Li Tao are executive Directors, and Mr. Lu Zhichao and Mr. Wang Degen are non-executive Directors. Mr. Wang Huiwu serves as the chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to, to review and make recommendations to the Board on our business objectives and strategic development plans; to evaluate factors which may affect our strategic development plans and their implementation, such as domestic and foreign economic and financial conditions, market and industry development trends and the relevant national policies on education institutions, and to make recommendations to the Board on adjustment to our strategic development plans in a timely manner; to supervise and inspect the implementation of annual and interim operation plans; to evaluate our corporate governance and making recommendations to the Board; and other matters required by laws, administrative regulations, departmental rules and authorized by the Board.

During the eight months ended 31 August 2020, 2 meetings of the Strategy and Development Committee was held and the attendance of each member at the meeting is set out in the table below:

	Number of Strategy and Development Committee meeting attended/held
Members	
Executive Directors	
Mr. Wang Huiwu	2/2
Mr. Xu Changjun	2/2
Mr. Li Tao	2/2
Non-executive Directors	
Mr. Wang Degen	2/2
Mr. Lu Zhichao	2/2

The Strategy and Development Committee reviewed the business objectives and development strategy plans of the Company; and, based on the domestic and international economic and financial situation, market and industry trends and national policies related to educational institutions, assessed the factors that may affect the Company's development strategy plans and its implementation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

There are formal and transparent policy supports for the compensation of Directors. Directors are fairly paid and their compensation is commensurate with their experience, responsibilities, workload and performance as well as the Group's performance. No Director is involved in deciding his/her own compensation. Although the Company maintains a competitive remuneration level to attract and retain directors and operate the Company successfully it strictly enforces the Directors' compensation policy and budgets carefully, and does not pay the Directors more than necessary.

Details of the remuneration paid or payable to the Directors for the eight months ended 31 August 2020 are set out in Note 8 to the consolidated financial statements.

The remuneration paid or payable to the members of the senior management for the eight months ended 31 August 2020, the biography of which are included in the section headed "Directors and Senior Management" of this annual report, are in the following ranges:

Remuneration band(s) (RMB)	Number of individual
0 to 500,000	6
500,000 to 1,000,000	1

MODEL CODE FOR SECURITIES TRANSACTIONS

On 14 July 2018, the Company adopted the Model Code as the Group's code of conduct governing the dealings in the securities by the directors and relevant employees. Upon specific enquiry, all Directors confirmed that they have complied with the required standards as set out in the Model Code during the eight months ended 31 August 2020.

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Company periodically organises training courses for the Directors, senior management and staff, to develop and refresh their knowledge in areas related to their daily duties and the Group's business growth in a changing economic environment. During the eight months ended 31 August 2020, the Company's external legal advisor has provided training courses to all Directors in a wide range of topics, including the duties and responsibilities of the directors under the Listing Rules, the laws applicable to the Company, the Company's continuing compliance obligations, the disclosure requirements of price-sensitive information and directors' reporting responsibility under the Listing Rules and the Securities and Futures Ordinance, and the discloseable and connected transactions of listed companies. The Company also organised training courses with internal consultants with expertise in internal control and risk management as well as environmental, social and governance reporting. The executive Directors, senior management, financial department personnel and relevant personnel from operation and management departments participated in these training courses.

DIRECTORS' ACKNOWLEDGEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the eight months ended 31 August 2020. The management provides the Board with the necessary explanations and information so that the Board can make an informed assessment and approve the financial and other information submitted to it. The Company provides monthly to the Board the latest information on the Company's performance, status and prospects.

The Directors are not aware of any material uncertainties relating to events or circumstances that may be of serious doubt about the Company's ability to continue as a going concern.

A statement by the Company's auditor on its reporting responsibilities to the Company's financial statements is set out in page 117 to page 123 of the Independent Auditor's Report in this annual report.

AUDITORS' REMUNERATION

For the eight months ended 31 August 2020, the professional fees paid or payable by the Group to the auditor for the audit and non-audit services were as follows:

	RMB'000
Audit services	5,700
Non-audit service	140

JOINT COMPANY SECRETARIES

Ms. Leung Wing Han Sharon and Mr. Huang Zhongcai are joint company secretaries of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Huang Zhongcai is a full-time employee of the Company and reports corporate governance matters to the chairman and chief executive officer of the Company.

Ms. Leung and Mr. Huang have received no less than 15 hours of training on corporate governance and other aspects during eight months ended 31 August 2020. The main contact person of Ms. Leung Wing Han Sharon in the Company is Mr. Huang Zhongcai, one of the joint company secretaries of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control system and reviewing their effectiveness. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage significant risks in the Group's business.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures, such as expansion of the school network into new geographic areas and to enter into cooperative business relationships with third parties to establish new schools, are subject to assessment and approval of the Board.

The Audit Committee is delegated with the responsibility to review the financial controls, risk management and internal control systems of the Group, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings. The Audit Committee also reviews the external independent auditor's management letter, any material query raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group and reports their findings to the Audit Committee and the Board. During the Reporting Period, the Company's internal audit department provided independent assurance as to the adequacy and effectiveness of the Company's risk management and internal control systems.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Each of our schools is managed on a day-to-day basis by its president, who is assisted by several vice presidents responsible for one or more specific aspects of our schools' operations. The board of directors of each of our respective schools is responsible for the overall management and decisions on matters that are significant to each of our schools. The board of directors, president and vice presidents of our schools are required to manage the operation of the schools within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. They are also required to keep the executive Directors informed of the material development and to report on the implementation of the policies and strategies set by the Company on a regular basis. Each of our school has also designated the relevant personnel who will be responsible for monitoring the ongoing compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures.

Each of our schools has appointed counsellors to serve as a bridge between students and colleges. Counsellors are students' primary contact for questions and concerns they may encounter in their school life, they provide support and guidance to the students and educate the various rules formulated by our schools. Counsellors also regularly inspect the student dormitories to ensure orderly, safe, clean and healthy living conditions for our students and help students with social and behavioural issues. Our schools have also implemented complaint channels and established a task force comprising of principal and head of school departments with a view to understanding, responding and resolving complaints from students.

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with. The Group has also established a set of policies and procedures for property purchase and leasing arrangement and maintains insurance coverage which is in line with customary practice in the PRC education industry, including school liability insurance.

The Company is committed to build up an effective internal control and risk management systems. The Company has appointed Giraffe Capital Limited as the compliance adviser upon the Listing to advise on the on-going compliance with the Listing Rules. Additional personnel with professional experience and qualifications will be hired where necessary to support the expansion of our business operation. The Company will also engage external professional advisers to provide professional advice and guidance to our Group and to provide internal trainings to ensure our Directors and employees are kept up-to-date on any legal and regulatory developments.

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information.

During the eight months ended 31 August 2020, the Board have conducted a review on the effectiveness of the risk management and internal control systems of the Group and considered the systems to be effective. Such review covered aspects including financial, operational and compliance controls and risk management functions. The Board will conduct a review on the effectiveness of the internal control and risk management systems of the Group at least once in each financial year. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with Shareholders is essential to enhance investor relations and investors' understanding of the Group's business performance and strategy. The Group also recognizes the transparency of its corporate information and the importance of timely disclosure of such information, which enables Shareholders and investors to make the best investment decisions.

The Company's website (www.hopeedu.com) plays as a communication platform with Shareholders and investors. The information and the latest developments of the Company's business development and operations and other information are available on this website for public inspection.

To facilitate communication between the Company and the investment community, the Company regularly conducts briefings and meetings with institutional investors and analysts as well as media interviews and roadshows, to provide the latest and comprehensive information of the Company.

SHAREHOLDERS' GENERAL MEETINGS

During the eight months ended 31 August 2020, the Company has held two general meetings. The Company will hold its annual general meeting on 29 January 2021. A notice of annual general meeting and a circular containing further details of the matters to be considered at the meeting, together with this annual report, will be sent to the Shareholders in due course.

SHAREHOLDERS' RIGHTS

Nominate a Person for Election as a Director

In accordance with Article 16.4 of the Articles of Association, no person shall, except recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless notice in writing of the intention to nominate that person for election as a Director and notice in writing by that person of his/her willingness to be elected have been sent to the Company Secretary. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Shareholders who wish to nominate a candidate (the "**Candidate**") for election as a director at a general meeting shall submit a written notice (the "**Notice**") to the Hong Kong office of the Company. The Notice shall: (i) contain the biographical details of the Candidate as required under Rule 13.51(2) of the Listing Rules; and (ii) be signed by the relevant Shareholders and by the Candidate, indicating his/her willingness to stand for election and consent to publish his/her individual information.

The period for lodgment of such notices will commence from the day after the despatch of the notice of the general meeting and end no later than seven (7) days prior to the date of such general meeting. In order to give Shareholders sufficient time to consider the proposal on the candidate for election as a director, Shareholders who wish to make such proposal shall submit the notice as soon as practicable.

CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 12.3 of the Articles of Association, any one or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Hong Kong office of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days from the date of the deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in the same manner, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene the meeting shall be reimbursed by the Company to the requisitionists.

SUBMIT A PROPOSAL AT GENERAL MEETINGS

Shareholders who wish to submit a proposal may request the Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

SEND ENQUIRIES TO THE BOARD

Shareholders may send any of comments or enquiries by e-mails (ir@hopeedu.com) to the Board or by post to the Hong Kong office of the Company.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company adopted the revised and restated Memorandum and Articles of Association of the Company on 14 July 2018, with effect from the Listing Date. The Company has made no changes to the Company's Memorandum and Articles of Association since its Listing. The latest version of the Company's Memorandum and Articles of Association are available on the Company's website and HKEXnews.

ESG REPORT

ABOUT THE REPORT

Summary

This is the Third Environmental, Social and Governance Report published by the Hope Education Group. Based on the principles of importance, quantitative, balance and consistency, the report provides a detailed disclosure of the Group's practice and performance in areas such as environment, society and governance responsibility for the year.

Basis of Preparation

This report is prepared in accordance with *Environmental, Social and Governance Reporting Guide* 《環境、社會及管治報告指引》 set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange.

Scope of Reporting

The materials published and statistically reported in the Report are from 1 September 2019 to 31 August 2020. To enhance the completeness and the ability of comparison, part of the content of this report cover previous years.

Data Sources and Reliability Guarantee

Sources of data used in the Report include the relevant internal statistical statements, administrative documents and reports of the Group. Our Board and senior management team have approved this Report and guaranteed that the Report is free of any false information, misrepresentation or major omissions.

Access of the Report

This report is available on the websites of Hope Education Group Co., Ltd. (www.hopeedu.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Contact Information

If you have any questions or feedback on this Report, please feel free to contact us by:
Email: ir@hopeedu.com
Official Website: www.hope55.com

RESPONSIBILITY MANAGEMENT

Responsibility Philosophy

As a nationally renowned private higher education group, the Group is committed to provide students with quality education and professional training. The Group always adheres to the integration of sustainable development into its core educational philosophy of “gratefulness, optimism, rigor and responsibility”, and sets about from all-around efforts such as school running, teaching and management to achieve a teaching service quality that satisfies “student care”, “class teaching”, “teaching and learning style”, “logistics service” and “employment”, thereby realizing the vision of “building the top brand of private higher education in China” and our fundamental educational philosophy of “happy learning, happy living and happy working”.

Through its exploration which last for more than a decade, the Group formulates a mature centralized management model. By promoting the three management systems of “Expert management”, “advocating problem management” and “implementation of assessment management”, the thought of “Five Capability” of efficient school, and “Four Centers and Five Satisfactions”, the position and responsibility of each functional departments are well-defined, and attained the goal of management and resources sharing between each schools, the expert management from the Group and self-management of each schools are being integrated, which strengthen the management and control of operation in compliance of law. Senior management is responsible for monitoring the implementation different measures of the Group, and monitor the Group and schools’ operation compile with laws and regulations, so as to ensure the Group strictly uphold the moral and integrity, and guarantees its sustainable development and its operation compiles with laws and regulations.

Responsibility Management

Hope Education implements environmental, social and governance practices, establishes ESG governance framework and gradually fulfills the concept of sustainable development into daily work. The ESG management framework of the Group consists of decision-making layer, execution layer and implementation layer. The decision-making layer represents members of the board of directors and is responsible for the approval of ESG Report and making major decisions on ESG-related matters; the execution layer represents the ESG working group established by the board of directors, and is responsible for the delivery of resolutions made by the decision-making layer and the report of work process and feedback from the implementation layer; the implementation layer is comprised of principals from each department and school, who are the practitioners of ESG works and are responsible to implement decisions made by the decision-making layer into daily practice. Hope Education will continue to consolidate the ESG working group in the future by enhancing the participation of the board of directors to optimize its functional coordination and improve the control efficiency of ESG.

Communication with Stakeholders

Hope Education Group commits to create long-lasting value to its stakeholders, including investors/shareholders, teachers/employees, students/parents, government and regulatory institutes, suppliers/partners and community public, etc.. The Group adheres to actively communicate with stakeholders to understand their demands and expectation. It is committed to safeguard the interest of stakeholders through improving the communication mechanism with stakeholders by establishing multiple communication channels.

Table: Stakeholder Communication Methods of the Group

Stakeholders	Area of concern and demands	Communication methods
Investors/shareholders	Stable investment returns Operation in conformance of laws and regulation and management Sustainable development and risk control	General meeting Announcement, press release and periodic report Investor relations roadshow
Teachers/employees	Strengthen teachers' professional skills Employee benefits Occupational health and safety Promotion and development Improve the teaching/working environment	Teacher/employee training Internal teacher/employee evaluation Internal exchange forum We Chat/Email direct communication channel arranged by management
Students/parents	Teaching quality Campus life and social practice School safety and physical and mental health guarantee Employment rate	Student satisfaction survey We Chat/Email direct communication channel arranged by management Theme class meeting or lecture
Government and regulatory authorities	Observe state laws and regulations Operation and management that compile with laws and regulations. Fulfil its liability to tax in conformance with law	Irregular inspection Communication with government Periodic report
Suppliers/partners	Fair competition and dealing Dealing with integrity Mutual benefit and long-term cooperation Product quality	Supplier site visit Supplier review Supplier exchange meeting
Public community	Integration with the community Public welfare projects Contribute to the society	Community activity Public welfare activities Thanksgiving season activities Hotline

Materiality Issue Management

We selected 26 important issues in respect of ESG with reference to *Environmental, Social and Governance Reporting Guide* 《環境、社會及管治報告指引》 of the Hong Kong Stock Exchange, laws and regulations related to education industry, the important topics in education industry identified by industry peers and the business scope of the Group.

For the sake of fully understanding all stakeholders' attention level to the ESG issues, the Group conducts a comprehensive survey over the stakeholders by way of anonymous questionnaire and interviews. In 2018, the Group sorted each issue in two dimensions, namely "Importance to corporation" and "Importance to stakeholders", to form the ESG materiality matrix and lists through 658 valid questionnaires. In 2020, based on the matrix established by the Group, the Group supplemented and amended "innovative teaching courses, models and tools (such as distance education)" and "controlling the greenhouse gas emission to combat climate change" by referencing to the industry practice, effect of external market and policy environment to its operation, and through a comprehensive consideration to the importance of issues, thus identified 4 highly important topics, i.e., "Teaching quality", "Strengthen teachers' professional skills", "Enrich teaching sources" and "Professional skill training adapts to market demand", which will be focused on in this report.

Materiality Analysis Matrix on ESG Topics

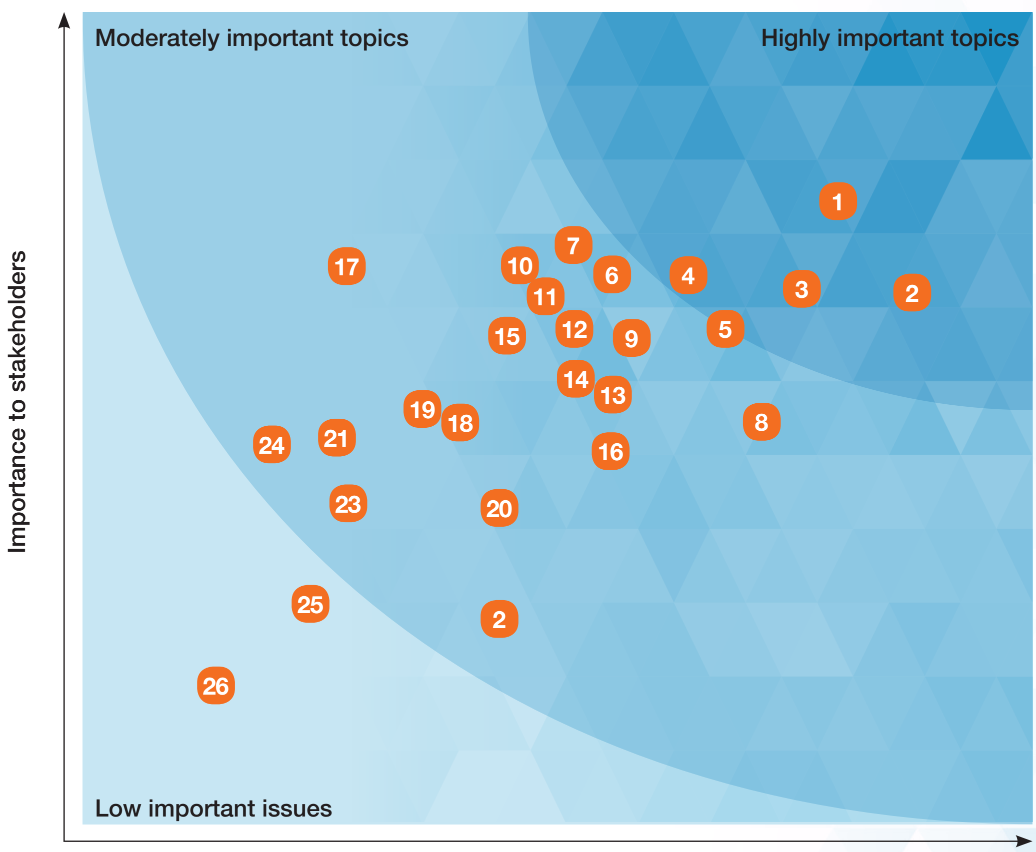


Figure of Materiality Matrix on Hope Education's ESG Topics

Table of Hope Education's ESG Important Issues

Highly important topics	1	Teaching Quality
	2	Strengthen teachers' professional skills
	3	Enrich teaching sources (such as hardware facility, channels for exchanging teaching and learning experience, etc.)
	4	Professional skill training adapts to market demand
Moderately important topics	5	Student safety and physical and mental health guarantee
	6	Employee remuneration and benefits
	7	Protect employee interest
	8	Develop and innovate teaching and research systems
	9	Student employment rate
	10	Risk management and internal control system establishment
	11	Innovative teaching courses, models and tools (such as distance education)
	12	Status of graduates
	13	Protect privacy of students and parents
	14	Handle complaints from students and parents
	15	Employee training and education
	16	Green campus and green office
	17	Operations in conformance of law and anti-corruption
	18	Waste management
	19	Student campus life and social practice
	20	Commencing volunteer support
	21	Improve supplier management system
	22	Promotion of cultural integration
	23	Improve energy efficiency
	24	Promote concepts of popular science and environmental protection
Low important issues	25	Water resources management
	26	Controlling the greenhouse gas emission to combat climate change

OPERATIONAL RESPONSIBILITY

Education industry is an industry that relates to the social and economic development and the advancement of civilization. Hope Education firmly believes that the humane education nurtures skillful talents, thus it strongly emphasizes on the quality of schools and building-up of self-control, and actively explore the development way of private education that is rich of characteristics of Hope Education. Under the leadership of gratefulness, optimism, rigor and responsibility, the Group continuously deepens the precision management, and the operational quality has been enhanced stably.

Anti-corruption

"The continuous endeavor of teaching and nurturing, and the persistent awareness of anti-corruption" are the basic principles of teachers for their works. The Group abide by the relevant provisions in the Company Law of the PRC (《中華人民共和國公司法》), the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Law of the People's Republic of China on Countering Unfair Competition (《中華人民共和國反不正當競爭法》) as well as industry norms and standards, and also formulate the Employee Handbook (《員工手冊》) that suit the actual needs of the Group, in order to binding the behaviour of its employees. The Group also holds zero-tolerance attitude to corrupt conducts, such as bribery, extortion, fraud and money laundering.

In 2020, the Group further defined "Basic Regulation of Contracts Involving Balance of Funding", which provides further regulation on the process of entering into and approval of contracts, thus effectively manage and control the economic risks. Meanwhile, the Group is committed to consolidate the anti-corruption awareness of its staff, and requested personnel from every ranking to receive training on related laws and regulations, in order to enhance their awareness on legal matters continuously. A training called "The Prevention of Official Crime and its Popularization – To Build A Better Life Under the Constraints of Law" (《員工職務犯罪預防與普及—在法律的約束下讓人生更美好》) has been held to all staff, so as to build an advantageous environment on anti-corruption and advocating integrity, and abiding laws and regulation through education of law popularization and warning. Staff education meetings have been organized to teachers of each schools, and urged teachers to learn laws and regulations, thus enhancing their awareness of legal knowledge and consolidate their awareness of teaching in compliance of laws.

In the aspect of external management, the Group is committed to enhance the market competitiveness of both parties, and wipe out losses arising from improper means. The Group also signed corruption-free agreements (《廉潔協議》) with its suppliers, and accepts their monitoring in order to eliminate the occurrence of commercial bribery. There is no material litigation arising from bribery, extortion, fraud and money laundering threatening the Group during the Reporting Period.

Privacy Protection for Students and Parents

The Group strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), and formulate the School Roll and Academic Credentials Administrative Measures (《學籍學歷管理辦法》) according to requirements of the Regulations on the Management of Students in Regular Colleges and Universities (《普通高等學校學生管理規定》), the Measures for the Administration of Full-time Regular College Students' School Roll (《全日制普通高等學校學生學籍管理辦法》), and the Notice of the Sichuan Provincial Department of Education on Further Regulating the Management of Adult Higher Education's School Roll and Academic Credentials (《四川省教育廳關於進一步規範成人高等教育學籍學歷管理工作的通知》), which stipulates that it is not allowed to provide relevant information on students' school roll without the consent of the person in charge of the academic affairs, except necessary work requirements of relevant posts. In addition, the Group enters into *Confidentiality Agreement* (《保密協議》) with the staff involved in student privacy and information security, which requires employees to strictly abide to the provisions of Confidentiality Agreement and not leaking any personal information of student and parents. The Group established a comprehensive school roll and academic credentials management mechanism and system through the above measures, and the Group does not receive and actual complaint on infringing privacy of students and parents during the reporting period.

Intellectual Property Protection

Protection to intellectual property is the foundation for innovation. The Group strictly abides by *the Law on Intellectual Property Rights of the PRC* (《中華人民共和國知識產權法》), *the Trademark Law of the PRC* (《中華人民共和國商標法》) and *the Advertisement Law of the PRC* (《中華人民共和國廣告法》) and completely eradicates false promotion.

The Group strictly regulated and managed the intellectual property rights, including patents, copyright and trademark, and protected the brand and goodwill image through various means, such as dynamic monitoring, investigation, complaint and advise and litigation. The Group uses authorized textbooks and relevant reference books during the educational materials procurement process to fully respect others' intellectual property rights and try our best to protect the legal rights and interests of others from infringement.

EDUCATIONAL RESPONSIBILITY

Focusing on the education industry, the Group puts "let students grow and be the talent" as the basis of educational development, and comes up with several educational concepts such as"student-centered and employment-oriented school", "teacher-centered and quality-oriented education", "student and teacher-centered and service-oriented management" and "cultivation-centered and highlights-oriented promotion", covering fields including teaching, service, employment, education, and other fields closely bound up with talent cultivation. By putting forward abovementioned educational concepts, the Group injects energy and vitality into the education industry, offering education solutions that integrate quality education, service and cultivation.

Quality Education

Education Quality Improvement

Education quality is the life-blood of colleges and universities. The Group insists on improving the quality of talent cultivation as the core task of higher vocational education, to gradually promote the diagnosis and improvement of teaching work and strive to build an internal quality assurance system by closely focusing on the goal of educating people, and taking education and teaching quality enhancement as the subject and mainline of vocational education. The Group focuses on aligning the standards between majors establishment and the national standards, and incorporating the requirements from MOE into the talent cultivation solution, thus formulating specialized majors, enhancing education quality and nurturing skilled talents. Meanwhile, the overall competence and quality of teachers in various colleges are enhanced through strengthening business training for teachers in various colleges, organizing various teaching and practical skill competitions, thereby contributing to the improvement of teaching quality from the source.

To strengthen connotation construction and promote standardized management, the Group has formulated the Evaluation and Assessment Index System for Colleges and Universities to Operate Schools (Detailed Index) (《院校辦學評估考核指標體系(細化指標)》), which sets up 7 first-level indicators, 30 second-level indicators, 88 third-level indicators and 209 observation points to help the Group and its affiliated colleges clearly identify the problems in running schools and make timely corrections, promote the standardized management of colleges and universities, improve the quality of education and teaching and enhance the level of operating schools.

As a result of the COVID-19 pandemic, the spring semester of each high schools have been delayed in 2020. The Group thoroughly implemented the requirement of "suspension of classes without stopping teaching and learning" form the educational authority, and online teaching has been commenced progressively in accordance to the actual circumstance of schools. Meanwhile, the Group formulated "Assessment and Appraisal Indication System of Online Teaching of Hope Education Group (Consultation Paper)" 《希望教育集團線上教學評估考核指標體系(徵求意見稿)》, which sets up 4 first-level indicators, 19 second-level indicators, 53 third-level indicators, in order to assess the commencement and quality of online teaching of schools in accordance to the characteristics and requirements of online teaching of high schools, and on the basis of investigation and research on the online teaching of some of the schools under the Group, so as to ensure the high quality of online teaching.

During the Reporting Period, Guizhou Vocational Institute of Technology organized "gold class" of "cloud experiment", which utilized cloud platform and virtual reality technology to allow students to do experiment at home. Jinci College of Shanxi Medical University commenced online reading activity, 4,000 students participated in this activity, and though the reading activity and sharing of thoughts after reading, the cultural competencies of students have been enhanced, and their self-willingness on learning have been strengthened.

Enrich Educational Resources

Enhancing the quality of vocational education and nurturing skilled talents are the requirements on vocational education from the community. Hope Education Group fully integrates its own educational resources with related industry resources to promote establishment of the "industry and education integration" platform, and takes it as an important action for universities to deepen the cooperation between schools and enterprises, expand students' practical resources, broaden students' employment channels, and strengthen students' innovative practice capabilities.

During the year, in accordance with the requirements of the Implementation Plan on Reform of National Vocational Education (《國家職業教育改革實施方案》), targeting at the electronic sports industry which is encouraged by the state and in a significant shortage of talents, the Group cooperated with Sichuan May Sunshine E-Sports Technology Company (四川五月陽光電競科技公司) to engage in the cultivation and training of e-sports talents. The productive training base title was awarded to the comprehensive simulation training base with multi-purpose use of industry, education and research for automobile manufacturing and assembly of Hebi Automotive Engineering Vocational College and the productive training base for software technology and the internet+ innovative and entrepreneurial talent incubator smart factory of Sichuan TOP IT Vocational Institute, and "Sichuan TOP JD E-commerce integrated practical training centre (call centre)" ("四川托普·京東電商綜合實訓基地(呼叫中心)") is established by cooperation of that productive training base. Sichuan Hope Automotive Technical School has been awarded "national highly skilled talents training base" and has been granted a subsidy of RMB5 million, providing a greater support on the implementation of high quality development of skilled talents.

In view of improving the matching of talent cultivation and social demands and further enriching the educational resources, for the purpose of jointly building the school-enterprise value ecosphere, the Group signed the agreements in respect of the cooperation for "Industry, Education and Research" and teaching training bases with several institutions including Linfen Central Hospital and Shanxi Shining High-Tech Medical Testing Center, respectively. The Group also entered into school-enterprise cooperation agreements with China Railway No.8 Engineering Group Co., Ltd., Jiangxi Yigao Drone Technology Co., Ltd., Hymson, Zhengzhou Yutong Group Co., Ltd. and DAVA, so as to promote the synergy and innovation on talent nurturing, establishment of majors, students employment, "industry, education and research" and deepen the cooperation, and to jointly explore the new model on deep cooperation between schools and enterprises, and to nurture skilled talents with new concepts and innovation ability.

Students' Potential Stimulation

With a view to fostering knowledge-based, skillful and creative workers and creating a good social atmosphere of "working is glorious, skills are valuable and creation is great", the Group has established the concept of "promoting learning, teaching and development via competition" and encouraged teachers and students of all colleges and schools to carry out skill competition.

The Group has issued the Implementation Plan for Carrying Out Skill Competitions to Establish a Unique School Brand and the Incentive Measures for Carrying Out Skill Competitions successively, in order to regulate the standard of incentive of the Group after awards are being granted, and established a special skill competition leading group for Hope Education Group, hired experts with experiences in managing skill competitions, and assigned specific personnel to promote such skill competitions to create the unique school brand. To stimulate teachers actively and creatively leading students to participate in the reform, establishment and management in the teaching from the faculty, the Group has established The Implementation Plan on Inclusion of Students' Participation in the Science Research Topics of Teachers from Schools of the Group, which encourages teachers and students from the schools of the Group to utilize information and facilities from the library to carry out research and study, in order to stimulate the activeness and creativity of students.

In 2020, the Group actively organized its teachers and students to participate in numerous academic competitions. Jinci College of Shanxi Medical University organized its students major in clinical medicine from 2014 class to participate in "Clinical Medicine Skill Competition of Shanxi Medical University". Sichuan TOP Institute organized its students to participate in 59 competitions of different professional skills, including "2019 National Competition of Art and Design Creation in Popular Science of University Students" (2019年全國大學生科普藝術設計創作大賽). Skills competitions promote the establishment learning trend, nurture, train and demonstrate the ability of all aspects of students and their comprehensive quality, and widely mobilizing the activeness of students in learning.

Community's Satisfaction

Hope Education Group is committed to establishing satisfactory universities for the people. With a view to improving social satisfaction, the Group aims to strengthen the specialized management of student affairs, build up excellent teaching teams, improve the quality of talent training, optimize campus culture and create a good school image.

By adhering to the principles of "multi-pronged progress, prompt communication, complementary information and efficiency first", the Group has set up multiple feedback channels for students and their parents and established a comprehensive and prompt problem tackling mechanism. Students and their parents may report problems to the Group through Weibo, Wechat or school post bars and give direct feedbacks to the president. The Group will classify such problems upon receipt and distribute them to the responsible campus for handling, and will designate responsible leaders to make rectifications within a time limit. Meanwhile, the Group will track the whole process, coordinate the problem tackling process across companies and departments, and verify the actual tackling status of the problems, so as to allow the students and their parents to give truthful feedbacks promptly and conveniently, and guide the improvement direction of the Hope Education Group. In 2020, the feedback rate of advisory of Hope Education was 100%, the education services provided by us were well-received, and there were no major complaints throughout the year of the Group.

Administrative Logistic Support

Protecting the safety of students and teacher within campus is the foundation of continuous operation of Hope Education. Thus, the Group formulates the Logistics Management Measures (《後勤管理辦法》), and establishes a management structure and guidelines on safety issues such as food safety, campus safety, fire safety, medical safety, and requested the logistics department and all employees committed to the satisfaction of teachers and students, ensure the scientific maintenance and well management of teaching and living facilities, and strengthens emergency prevention and intervention in higher education institutions to reduce various types of security incidents risks, so as to protect the health and safety of teachers and students. During the Reporting Period, the Group has no major campus safety incidents.

Strengthening the pandemic prevention

During the year, the Group amended 2020 Administration Measures on Campus Food Safety of Hope Education Group in accordance to the latest regulatory requirements implemented in cities where schools are located and the pandemic prevention and control measures, which stipulates strict execution of food tracking system, poultry and livestock from unknown source are not allowed to use, and procurement and consumption of wild animal are prohibited, in order to impose stringent prevention and control of pandemic from the source of food and beverage. Each school of the Group formulates pandemic prevention and control plan and clearly defined accountability to ensure the pandemic will not spread within the campus. Meanwhile, the Group emphasizes on enhancing the ability of self-protection of teachers and students against the pandemic, and also promote pandemic prevention and control policy in a timely manner, and strengthen the sharing of pandemic prevention and control knowledge.

In 2020, Sichuan TOP IT Vocational Institute set up a column called "TOP Institute is in action during the pandemic" 《戰"疫"進行時托普學院在行動》 or the school website, to commence the promotion and education including pandemic prevention and control knowledge, prevention measures, points to note, news on prevention and control from the school by fully utilizing the public account of WeChat, Weibo, official email system and slogans and banners, in order to eliminating the panic of teachers and students in a correct way, and response to the pandemic in a rational manner. Sichuan TOP IT Vocational Institute also formulates "Contingency Procedures for Patients with Fever" 《發熱病人應急處置流程》 and "Contingency Plan for Psychological Crisis in Response to the Commencement and Resume of Semester under the COVID-19 Pandemic" 《應對新冠肺炎疫情開學復課心理危機應急預案》 for detail management and make complete preparation on the pandemic prevention and control after the resumption of semester, thereby implementing a complete coverage of pandemic prevention and control, in order to build a "pandemic prevention and control wall" for a safe and stable campus environment.

Safeguarding food safety

Food safety is the foundation of protecting the body health of students. The Group strictly abide to regulations including the Food Safety Law of the PRC 《中華人民共和國食品安全法》, the Implementation Regulation on Food Safety Law of the PRC 《中華人民共和國食品安全法實施條例》, Administrative Measures for the Licensing of Catering Services 《餐飲服務許可管理辦法》, the Measures for Supervision and Administration of Food Safety in Catering Services 《餐飲服務食品安全監督管理辦法》, the Code of Practice for Food Safety in Catering Services 《餐飲服務食品安全操作規範》, the Guidelines for Canteen Safety of Higher Education Institutions 《普通高等學院食堂安全工作指南》, which clearly states the requirements on management and operation, including food safety services standard, servicing process, services appraisal, and sort out a series of management system with complete processes:

– In respect of monitoring and controlling sources of food, a strict procurement management system of canteen raw materials is in place, only packaged food with food trade license, qualification license of food inspection or test sheets can be purchased, and to keep a book of record of food raw materials procurement;

– In respect of food storage, the canteen warehouse is managed by the designated personnel, foods are strictly stored by category according to their specialties and stored in separate shelf, fresh food that are easily rotten shall be refrigerated in time, while foods that are easily affected by humidity shall be stored in a dry condition. Foods are inspected regularly to inspect if they are expired, deteriorated or being bitten by insects, and inspect if the containers, tools and equipment for food storage, transportation and handling fulfil food safety standards, and ensure a good food storage environment in the warehouse;

– In respect of management on sample, a complete food safety tracking system is in place, which stipulates the type of food sample, number of sample, time of sample preserve, and they shall be stored in a designated refrigerator, and the sample shall be registered in accordance to "Registration Form of trial tasting of food sample" 《食品留樣試嚐情況登記表》 by designated personnel, so as to ensure an effective food safety inspection;

– In respect of personnel management and training, it is clearly stipulated that personnel of canteen under the Group and respective schools shall perform regular medical check-up and they are required to wear work clothing, pre-job health proofs of personnel shall be strictly reviewed; during the pandemic, health conditions of canteen staff are precisely collected, and each canteen are required to conduct comprehensive inspection to the staff for their health condition 14 days before returning to school, body temperature of personnel shall be checked before the morning, afternoon and evening work sessions commence;

– On the management of shops and supermarket, the Group regulates the business scope of stores and supermarkets by prohibiting their operation beyond business scope and strictly requiring them to operate under a full compliance with the requirements in relation to procedures and certificates including, among others, Business License, Tax Registration Certificate, Food Circulation License and Personal Health Certificate, and requires that the supermarkets should have the necessary quality check certificate for the supply of foods and it is prohibited to supply products that are uncertified, dateless and produced by a nameless factory and those expired products. Those stores will be subject to severe punishment for their failure to comply with our requirements on food hygiene and safety.

Ensure campus safety

The Group strongly emphasizes on the safety management of campus, and it continues to complement School Logistics Safety Management System be referencing to the past working experiences, which focuses on strengthen the management and control of critical segments including fire prevention and medical safety, and to nurture health and safety concept among students. A comprehensive and efficient safety prevention and emergency contingency mechanisms has been established to prevent and minimize the occurrence of safety incident.

- **Strengthening Fire Safety Guarantee**

  To prevent and minimize the fire hazard, the Group requests each schools to formulate corresponding College Fire Management System (《學院消防管理制度》) and the Fire Control Room Management System (《消防控制室管理制度》) according to national laws and regulations including the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》) and Provisions on the Administration of Fire Safety at Higher Academic Institutions (《高等學校消防安全管理規定》) and the actual circumstances of schools. The Group also requests each unit and department to implement the responsibility system on fire control safety level by level and the post responsibility system on fire control system. Meanwhile, fire safety inspection is carried out each month, special inspection on the fire safety and facility safety on important premises including dormitory, teaching building and training building, in order to assure the fire safety facilities are in place and functional. Fire safety files are being established and amended in order to solve the potential concern of fire, and to prevent the occurrence of fire safety incident.

  In addition, the Group has formulated the Fire Extinguishing and Emergency Evacuation Plan (《滅火和應急疏散預案》) and requires each school to conduct drills regularly. Schools also actively invite the local fire services department and public security departments to hold talks and fire drill in schools, which significantly enhance the awareness of fire prevention and the ability of emergency evacuation of teachers and students.

In 2020, Sichuan Tianyi College organized fire emergency contingency drill and training activity, officials from the fire and rescue team of Mianzhu City are being invited to organized training on the operation of fire safety equipment, and held a drill of electricity safety, emergency evacuation, operation of fire safety equipment. Business College of Guizhou University of Finance and Economics held talks on fire safety, and organized activities on evacuation drill in case of fire and fire-fighting demonstration, which largely enhanced the ability and awareness of addressing fire safety of teachers and students.

- **Providing Medical and Health Support**

The Group strongly emphasize hygiene and health works at campus, it complemented the College Public Health Emergency Contingency Plan (《學院突發公共衛生事件應急預案》), the College Infectious Disease Prevention and Control Plan (《學院預防與控制傳染病預案》) and the College Food Poisoning Emergency Contingency Plan (《院校食品中毒應急預案》) in accordance to Emergency Response Measures of the People's Republic of China (《中華人民共和國突發事件應對辦法》) and the Regulation on the Urgent Handling of Public Health Emergencies (《突發公共衛生事件應急條例》). Each college sets up an infirmary stationed by full-time doctors in order to strengthen drug management and avoid medical accidents; keeps in touch with local disease prevention and control center, communicates and reports infectious disease prevention and treatment in time, and regularly invites professionals to the school for providing training; specifies regular drills for sudden illness suffered by teachers and students at school to eliminate the hidden risk of breakout of infectious diseases.

- **Attaching Importance to the Healthy Growth of Students**

The only way for students to understand "safety first" is to enhance their safety awareness. Each school has been actively formulating and implementing the school safety education plan, and nurturing the self-protection awareness by incorporating it into daily teaching. Fire safety drill, earthquake contingency evacuation drill are regularly held each year, while activities such as theme class meeting and safety talks are being held irregularly, so as to help students to build and enhance the safety awareness, and ensure them to address the emergencies calmly. In addition, the Group constantly pays attention to various adverse factors that jeopardize students, such as campus loan, school bully, network safety, AIDS and drugs, and joins hands with the relevant regulatory authority to clear up and purify the environment of campus through campus bulletin and themed lectures.

- **Joint Inspection for Regular Assessment and Feedback**

In respect of the implementation of Administration Measures, the security management department of the Group from time to time designates relevant staff to conduct inspection and assessment, and the employees will be subject to inquiries and punishment if they are underperformed. During the Reporting Period, the Group organized each school to conduct a comprehensive safety inspection, which carried out inspections on fire safety at teaching area and living area, safety of food hygiene, electricity safety at dormitory, and requests each school to establish a mechanism on regular safety inspection, in order to carry out safety and hygiene inspection to key areas of each schools, and ultimately establish a safe, stable, harmonious and beautiful campus environment and to protect the interests of teachers and students feasibly.

Student Employment

Perseverance comes with a stable job, employment is the first step of contributing to the society development by talents. The Group regards the employment of students as the top priority of its work, and is committed to systematically solving the problem of student employment from top to bottom from the top-level design of colleges to professional settings. Guided by the Law for Promoting Private Education (《民辦教育促進法》), the Group formulated the Administrative Measures for Employment (《就業管理辦法》) to standardize the employment guidance for students and integrate student employment and student entrepreneurship.

The Group puts emphasis on enhancing students' professional proficiency and professional quality and enhancing the employment competitiveness of its graduates through opening employment guidance optional courses and employment guidance lectures. In addition, the Group deepens its cooperation with employers and human resources agencies, in order to expand the employment channels, strengthens the in-depth cooperation between industry and education, and builds two-way selection meetings and other platforms, to provide students with high-quality resources and improve actual graduate employability.

As a result of the COVID-19 pandemic, the employment situation in 2020 is extremely severe. By referencing to their actual circumstances, each school formulate employment and entrepreneurship services for graduates during pandemic prevention and control period, and actively arranges employment works. Sichuan Vocational College of Culture & Communication widely invites employers to organize online job fair and promotion event through the employment information platform, and actively explore different "Internet+" employment models. Sichuan TOP IT Vocational Institute fully utilize big data platform to select well-known enterprises through different channels, and sharing the employment information from quality enterprises of the country, especially enterprises established by alumni to students under internship and seeking for employment through online platform, which provided 6,500 internship posts, realized a high level of employment satisfaction and solid protection, so as to let graduates feel relieved and warm.

SOCIAL RESPONSIBILITY

Staff Development

Protection of Staff's Interests

High quality faculty is the core competitiveness of the Group. The Group has, in strict compliance with *the Labor Law of the PRC* (《中華人民共和國勞動法》), *the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》), *the Provisions on the Prohibition of Using Child Labor* (《禁止使用童工規定》), *the Special Provisions on Labor Protection of Female Employees* (《女職工勞動保護特別規定》) and *the Regulation on Work Injury Insurance* (《工傷保險條例》) and other national laws, formulated *the Administrative Measures on Labor Contracts and Social Insurance* (《勞動合同和社會保險管理辦法》) with labor laws and regulations of the places where various colleges operate taken into consideration to prohibit the employment of child labor and forced labor resolutely, safeguard staff's entitlement to rest days and leave sufficiently, restrain any form of discrimination and create a fair working environment.

In order to safeguard the regularity of talent recruitment mechanism, the Group has formulated the Administrative Measures on Employee Recruitment (《員工招聘管理辦法》) for strict verification from resume screening to qualification review. In particular, strict reference check is conducted in respect of senior management and candidates for key positions. After an employee joins in, the Company will enter into a written labor contract with him/her within one month, and purchase pension, medical care, work injury, maternity, unemployment or commercial accident insurances, housing provident fund, etc. for him/her, to ensure his/her legal labor rights.

The Group has formulated the Headquarters Administrative Measures on Remuneration (《總部薪酬管理辦法》) and amended the Administrative Measures on Remuneration (《薪酬管理辦法》) based on the actual situation of each college, regulating the salary adjustment procedures in accordance with the principles of fairness, competition and incentive in order to provide the staff with competitive remuneration in the industry.

As at the end of the Reporting Period, the total number of employees in the Group was 8,484, among which female employees accounted for 58% and the turnover rate of employees was 4%. During the Reporting Period, in strict compliance with relevant national and local laws and regulations, the Group did not have any labor dispute litigation.

Unimpeded Development Channels

Taking into account the development needs and patterns of employees in each position of the Group, the Group keeps improving *the Administrative Measures on Performance Incentives and Assessment of School Operations* (《院校業務工作激勵考核管理辦法》) to ensure that every employee can enjoy equal and fair promotion opportunities. Staff in management positions are mainly recruited by selecting the best candidates when there are vacancies in the post establishment and their salaries are adjusted based on their personal work performance, personal achievements and annual assessment results. And staff in professional and technical positions are promoted within the post establishment and their salaries are appropriately raised based on their job achievements on the post and performance evaluation.

The Group highly values the cultivation of teaching teams and the strengthening of faculty, keeps abreast of the reform of the professional and technical titles evaluation system of colleges and universities, and encourages teachers to actively apply for various titles. Meanwhile, the Group has formulated the Measures for Implementation of Professional and Technical Titles Evaluation (《專業技術職稱評審實施辦法》) to carry out a comprehensive assessment on academic qualification, computer application, teaching and scientific research level of the applicants, thus ensuring the fairness and justice of evaluation.

Enhancement of Teacher's Ability

The development and enhancement of teachers' ability is an indispensable part of an excellent training mechanism. To enhance the overall quality and teaching standard of teachers, the Group has improved *the Guidance on Strengthening the Building of Teaching Team of Higher Education Institutions within the Group* (《關於加強旗下高等院校師資隊伍建設的指導意見》) according to *the Teachers Law of the PRC* (《中華人民共和國教師法》), *the Regulation on Training Work for Teachers of Higher Education Institutions* (《高等學院教師培訓工作規程》) and other relevant laws and regulations, and based on the current development of the Group as well as required each college to lay down *the Implementing Measures on Standardized Training Program* (《規範化培訓工作的實施辦法》), *the Training System of Teacher Posts* (《教師崗位培訓制度》) and other internal control system in accordance with the requirements of local educational regulatory authorities at all levels, and based on their own realities, to standardize management in many aspects, such as teachers' moral education, pre-job training, in-service training, on-the-job practice, academic exchange, tutor guidance and teaching.

- **Theory and Practice, and Dual-mode Training**

  The Group conducts training of two aspects, namely general system training and business professional training in a manner of "Theory and Practice" to enhance teachers' ability. The general system training mainly involves the human resource management standards, financial management systems, asset management systems and office platform process operation specifications. The above content be would not only fully covered in the new employee induction training, but also included in assessment by way of online test, and the department that issues systems further promotes the system information in daily operation, so as to achieve repeated strengthening and let the employees form a theoretical system. The business professional training mainly adopts the training method of "Teaching and Mentoring" in practice according to the position and work content of the employees. This kind of supportive training can effectively identify the problems of the employees at work and focus on solving the problems.

  In 2020, the first phase training of the 1st reserve cadre training course for colleges of the Group was launched at Sichuan TOP IT Vocational Institute (四川托普信息技術職業學院) with 28 people participated, including department heads, administrative department heads and key teachers. The training course covered theoretical studies, job training, achievement sharing and other areas to effectively enhance the professional and work capabilities of employees. Sichuan Tianyi College (四川天一學院) has formulated a targeted teacher training program to comprehensively improve online teaching abilities, cultivating and retaining a group of outstanding employees who understand both education and management.

- **Strict Assessment and Competition for Development**

  With emphasis on the improvement and assessment of teachers' abilities, the Group has formulated and issued the Evaluation Methods and Index System for Schools of Hope Education Group (《希望教育集團所屬院校辦學評估考核辦法及指標體系》), which stipulates that two rounds of evaluation and assessment shall be carried out for affiliated colleges annually to evaluate the operation of the colleges comprehensively by means of reviewing the colleges' self-evaluation reports and examining the supporting documents relating to the evaluation index, on-site visits and randomly selecting teachers to conduct professional analysis and lectures, etc..

In addition, the Group has organized competitions such as College Teachers' Experimental Training and Teaching Skill Competition as well as College Teachers' Professional Skill Competition to promote teaching quality. As such, teachers can strengthen and improve themselves through exchanging their teaching experiences in the competitions and learning from others. At the same time, the Group also encourages teachers to lead students to participate in student technology and skills competitions, so as to achieve learning while teaching.

In 2020, the Group held the 4th Teacher Classroom Teaching Skills Competition. After several months of multiple selections, 24 teachers entered the final. The final was divided into two categories, namely undergraduate education and higher vocational education, assessed in two ways: online review and on-site centralized review, focusing on course analysis, classroom teaching, teaching quality and teaching outcome of the participating teachers. After intense competition, 6 teachers from each of the undergraduate education group and the higher vocational group won the awards.

- Care for Staff

The Group deeply understands the needs of employees, improves and enriches employee benefits, realizes diversification of employee benefits and creates a healthy and harmonious working environment for employees. In 2020, on the basis of the current welfare policy, the Group has optimized the medical examination benefits of employees from the perspective of employees' health to organize regular employee medical examinations in cooperation with large-scale medical examination centers. In order to solve the problem of staff dining environment, the Company actively built a new staff canteen and put it into use, and ensured the dining quality of staff by purchasing high-quality ingredients, fruits and vegetables. At the same time, a variety of refreshments and beverage are provided to the staff in summer with an aim of creating a safe and comfortable working environment.

Each of the Group's colleges irregularly organizes the collective activities of teaching staff in order to enhance the cohesion and the sense of belonging of the teaching team. In 2020, the Group organized employees to visit and study in Chongzhou Jianchuan Museum and Liushi Manorial. These activities greatly enriched the employees' spare time and also derived their enthusiasm for work.

Community Support

Provision of Volunteer Support

Hope Education takes the initiative to practice corporate social responsibility and fully utilizes its own advantages and educational resources to support social welfare undertakings, actively promote social practices and convey warmth in society, contributing to a beautiful and harmonious community.

2020 is a year of decisive victory for poverty alleviation. Based on the current progress and the past efforts of poverty alleviation, the Group has further strengthened organization and leadership, improved poverty alleviation work mechanism and required poverty alleviation personnel from various colleges to go deep into the respective impoverished villages to conduct research and investigation for the true purpose of targeted poverty alleviation so as to help win the battle against poverty.

During the Reporting Period, Hope Education donated RMB3.01 million on anti-epidemic activities, and RMB1 million on the renovation of toilets for primary and secondary schools in the rural villages of Wei County.

Industry Support

In 2020, Business College of Guizhou University of Finance and Economics increased aquaculture technical training for villagers. It continued strengthening management of the fish fry of the Tiger Wolf reservoir in Shiban Village, Baibang Community, Baijin Town, Huishui County, Qiannan Buyei and Miao Autonomous Prefecture, Guizhou Province and expanded the scale of breeding, and meanwhile organizing logistics to arrange canteens to buy back full fish, bringing direct economic income to the villagers. It continues to increase capital investment on the basis of 2019, and provides farmers with knowledge and guidance about industrial policies and industrial characteristics with reference to the actual situation of poverty alleviation in the respective impoverished villages to help villagers develop high-quality japonica rice, high-quality black glutinous rice and characteristic agriculture that features potatoes, and continuously expands the scale of farming and increases economic income. Solving the poverty problem of the villagers from the source can help win the 2020 poverty alleviation battle.

During the resumption of spring ploughing, Sichuan Tianyi College (四川天一學院) used Tencent Classroom to establish an online cloud platform about peony planting and breeding technology and organized peony planting experts to conduct farmland management training twice in the field for villagers of Xinguang Village, Xiaohe Town, Songpan County, Ngawa Tibetan and Qiang Autonomous Prefecture, Sichuan Province, covering techniques such as weeding and fertilization. In addition, the college coordinated the investment of RMB200,000 to introduce 20 acres of ornamental peony which featured short economic benefit cycle, fast return on investment and long-lasting income to help Xinguang Village develop a mountainous peony sightseeing spot, further strengthening the collective economy of the village and truly realizing an increase in income.

Skills Support

In 2020, Jinci College of Shanxi Medical University implements the Hope Education Project for Poverty Alleviation and Education (希望教育扶貧助學工程) actively. The first batch of 27 students from poor families in Shanxi Province have received free clinical medicine undergraduate training. The project which will continue in 2021 to help more poor families to truly solve the poverty problem from the source, and is a major initiative by colleges in Shanxi Province that is second to none, playing a positive role in further strengthening education poverty alleviation measures for colleges in the province.

In line with its fundamental mission of fostering character and civic virtue, Sichuan Tianyi College (四川天一學院) actively cooperates with the nine-year school in Xiaohe Town, Songpan County, Ngawa Tibetan and Qiang Autonomous Prefecture, Sichuan Province, to implement school-school co-establishment to achieve zero dropout of students in the compulsory education stage of Xinguang Village, Xiaohe Town. All teachers and students of the school were encouraged to make a donation and about RMB30,000 worth of 2,006 extracurricular books of various genres for nine-year compulsory education were collected and outstanding teachers who spoke standard Mandarin were assigned to launch Mandarin special training for teachers and students alike. This year, a total of 4 underprivileged students from pool families in Xinguang Village were encouraged to go to colleges and universities with a subsidy of RMB1,000 per student, and they were encouraged to use their knowledge to repay their hometown after graduation.

Health Support

Teachers and students of Guizhou Vocational Institute of Technology (貴州應用技術職業學院) participate in community activities actively. Catering to the needs of residents, the Nursing and Pre-school Education Department mobilized nursing student volunteers and nursing teacher volunteers to enter the community for blood pressure testing, and promote health education about chronic disease diet, exercise and medication, providing health services for the people in the resettlement areas.

Promoting of Cultural Integration

"Gratitude" is the core of the Hope Education's corporate culture. Every year, the Group launches "Grateful Season" of a specific theme, which is an annual cultural highlight. In 2020, due to the impact of the epidemic, the kick-off meeting was conducted online, and the activities of Grateful Season were carried out under the theme of "Hope and Power on the Way of Gratitude". 16 affiliated colleges of Hope Education and more than 190,000 teachers and students started a two-month Grateful Season to vigorously promote the anti-epidemic spirit, actively fulfill their mission and guide teachers and students to always be grateful and practice charitable acts.

Based on their own realities, all colleges launched themed activities such as singing, lectures, speeches, fine arts, calligraphy, essay writing and photography. In addition, Hope Education Group also focused on three large-scale events, namely the preparation of an essay collection on the grateful deeds of key characters, the Tiktok short video contest and the closing ceremony of Grateful Season. Through activities over the two months, the Group promoted anti-epidemic spirit, reinforced its mission and practiced charitable acts.

Supply Management

The Group continues to strengthen its supplier management, improve its operation and management level, improve its procurement quality with aims to ensure the safety and reliability of supply.

The Group formulates the Supplier Management System to regulate the entry system of suppliers, which conducts a strict approval procedure for supplier screening, and builds up a database for suppliers to carry out a unified management of qualified product suppliers, and a validity period system is in place and a review is conducted in December each year. The procurement management department carries out a review on qualified suppliers to assess 4 sectors of the suppliers once every quarter, including product quality, prices, delivery period and after-sales service, and divides the suppliers into four ratings from A to D according to the review results. For suppliers with rating A, they will be considered in first priority in terms of procurement. For suppliers with rating D, they will be directly eliminated and blacklisted, and application by that supplier within one year will not be accepted. In the event that there is a material quality incident relating to the goods and materials supplied by the suppliers, the Group will conduct an assessment and examination towards the suppliers at any time to ensure the stability of the quality of products supplied by the suppliers.

To enhance the procurement management and efficiency, the Group has formulated the Management Rule of Procurement Department 《採購部管理制度》 to regulate and improve the procurement operation mechanism in bulk procurement, regular procurement and special procurement, strict procurement scope is also designated. In addition, the Group clearly regulates the work discipline of procurement personnel by prohibiting procurement personnel from accepting any invitation to banquets or cash gifts and entering into the corruption-free agreements 《廉潔協議》 with suppliers to enhance the supervision from the suppliers over the procurement personnel. Based on the principles of fair, open and justification, the Group also launches the whistleblowing channels and establishes a reward mechanism to encourage reporting of the non-compliances with aims to ensure the fairness and impartiality of the procurement process.

ENVIRONMENTAL RESPONSIBILITY

The Group strictly complies with the environmental protection policies and regulations, such as the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》 and the Energy Conservation Law of the PRC 《中華人民共和國節約能源法》, and incorporating green concepts into every process of its management and operation, with an aim to implement the goal of sustainable development, and also practicing green offices, building green campuses, and advocating green lifestyles to actively fulfill its corporate environmental responsibility.

In the education service industry where the Group operates, the main environmental impacts are energy consumption, water resource consumption, office resource consumption, campus life wastes and three wastes (exhaust gas, wastewater and solid waste) discharge from canteen operation. There is no use of packaging materials for products during the course of business of the Group and there is no issue in sourcing suitable water. The domestic sewage generated during daily operation is discharged through municipal sewage pipe networks to urban sewage plants for treatment, the impact on the environment and natural resources is not material for the operation of the Group. However, the Group understands its own environmental responsibility and contributing actively on energy conservation and reduce in emission.

Energy Saving

The Group standardizes the Equipment Maintenance and Management System《設備維修管理制度》and, in the principle of "timely processing to reduce consumption", the online repair reporting system is rolled out in various colleges and the management method that the maintenance is conducted on the day of reporting is adopted. On promoting energy conservation and emission reduction, the Group emphasizes on power saving, water saving and paper saving in every tiny aspects in its daily operations and schools operation, so that the green concept can be deeply rooted in people's hearts, which can help achieve green and low-carbon operation with practical actions. The Group and its schools implement Office Management System《辦公室管理制度》, set up energy consumption management goals, and holds monthly energy consumption analysis meetings on a regular basis to track monthly energy consumption and precisely manage the energy use; sets up a supervision and inspection system to make public departments which have taken inadequate measures to save resources, or individuals who have caused serious wasting of water and power. Key measures on energy conservation and emission reduction included:

- Promotion of paper-less office by fully utilizing mobile phones and internet, so as to maximize the effort of "paper-less and less paper consumption in office";

- Requiring those who are the last ones to leave the office to be responsible for power checking to ensure that all electrical facilities are switched off before leaving;

- Water-saving faucets are installed to avoid any emission, dripping or leakage;

- Decorative lights and garden lamps are switched off on the campus, except for special needs; the street lights are equipped with time control switch and adjusted timely according to the weather forecast on the day, utilizing to the maximum extent natural light; the light switch in the public area of the school are replaced with the sound-control switches; energy-saving lights of high quality are adopted to replace incandescent light bulb;

- Implementing a daily energy registration system to monitor daily electricity and water consumption level and to rectify any abnormal situations once identified in a timely manner to put an end to waste;

- Strictly controlling the conditions and frequencies of the vehicles usage, vehicles for official use and school buses are all vehicles that consume new energy, which effectively reduced the emission of air pollutants by the Group.

In the management of fixed assets, the Group has formulated the Management Measures on Fixed Assets《固定資產管理辦法》in the principle of "rational allocation and enhanced utilization", which sets out provisions for the full cycle, from material application, transfer of new assets, continuous management of assets, checking of inventory, maintenance of assets to disposal of scrapped assets, in order to prevent waste of assets caused by improper management, as well as environmental pollution caused by random disposal of wastes. Meanwhile, the Group has put in place annual management objectives for consumables, and purchases office consumables, consumables for water and electricity repair, training consumables and activity consumables for each college on a unified basis for each semester, and updates the List of Inventory of Low-value Consumables《低值易耗品庫存盤點表》on a weekly basis to track the usage.

Table of Energy and Resource Use

Index	Unit	2020	2019	2018
Energy				
Total energy consumption	Tonne of standard coal consumption	/	/	3,909.5
Electricity consumption	kWh	33,051,245.3	39,049,723.2	28,042,517.4
Pipeline gas	m^3	1,205,336.0	1,387,128.0	1,296,768.0
Density of energy consumption	Tonne standard coal consumption per RMB1 million of revenue	/	/	3.8
Use of resource				
Office purchased paper	Tonne	/	/	5.6
Total used water	Tonne	1,434,892.3	1,598,979.2	1,869,366.0
Density of used water	Tonne per RMB1 million of revenue	1,089.4	1,202.2	1,815.8

Emission Reduction

The Group continuously improves the *Logistics Management System* (《後勤管理制度》) to strictly standardize the waste management of daily operation, including wastewater, exhaust gas and solid wastes.

- Food waste: the colleges have carried out energy-saving transformation of cooking utensils and purging systems in their canteens to reduce and eliminate emissions of greasy dirt. External third party environmental protection companies are engaged to carry out standardized tests and assessments on the emission of cooking fumes for the canteens. Oil and water transmitters are installed in canteens. Kitchen food wastes are collected, transported and disposed by qualified third parties.

- Domestic waste: recycle bins are placed in the campus, and domestic waste are subject to treatments by municipal waste treatment units after collective collection and classification. The abandoned lighting tubes and batteries are separately collected and dealt with by qualified third parties.

- Medical waste: only a small amount of medical wastes is generated in college dispensaries, which are to be disposed by qualified third parties after volume record by doctors.

Schools of the Group have implemented a number of measures in 2020, including the "Clear your Plate Campaign" ("光盤行動"), with an aim to promote frugality, reasonable utilization of resources and reduce the number of food waste and garbage. The Administration Department of Sichuan Hope Automotive Vocational College collects statistics and providing analysis of food waste and garbage daily, and starts an investigation on number of meals from the staff and their favourite taste, in order to calculate the ingredients needed in a scientific way, and preparing meals in accordance to the demand. It also considers and formulates a reward and punishment mechanism on proper and reasonable dining, a supervisor is stationed at the disposal site, and will ask those who have excess leftovers to rectify the situation, so as to solve the problem of waste of food and beverage from meal preparation to food waste produced.

Table of Environmental Management

Index	Unit	2020	2019	2018
Hazardous waste				
Total amount of hazardous waste	Tonne	3.9	4.1	/
Abandoned lighting tubes	Piece	8,122	8,511	8,146
Used printer toner cartridge	Piece	130	103	99
Used batteries	Piece	3,492	3,566	3,476
Scrapped ink cartridges	Piece	98	47	35
Recycled ink cartridges	Piece	77	55	48
Medical wastes	Tonne	0.7	0.8	0.6
Intensity of hazardous waste	Tonne per RMB1 million of revenue	0.003	0.003	/
Non-hazardous waste				
Total amount of non-hazardous waste	Tonne	5,232.0	5,955.0	5,317.7
Kitchen garbage	Tonne	1,290.0	1,322.0	1,129.7
Domestic garbage	Tonne	4,232.0	4,633.0	4,188.0
Intensity of non-hazardous waste	Tonne per RMB1 million of revenue	4.2	4.5	5.2
Greenhouse gas emissions				
Total CO_2 emissions	Tonne	20,135.2	22,895.9	17,079.0
CO_2 emissions Scope 1	Tonne	310.3	321.5	300.6
CO_2 emissions Scope 2	Tonne	21,334.8	22,574.4	16,778.4
Intensity of greenhouse gas emissions	Tonne of CO_2 equivalent per RMB1 million of revenue	15.6	17.2	16.6

To the shareholders of Hope Education Group Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hope Education Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 232, 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 eight months ended 31 August 2020, 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 eight months ended 31 August 2020 in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Preferential tax treatment	
As set out in note 10 to the financial statements, according to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. During the period, no corporate income tax was provided on the income from the provision of formal education services by the Group's certain private schools in the People's Republic of China (the "PRC Private Schools"), which have elected to be private schools requiring reasonable returns. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, those PRC Private Schools did not pay corporate income tax for the income from formal educational services and have enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised for the income from formal educational services provided by those PRC Private Schools during the eight months ended 31 August 2020. There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatment enjoyed by those PRC Private Schools. The Group's disclosures about the income tax are included in note 3 and note 10 to the financial statements.	The audit procedures included the following: • Discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the schools operated by the Group for the current period; • Evaluated management's assessment on the application of the preferential tax or applicable tax rate to the respective schools; • Examined the historical tax filing returns filed to the relevant tax authorities; • Discussed with the Group's external PRC legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax on the respective schools; • Assessed any new policies, regulations or rules that have been introduced by the authorities, which might have an impact on the tax position taken by the Group up to the date of approval of these financial statements; and • Involved our internal tax specialist to assist us in assessing the uncertainties arising from the preferential tax treatment enjoyed by the Group's schools by reviewing the applicable tax laws and regulations, any new policies or rules, and historical tax returns filed to assess if management's understanding and interpretation could be supported.

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Impairment of goodwill

The Group recorded a significant amount of goodwill of RMB590 million as at 31 August 2020. Management has performed an annual impairment test on the recoverability of goodwill as required by IAS 36. No impairment charge has been recorded against goodwill in the current period. Certain assumptions used in the impairment review were subjective and involved significant judgements and estimates, and they included:

- the future cash flow growth assumptions used in the Group's most recent budgets for the next five years approved by the board of directors, including future industry development, pricing strategies, market supply and demand, and earnings before interest and taxes ("EBIT");
- the growth rate used beyond the period covered by the budgets; and
- the discount rate applied to future cash flows.

The accounting estimates and disclosures related to the impairment assessment of goodwill are included in note 3 and note 15 to the financial statements.

How our audit addressed the key audit matter

In order to evaluate the impairment test carried out by management and assess the value in use of the cash-generating unit, we performed the following procedures:

- Evaluated management's future cash flow forecasts, including their consideration of the impact of COVID-19, and the process by which they were drawn up;
- Assessed the actual performance during the eight months ended 31 August 2020 against the prior year budgets to evaluate historical forecasting accuracy;
- Analysed the key assumptions adopted by management, such as the growth rates of the number of students, tuition and boarding fees and expenses during the forecast periods by checking to the historical trend and industry index;
- Performed sensitivity analyses on the forecasts;
- Involved our internal valuation specialists to assist us in evaluating the methodologies and key valuation parameters used by the Group and the discount rate used by comparing to the industry index; and
- Evaluated the adequacy of the Group's disclosures regarding goodwill impairment testing.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of loans to a third party	
As at 31 August 2020, the principal and interest receivables (the "Debts") with an aggregating amount of RMB511,382,000 arising from loans to a third party, which accounted for 13% of the Group's total current assets, have been past due. The impairment assessment for the Debts is a complex process involving significant management's judgement including their evaluation of the Debtor's financial condition, expected future cash flows from the Debtor as well as the fair value of the collaterals held by the Group to safeguard the Debts. The accounting estimates and disclosures related to the impairment assessment of the loans and interest receivables arising thereon are included in note 2, note 3, note 19 and note 35 to the financial statements.	Our audit approach included the following substantive procedures: • Examined the Group's assessment of the third party's financial condition and ability to repay the Debts; • Discussed with management regarding the Group's actions to safeguard the Debts; • Inspected legal agreements and supporting documentation to confirm the existence and legal right to collaterals held by the Group; • Evaluated the competence, capabilities and objectivity of the independent valuer engaged by management in assessing the fair value of the collaterals; • Involved our internal valuation specialists to assist us in evaluating the methodologies and key valuation parameters used by the independent valuer in determining the fair value of the collaterals; and • Evaluated the adequacy of the Group's disclosures regarding the impairment assessment for the Debts and the Group's exposure to credit risk in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants

Hong Kong
27 November 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eight months ended 31 August 2020

	Notes	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	5	**872,075**	1,331,375
Cost of sales		**(494,464)**	(656,873)
Gross profit		**377,611**	674,502
Other income and gains	5	**129,745**	253,628
Gain on a bargain purchase		**–**	27,256
Selling expenses		**(41,279)**	(45,283)
Administrative expenses		**(113,600)**	(172,401)
Other expenses		**(42,644)**	(16,459)
Finance costs	6	**(143,940)**	(170,681)
Share of profit/(loss) of a joint venture		**(144)**	5,177
Profit before tax	7	**165,749**	555,739
Income tax expense	10	**(46,400)**	(65,708)
Profit for the period/year		**119,349**	490,031
Other comprehensive income for the period/year		**–**	–
Total comprehensive income for the period/year		**119,349**	490,031
Profit and total comprehensive income attributable to:			
Owners of the Company		**119,224**	489,872
Non-controlling interests		**125**	159
		119,349	490,031
Earnings per share attributable to ordinary equity holders of the Company:	12		
Basic		**RMB0.018**	RMB0.073
Diluted		**RMB0.017**	RMB0.072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2020

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,065,150**	4,563,972
Right-of-use assets	14(a)	**1,319,119**	1,163,340
Goodwill	15	**590,456**	590,456
Amounts due from related parties	31(c)	**288,556**	275,110
Other intangible assets	16	**212,291**	218,976
Investment in a joint venture	17	**196,098**	196,242
Prepayments, deposits and other receivables	19	**335,857**	224,815
Restricted bank balances	21	**179,851**	108,787
Pledged deposits	21	**268,000**	–
Deferred tax assets	26	**2,424**	1,404
Total non-current assets		**8,457,802**	7,343,102
CURRENT ASSETS			
Trade receivables	18	**27,953**	3,714
Prepayments, deposits and other receivables	19	**909,135**	720,787
Amounts due from related parties	31(c)	**56,052**	30,868
Structured deposits		**–**	1,002,967
Financial assets at fair value through profit or loss	20	**5,000**	9,310
Restricted bank balances	21	**50,000**	50,000
Pledged deposits	21	**15,700**	–
Cash and cash equivalents	21	**2,894,437**	1,690,419
Total current assets		**3,958,277**	3,508,065
CURRENT LIABILITIES			
Contract liabilities	5	**403,620**	806,431
Trade payables	22	**37,573**	33,610
Other payables and accruals	23	**1,307,621**	1,137,501
Lease liabilities	14(b)	**28,965**	27,825
Deferred income	24	**37,683**	32,545
Interest-bearing bank and other borrowings	25	**1,443,333**	1,003,293
Amounts due to related parties	31(c)	**21,694**	30,763
Taxes payable	10	**87,759**	65,203
Total current liabilities		**3,368,248**	3,137,171
NET CURRENT ASSETS		**590,029**	370,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,047,831**	7,713,996

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2020

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Deferred income	24	**1,252,665**	1,072,673
Interest-bearing bank and other borrowings	25	**1,670,072**	1,593,599
Deferred tax liabilities	26	**5,687**	5,889
Lease liabilities	14(b)	**120,129**	132,662
Other payables	23	**312,861**	343,885
Total non-current liabilities		**3,361,414**	3,148,708
NET ASSETS		**5,686,417**	4,565,288
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**493**	454
Reserves	29	**5,682,728**	4,561,763
		5,683,221	4,562,217
Non-controlling interests		**3,196**	3,071
Total equity		**5,686,417**	4,565,288

Xu Changjun
Director

Wang Huiwu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eight months ended 31 August 2020

	Attributable to owners of the Company								
	Issued capital RMB'000 (note 27)	Share premium* RMB'000	Capital reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Share option reserve* RMB'000 (note 28)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	454	2,701,755	598,426	234,221	122,345	500,069	4,157,270	2,882	4,160,152
Profit and total comprehensive income for the year	–	–	–	–	–	489,872	489,872	159	490,031
Transfer from retained profits	–	–	–	85,749	–	(85,749)	–	–	–
Deemed contribution from equity holders of the Company	–	–	48,042	–	–	–	48,042	–	48,042
Acquisition of a subsidiary with a non-controlling interest	–	–	–	–	–	–	–	30,000	30,000
Acquisition of a non-controlling interest	–	–	(48,000)	–	–	–	(48,000)	(30,000)	(78,000)
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	30	30
Final 2018 dividend declared	–	(105,495)	–	–	–	–	(105,495)	–	(105,495)
Equity-settled share option arrangements	–	–	–	–	20,528	–	20,528	–	20,528
At 31 December 2019 and 1 January 2020	454	2,596,260	598,468	319,970	142,873	904,192	4,562,217	3,071	4,565,288
Profit and total comprehensive income for the period	–	–	–	–	–	119,224	119,224	125	119,349
Transfer from retained profits	–	–	–	45,296	–	(45,296)	–	–	–
Placing of new shares	32	1,062,080	–	–	–	–	1,062,112	–	1,062,112
Share issue expenses	–	(8,048)	–	–	–	–	(8,048)	–	(8,048)
Equity-settled share option arrangements	–	–	–	–	862	–	862	–	862
Transfer from the share option reserve upon the lapse of share option	–	–	–	–	(51)	51	–	–	–
Issue of shares upon the exercise of share option	7	124,230	–	–	(25,215)	–	99,022	–	99,022
Final 2019 dividend declared	–	(152,168)	–	–	–	–	(152,168)	–	(152,168)
As at 31 August 2020	493	3,622,354	598,468	365,266	118,469	978,171	5,683,221	3,196	5,686,417

* These reserve accounts comprise the consolidated reserves of RMB5,682,728,000 in the consolidated statement of financial position as at 31 August 2020 (31 December 2019: RMB4,561,763,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the eight months ended 31 August 2020

	Notes	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**165,749**	555,739
Adjustments for:			
Depreciation of items of property, plant and equipment	7	**129,990**	163,700
Depreciation of right-of-use assets	7	**39,586**	42,977
Amortisation of other intangible assets	7	**8,225**	10,855
Deferred income released to profit or loss	5	**(9,978)**	(15,508)
Interest income	5	**(57,772)**	(94,489)
Finance costs	6	**143,940**	170,681
Gains on disposal of items of property, plant and equipment, net	5,7	**(7,360)**	(17,262)
Losses on disposal of subsidiaries	7	**783**	2,011
Gain on a bargain purchase		**–**	(27,256)
Equity-settled share option expense	28	**862**	20,528
Share of profit/(loss) of a joint venture		**144**	(5,177)
Fair value gains on financial assets at fair value through profit or loss, net	5	**(12,803)**	(16,557)
Foreign exchange gains/(losses), net		**33,328**	(37,965)
		434,694	752,277
Decrease/(increase) in prepayments, deposits and other receivables		**81,915**	(97,928)
Increase in trade receivables		**(24,239)**	(3,180)
Increase in amounts due from related parties		**(15,902)**	(19,200)
Decrease/(increase) in contract liabilities		**(402,811)**	93,466
Increase in trade payables		**3,963**	33,610
Decrease in amounts due to related parties		**(1,415)**	(2,829)
Decrease in other payables and accruals		**(6,575)**	(54,501)
Receipt of government grants related to expense items		**6,880**	3,484
Cash generated from operations		**76,510**	705,199
Bank interest received		**4,935**	33,102
Corporate income tax paid		**(22,751)**	(41,271)
Net cash flows from operating activities		**58,694**	697,030

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For the eight months ended 31 August 2020

	Note	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(536,743)	(278,978)
Prepaid land lease payments		(197,512)	(293,590)
Additions to other intangible assets		(1,728)	(3,377)
Payment of other payables relating to disposal of items of property, plant and equipment in the prior year		–	(19,887)
Acquisition of subsidiaries		–	(377,031)
Acquisition of a subsidiary that is not a business		–	(69,999)
Payments for acquisitions of subsidiaries in the prior year		(34,636)	–
Prepayment for acquisition of equity interests		(290,023)	–
Proceeds from disposal of items of property, plant and equipment		17,433	26,439
Decrease from disposal of a subsidiary	1	(243)	–
Increase in amounts due from related parties		(13,446)	(275,337)
Receipt of government grants for property, plant and equipment		188,228	420,106
Loans to independent third parties		(50,961)	(22,000)
Decrease in time deposits with original maturity of over three months		295,986	154,014
Proceeds from disposal of subsidiaries in the prior year		1,000	–
Decrease/(increase) in financial assets at fair value through profit or loss, net		1,006,670	(1,011,670)
Proceeds from disposal of financial assets at fair value through profit or loss		14,439	16,983
Interest income received from time deposits		10,076	26,918
Loan repaid by an independent third party		–	1,120
Interest income received from an independent third party		–	154
Interest income received from a related party		5,738	–
Increase in restricted bank balances		(71,064)	(158,787)
Increase in pledged deposits		(283,700)	–
Net cash flows from/(used in) investing activities		59,514	(1,864,922)

continued/···

CONSOLIDATED STATEMENT OF CASH FLOWS

For the eight months ended 31 August 2020

	Note	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**734,000**	944,950
Repayment of bank and other borrowings		**(222,321)**	(632,212)
Interest paid		**(79,434)**	(123,824)
Dividends paid		**(152,168)**	(105,495)
Principal portion of lease payments		**(11,393)**	(14,479)
Interest portion of the lease liabilities		**(6,476)**	(10,660)
Acquisition of a non-controlling interest		**–**	(60,000)
Capital contribution by a non-controlling shareholder		**–**	30
Proceeds from placing of new shares		**1,062,112**	–
Share issue expenses		**(8,048)**	–
Proceeds from the issue of shares from exercise of share options		**99,022**	–
Prepaid transaction fee for a syndicated loan granted to the Group		**(305)**	–
Repayment of loans from related parties		**–**	(34,787)
Repayment of other loans recorded in other payables		**–**	(28,068)
Net cash flows from/(used in) financing activities		**1,414,989**	(64,545)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,533,197**	(1,232,437)
Cash and cash equivalents at beginning of the period/year		**1,394,433**	2,588,905
Effect of foreign exchange rate changes, net		**(33,193)**	37,965
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		**2,894,437**	1,394,433
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**2,894,437**	1,690,419
Less: Non-pledged time deposits with original maturity of over three months	21	**–**	(295,986)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**2,894,437**	1,394,433

1. CORPORATE AND GROUP INFORMATION

Hope Education Group Co., Ltd. (the "Company") was incorporated in the Cayman Islands on 13 March 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. During the eight months ended 31 August 2020 (the "Period"), the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of higher education and secondary vocational education services in the People's Republic of China (the "PRC"). There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the directors of the Company (the "Directors"), the parent and the ultimate holding company of the Company is Hope Education Investment Limited ("Hope Education Investment"), which is incorporated in the British Virgin Islands.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries

Particulars of the Company's principal subsidiaries which are wholly owned by the Company are as follows:

Entity/school name	Date and place of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Principal activities
Directly owned by the Company:			
Hope Education Group (Hong Kong) Co., Ltd. ("Hope Education HK") 希望教育集團(香港)有限公司	10 March 2017 The PRC/Hong Kong	HK$1	Investment holding
Indirectly owned by the Company:			
Horgos Tequ Mayflower Information Technology Co., Ltd. ("WFOE") 霍爾果斯特驅五月花信息科技有限公司[(i)]	19 January 2018 The PRC/Mainland China	RMB50 million	Provision of technical management and consultancy services
Sichuan Hope Education Industry Group Limited ("Hope Education") 四川希望教育產業集團有限公司[(ii)(iii)]	12 January 2005 The PRC/Mainland China	RMB52.5 million	Investment Holding
Sichuan Tequ Mayflower Education Management Co., Ltd. ("Tequ Mayflower") 四川特驅五月花教育管理有限公司[(i)]	8 April 2018 The PRC/Mainland China	RMB50 million	Sale of textbooks and dormitory bedding
Southwest Jiaotong University Hope College 西南交通大學希望學院[(ii)]	16 July 2009 The PRC/Mainland China	RMB300 million	(a)
Business College of Guizhou University of Finance and Economics 貴州財經大學商務學院[(ii)]	18 January 2004 The PRC/Mainland China	RMB50 million	(a)
Jinci College of Shanxi Medical University 山西醫科大學晉祠學院[(ii)]	17 June 2002 The PRC/Mainland China	RMB5 million	(a)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Entity/school name	Date and place of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Principal activities
Indirectly owned by the Company: (Continued)			
Sichuan Vocational College of Culture & Communication 四川文化傳媒職業學院(ii)	22 September 2005 The PRC/Mainland China	RMB20 million	(a)
Sichuan Tianyi College 民辦四川天一學院(ii)	14 March 1994 The PRC/Mainland China	RMB23.3 million	(a)
Guizhou Vocational Institute of Technology 貴州應用技術職業學院(ii)	12 June 2016 The PRC/Mainland China	RMB20 million	(a)
Sichuan Hope Automotive Technician School 四川希望汽車技師學院(ii)	4 November 2016 The PRC/Mainland China	RMB20 million	Provision of technician education services
Sichuan Hope Automotive Vocational College 四川希望汽車職業學院(ii)	24 June 2013 The PRC/Mainland China	RMB20 million	(a)
Sichuan TOP Education Co., Ltd. ("Top Education") 四川托普教育股份有限公司(ii) (iii)	28 June 2000 The PRC/Mainland China	RMB150 million	Investment holding
Sichuan TOP IT Vocational Institute 四川托普信息技術職業學院(ii)	22 April 2000 The PRC/Mainland China	RMB5 million	(a)
Suzhou Top Institute of Information Technology ("Suzhou Top Institute") 蘇州托普信息職業技術學院(ii)	2 July 2003 The PRC/Mainland China	RMB5 million	(a)
Kunshan Gongmao Technical School and Business School ("Kunshan Technical School") 昆山工貿技工學校(ii)	1 September 2018 The PRC/Mainland China	RMB5 million	(b)
Hebi Automotive Engineering Professional College ("Hebi Automotive") 鶴壁汽車工程職業學院(ii)	8 September 2011 The PRC/Mainland China	RMB45 million	(a)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Entity/school name	Date and place of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Principal activities
Indirectly owned by the Company: (Continued)			
Yinchuan University of Energy 銀川能源學院(ii)	24 August 2001 The PRC/Mainland China	RMB191.3 million	(a)
Vocational-technical Training Center of Yinchuan University ("Yinchuan Training Center") 銀川大學職業技能培訓中心(ii)	24 August 2001 The PRC/Mainland China	RMB100,000	Provision of training services
Yinchuan Vocational School of Science and Technology ("Yinchuan Vocational School") 銀川科技職業學校(ii)	26 October 2017 The PRC/Mainland China	Nil	(b)
Ningxia Modern Senior Technical School ("Technical School") 寧夏現代高級技工學校(ii)	15 December 2016 The PRC/Mainland China	RMB2 million	Provision of technician training services

Notes:

(a) Provision of higher education services.

(b) Provision of secondary vocational services.

(i) WFOE and Tequ Mayflower are registered as wholly-foreign-owned enterprises under PRC law.

(ii) These entities and sponsoring schools are controlled through contractual arrangements ("Structured Contracts") and they are collectively referred to as "Consolidated Affiliated Entities".

(iii) These subsidiaries are registered as domestic enterprises with limited liability under PRC law.

The English names of certain companies or schools established in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Disposal of a subsidiary

On 5 March 2020, the Group entered into an investment agreement with an independent third party, pursuant to which the independent third party agreed to make a capital contribution of RMB12,000,000 in cash to the registered capital and gained 60% equity interests in Chongqing Zhongsheng Real Estate Development Company Limited ("Zhongsheng Real Estate"), a former subsidiary of the Group. The Group has agreed to share no voting power and profit sharing of Zhongsheng Real Estate pursuant to the investment agreement, while still holding 40% equity interests in Zhongsheng Real Estate, which will be transferred at nil consideration once the loan and relating interest receivable (note 19(a)(iii)) are repaid. Effective from the date of the amendment to the articles of association of Zhongsheng Real Estate on 11 March 2020, Zhongsheng Real Estate was derecognised as a subsidiary of the Company and excluded from the scope of the consolidation (the "Deconsolidation").

The net assets of Zhongsheng Real Estate at the date of the Deconsolidation are as follows:

	Notes	RMB'000
Net assets disposed of:		
Prepaid land lease payments	14(a)	195,664
Cash and bank balances		243
Prepayments and other receivables		74
Other payables		(195,198)
		783
Loss on disposal of a subsidiary	7	(783)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash and bank balances disposed of/net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	243

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the eight months ended 31 August 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGE OF FINANCIAL YEAR END DATE

On 25 March 2020, the board of the directors and the Company have resolved to change the financial year end date of the Company from 31 December to 31 August (the "Change"). Accordingly, the current financial year end date of the Group is 31 August 2020. The Change is to align the financial year end date of the Group with the academic year of the schools operated by the Group in the People's Republic of China, which ends in August each year. The Board considers that the Change will facilitate the preparation of the consolidated financial statements of the Group and to better reflect the operational results of the Group for the financial year.

In view of the change of financial year end date, the consolidated financial statements and the related notes presented for the current period cover an eight-month period from 1 January 2020 to 31 August 2020 while the corresponding comparative amounts shown for the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, and the related notes cover a twelve-month period from 1 January 2019 to 31 December 2019. As a result, the comparative amounts may not be entirely comparable with the amounts shown for the current period.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the Period's financial statements, which are effective for annual periods beginning on or after 1 January 2020.

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

The adoption of the above amendments to IFRSs has had no significant financial effect on the preparation of the Group's financial statements.

The amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the Period, no lease payments for the leases of the Group have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. This amendment has had no impact on the financial statements of the Group.

The amendments to IFRS 3 *Business Combinations* clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments have had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. These amendments have had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

The amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. These amendments have had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework* [2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9* [3]
IFRS 17	*Insurance Contracts* [3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
Annual Improvements 2018-2020 Cycle	*Amendments to IFRS 1, IFRS 9 and IAS 41* [2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the joint venture is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investment in a joint venture.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 August. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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;

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.9% to 9.5%
Furniture and fixtures	9.7% to 19.4%
Motor vehicles	24.3%
Devices and equipment	9.7% to 33.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Cooperation arrangements to operate independent colleges

Cooperation arrangements to operate independent colleges purchased or acquired through the acquisition of subsidiaries that do not represent a business combination are stated at cost less any impairment losses. They are amortised on the straight-line basis over their estimated useful lives of 20 to 30 years by reference to the contractual terms as stipulated in the cooperation arrangements, which represent the contractual period of operation of each of the Group's colleges.

Licence to operate an undergraduate institution

Licence represented the license granted by the Ministry of Education of the PRC to operate an undergraduate institution acquired in a business combination, which is recognised at fair value at the acquisition date and is amortised on the straight-line basis over their estimated useful life of 35 years.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Dormitories	11 to 12 years
School campuses	1 to 3 years
Motor vehicles	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present lease liabilities separately in the consolidated financial statement of financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor – operating leases

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through the comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

(i) significant financial difficulties of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; or

(iii) likelihood that the borrower will enter into bankruptcy or other financial reorganisation emerges.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables, amounts due to related parties, lease liabilities and interest-bearing bank and other borrowings.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

The Group's revenue from the provision of formal educational services is in consideration of fixed amounts of tuition and boarding fees, which are recognised when the specific criteria have been met for the following activities:

Tuition and boarding fees from the provision of formal education services received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees from the provision of formal education are recognised proportionately over the relevant period of the respective applicable program. The portion of tuition and boarding payments received from students but not recognised is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to recognise within one year. The academic year of the Group's schools is generally from September to August of the following year.

Tuition fees from the provision of other education services, including self-study examination education services, adult education services and training services to the students, are collected in advance on a lump sum basis. Revenue is recognised proportionately over the relevant period of the applicable program.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the year until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries and schools which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries and schools are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees of the Group's subsidiary which operates in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of an overseas subsidiary is currency other than the RMB. As at the end of the reporting period, the assets of the entity are translated into RMB at the exchange rate prevailing at the end of the reporting period and its statements of profit or loss are translated into RMB at the weighted average exchange rates for the Period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Structured Contracts

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through the Consolidated Affiliated Entities. WFOE, a wholly-owned subsidiary of the Company, has entered into the Structured Contracts with, among others, the Consolidated Affiliated Entities and their respective equity holders. The Structured Contracts enable WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and they are consolidated in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Structured Contracts (Continued)

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Structured Contracts, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities, and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the financial statements during the Period.

Income tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether certain schools of the Group which are exempted from tax is subject to corporate income tax in respect of income from the provision of formal education services. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. 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 the tax expense in the period when such determination is made.

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 described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 August 2020 was RMB590,456,000 (31 December 2019 (Restated): RMB590,456,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end the year. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the year based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

Provision for expected credit losses on other receivables

The Group takes into account qualitative and quantitative reasonable and supportable forward-looking information of forecast economic conditions when assessing the provision for expected credit losses on other receivables. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's forecast of economic conditions might not be representative the actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the operation of schools in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purposes of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

During the Period and the year ended 31 December 2019, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditures were located/incurred in the PRC. Accordingly, no further geographical information is presented.

Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of the Group during the Period and the year ended 31 December 2019.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

Revenue represents the values of services rendered after deducting scholarships and refunds during the Period and the year ended 31 December 2019.

An analysis of revenue from contracts with customers is as follows:

(a) Disaggregated revenue information

	Note	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Types of services			
Tuition fees		**740,719**	1,092,933
Boarding fees		**57,973**	102,547
Sales of books and daily necessities		**20,228**	35,083
Others	(i)	**53,155**	100,812
		872,075	1,331,375

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Timing of revenue recognition		
Services transferred over time	**851,847**	1,296,292
Goods transferred at a point in time	**20,228**	35,083
Total revenue from contracts with customers	**872,075**	1,331,375

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of education services

The performance obligations of the services are satisfied over time as the services are rendered in each academic year or training period and advances are required before rendering the services.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue *(Continued)*

(b) Performance obligations (Continued)

Sale of goods

The performance obligation is satisfied upon delivery of goods and payment in advance is normally required.

Changes in contract liabilities during the period/year are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Carrying amount at beginning of the period/year	**806,431**	590,785
Additions from acquisition of subsidiaries	**–**	122,180
Revenue recognised that was included in the contract liabilities at beginning of the period/year	**(774,897)**	(589,814)
Revenue recognised that was included in the contract liabilities arising from acquisition of subsidiaries	**–**	(87,420)
Increase due to cash received, excluding amounts recognised as revenue during the period/year	**372,086**	770,700
Carrying amount at end of the period/year	**403,620**	806,431

Contract liabilities at the end of each reporting period represented advances received from students. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the respective applicable program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered. The decrease in contract liabilities was mainly due to the delay in the beginning of the fall semester as a result of impact of COVID-19 pandemic that leads to the delay in the receipt of advances of tuition and boarding fees from students.

As at 31 August 2020, all the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied (or partially unsatisfied) contracts is not disclosed.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains

An analysis of other income and gains is as follows:

	Notes	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Other income			
Bank interest income		14,565	56,965
Interest income from loan to a related party	31	14,496	5,413
Interest income from loans to independent third parties		28,711	32,111
Total interest income		57,772	94,489
Deferred income released to profit or loss:	24		
– related to assets		7,467	10,250
– related to expenses		2,511	5,258
Government grants received	(ii)	2,422	10,799
Rental income		13,028	17,517
Service income	(iii)	14,375	33,926
Donation income		50	422
Others	(i)	11,357	8,011
		108,982	180,672
Gains			
Gains on disposal of items of property, plant and equipment		7,960	18,434
Fair value gains on financial assets at fair value through profit or loss, net		12,803	16,557
Gain on exchange differences, net		–	37,965
		20,763	72,956
Total other income and gains		129,745	253,628

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains *(Continued)*

Notes:

(i) During the Period and the year ended 31 December 2019, "others" mainly represented income received from the provision of other education services, including self-study examination education services, adult education services, training services to the students and independent third parties, which was amortised within the training periods of the service rendered.

(ii) Government grants received represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognised as other income in profit or loss when received. There were no unfulfilled conditions or contingencies relating to these grants.

(iii) During the Period and the year ended 31 December 2019, service income mainly represented income derived from granting the rights of canteen and convenient store operations to independent third party operators; income from human resource service provided to independent third parties; and income from property management services and security and dormitory management services provided to related parties.

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Interest on bank and other borrowings	119,371	155,084
Less: Interest capitalised	–	(2,210)
Increase in the discounted amount of payables arising from the passage of time	18,093	7,147
Interest on lease liabilities	6,476	10,660
	143,940	170,681
Capitalisation rate of borrowing costs capitalised	–	7.14%

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cost of service provided		494,464	656,873
Employee benefit expense:			
Wages and salaries		266,029	313,101
Equity-settled share option expense	28	645	10,186
Pension scheme contributions (defined contribution scheme)		41,022	63,156
		307,696	386,443
Management fees	(i)	76,437	125,369
Depreciation of property, plant and equipment	13	129,990	163,700
Depreciation of right-of-use assets*	14	39,586	42,977
Amortisation of other intangible assets	16	8,225	10,855
Marketing and advertising costs		5,733	15,406
Lease payments not included in the measurement of lease liabilities	14	694	1,229
Auditors' remuneration		5,700	6,500
Equity-settled share option expense	28	217	10,342
Losses on disposal of subsidiaries		783	2,011
Losses on disposal of items of property, plant and equipment		600	1,172

* During the Period, the depreciation of right-of-use assets of RMB39,586,000 (For the year ended 31 December 2019: RMB42,977,000) and RMB2,147,000 (For the year ended 31 December 2019: Nil) are recognised in profit and loss and capitalised as addition to construction in progress, respectively.

Note:

(i) During the Period and the year ended 31 December 2019, management fees represented the annual fees payable to the universities where the Group had entered into cooperation agreements to operate independent colleges. Management fees are charged based on a certain percentage of tuition fees received or receivable by the Group.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Period and the year ended 31 December 2019, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Fees	1,783	1,577
Other emoluments:		
Salaries, allowances and benefits in kind	–	67
Equity-settled share option expense	41	714
Pension scheme contributions	43	40
	84	821
	1,867	2,398

In 2018, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Period and the year ended 31 December 2019 is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Period and the year ended 31 December 2019 were as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Mr. Zhang Jin	**87**	127
Mr. Chen Yunhua	**87**	127
Mr. Gao Hao	**87**	127
	261	381

There were no other emoluments payable to the independent non-executive directors during the Period and the year ended 31 December 2019.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contribution RMB'000	Total remuneration RMB'000
Eight months ended 31 August 2020					
Executive directors:					
Mr. Wang Huiwu*	**903**	**–**	**–**	**33**	**936**
Mr. Xu Changjun	**330**	**–**	**10**	**–**	**340**
Mr. Li Tao	**289**	**–**	**31**	**10**	**330**
	1,522	**–**	**41**	**43**	**1,606**
Non-executive directors:					
Mr. Wang Degen	**–**	**–**	**–**	**–**	**–**
Mr. Lv Zhichao	**–**	**–**	**–**	**–**	**–**
Mr. Tang Jianyuan	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**
	1,522	**–**	**41**	**43**	**1,606**
Year ended 31 December 2019					
Executive directors:					
Mr. Wang Huiwu*	422	–	–	29	451
Mr. Xu Changjun	422	–	152	–	574
Mr. Li Tao	352	67	562	11	992
	1,196	67	714	40	2,017
Non-executive directors:					
Mr. Wang Degen	–	–	–	–	–
Mr. Lv Zhichao	–	–	–	–	–
Mr. Tang Jianyuan	–	–	–	–	–
	–	–	–	–	–
	1,196	67	714	40	2,017

* Mr Wang Huiwu is also the chief executive of the Company.

There was no arrangement under which an executive director waived or agreed to waive any remuneration during the Period and the year ended 31 December 2019.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees detailed as follows:

	Number of employees	
	Eight months ended 31 August 2020	Year ended 31 December 2019
Director	3	1
Non-director	2	4
	5	5

Details of directors' and chief executives' remuneration are set out in note 8 above. Details of the remaining highest paid employees who are neither a director nor chief executive of the Company during the Period and the year ended 31 December 2019 are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Salaries, allowances and benefits in kind	700	1,494
Equity-settled share option expense	31	1,261
Pension scheme contributions	53	252
	784	3,007

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	Eight months ended 31 August 2020	Year ended 31 December 2019
Nil to HK$1,500,000	**2**	4

In 2018, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Period and the year ended 31 December 2019 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period/year.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. Up to the date of approval of these financial statements, no separate policies, regulations or rules have been promulgated by such authorities in this regard. During the period/year, no corporate income tax was provided on the income from the provision of formal education services by certain PRC Private Schools of the Group, which have been elected to be private schools requiring reasonable returns. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, these PRC Private Schools did not pay corporate income tax for the income from formal educational services and have enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the period/year for these schools. The non-academic education services provided by these schools are subject to corporate income tax at a rate of 25%. According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain PRC Private Schools of the Group that are located in Sichuan Province and engaged in the encouraged business of higher vocational education services are entitled to a preferential CIT rate of 15%.

WFOE was established in Horgos, Xinjiang, the PRC and is exempted from income tax for the first five years since 2018 in accordance with the preferential tax rules. Therefore, WFOE will be subject to the PRC corporate income tax rate of 25% after 2023.

All of the Group's non-school subsidiaries established in the PRC are subject to the PRC corporate income tax rate of 25% during the period/year, except WFOE which is mentioned above.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures. The Group has estimated and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC laws and regulations. The LAT provision is subject to final review and approval by the local tax bureau.

10. INCOME TAX *(Continued)*

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Period and the year ended 31 December 2019. The major components of income tax expense of the Group are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Current – Mainland China		
PRC corporate income tax for the period/year	28,417	35,567
PRC LAT for the period/year	2,333	5,280
Underprovision of PRC corporate income tax in prior years	16,872	30,530
Deferred (note 26)	(1,222)	(5,669)
Total tax charged for the period/year	46,400	65,708

Tax payable/(prepaid PRC LAT) in the consolidated statement of financial position represents the following:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Payable for PRC corporate income tax	87,759	65,203
Prepaid PRC land appreciation tax	(715)	(3,048)
	87,044	62,155

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates in Mainland China and Hong Kong to the tax expense at the effective tax rate is as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before tax	165,749	555,739
Add: Loss from (profit generated by) the Company (note)	35,029	(72,875)
Profit before tax by the Group other than the Company	200,778	482,864
Tax or notional tax at the respective statutory tax rates:		
– PRC subsidiaries, at 25%	50,863	120,972
– Hong Kong subsidiary, at 16.5%	(441)	(169)
Lower tax rate for specific provinces or enacted by local authorities	(19,277)	(31,190)
Profits not subject to tax	(2,999)	(41,629)
Losses and profits attributable to a joint venture	36	(1,294)
Adjustments in respect of current tax of previous years	16,872	30,530
Tax losses utilised from previous years	(3,306)	(12,351)
Provision of PRC LAT	2,333	5,280
Tax effect on PRC LAT	(583)	(1,320)
Tax losses not recognised	2,494	243
Others	408	(3,364)
Tax charge at the Group's effective rate	46,400	65,708

Note:

The loss from the Company during the Period mainly consisted of foreign exchange loss offset by interest income, which is not tax deductible pursuant to the rules and regulations of the Cayman Islands.

11. DIVIDENDS

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Proposed final -HK$0.98 cents (2019: HK$2.5 cents) per ordinary share	60,378	150,348

The proposed final dividend for the Period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of the basic and diluted earnings per share attributable to ordinary equity holders of the Company are based on the following data:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the calculation of the basic and diluted earnings per share	119,224	489,872

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

	Number of shares	
	Eight months ended 31 August 2020	Year ended 31 December 2019
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation (note (i))	**6,736,441,569**	6,666,668,000
Effect of dilution – weighted average number of ordinary shares:		
Share options (note (ii))	**162,420,837**	91,348,060
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**6,898,862,406**	6,758,016,060

Notes:

(i) The weighted average number of 6,736,441,569 ordinary shares in issue during the Period has been adjusted to reflect the new shares issue as set out in note 27 of the financial statements (For the year ended 31 December 2019: 6,666,668,000 ordinary shares in issue during the year ended 31 December 2019).

(ii) The weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2020						
At 1 January 2020:						
Cost	4,218,451	343,178	8,007	316,518	321,715	5,207,869
Accumulated depreciation	(300,561)	(165,756)	(4,589)	(172,991)	–	(643,897)
Net carrying amount	3,917,890	177,422	3,418	143,527	321,715	4,563,972
At 1 January 2020, net of accumulated depreciation	3,917,890	177,422	3,418	143,527	321,715	4,563,972
Additions	84,273	20,373	4,141	21,729	507,545	638,061
Disposals	(3,282)	(1,025)	(560)	(2,026)	–	(6,893)
Depreciation provided during the period	(60,633)	(33,957)	(1,368)	(34,032)	–	(129,990)
Transfers	256,545	–	–	–	(256,545)	–
At 31 August 2020, net of accumulated depreciation	4,194,793	162,813	5,631	129,198	572,715	5,065,150
At 31 August 2020:						
Cost	4,555,983	357,392	10,999	329,356	572,715	5,826,445
Accumulated depreciation	(361,190)	(194,579)	(5,368)	(200,158)	–	(761,295)
Net carrying amount	4,194,793	162,813	5,631	129,198	572,715	5,065,150
31 December 2019						
At 1 January 2019:						
Cost	3,009,424	273,411	5,399	242,499	403,437	3,934,170
Accumulated depreciation	(228,935)	(122,685)	(1,658)	(132,625)	–	(485,903)
Net carrying amount	2,780,489	150,726	3,741	109,874	403,437	3,448,267
At 1 January 2019, net of accumulated depreciation	2,780,489	150,726	3,741	109,874	403,437	3,448,267
Additions	5,277	25,762	1,467	19,686	307,464	359,656
Acquisition of subsidiaries	756,523	46,129	2,332	60,842	69,667	935,493
Disposals	(11,480)	(1,507)	(356)	(2,401)	–	(15,744)
Depreciation provided during the year	(71,772)	(43,688)	(3,766)	(44,474)	–	(163,700)
Transfers	458,853	–	–	–	(458,853)	–
At 31 December 2019, net of accumulated depreciation	3,917,890	177,422	3,418	143,527	321,715	4,563,972
At 31 December 2019:						
Cost	4,218,451	343,178	8,007	316,518	321,715	5,207,869
Accumulated depreciation	(300,561)	(165,756)	(4,589)	(172,991)	–	(643,897)
Net carrying amount	3,917,890	177,422	3,418	143,527	321,715	4,563,972

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) As at 31 August 2020, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB1,758,167,000 (at 31 December 2019: RMB1,467,274,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

(b) As at 31 August 2020, certain of the Group's property, plant and equipment with a net carrying amount of RMB380,446,000 (at 31 December 2019: RMB390,013,000) were pledged to secure the bank loans granted to the Group (note 25(a)).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, school campuses, dormitories and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of dormitories generally have lease terms between 11 and 12 years, while motor vehicles generally have lease terms within 2 years. Leases of school campuses generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Prepaid land lease payments RMB'000	Dormitories RMB'000	School campuses RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2020	**1,004,072**	**106,671**	**52,420**	**177**	**1,163,340**
Additions	**393,176**	**–**	**–**	**–**	**393,176**
Disposal of a subsidiary (note 1)	**(195,664)**	**–**	**–**	**–**	**(195,664)**
Depreciation charge	**(18,640)**	**(8,652)**	**(14,399)**	**(42)**	**(41,733)**
As at 31 August 2020	**1,182,944**	**98,019**	**38,021**	**135**	**1,319,119**
As at 1 January 2019	603,898	107,279	12,343	240	723,760
Additions	87,957	12,371	–	–	100,328
Additions from acquisition of subsidiaries	332,032	–	50,462	–	382,494
Disposals	(265)	–	–	–	(265)
Depreciation charge	(19,550)	(12,979)	(10,385)	(63)	(42,977)
As at 31 December 2019	1,004,072	106,671	52,420	177	1,163,340

As at 31 August 2020, the Group's prepaid land lease payments with a net carrying amount of approximately RMB44,842,000 (31 December 2019: RMB45,543,000) were pledged to secure the bank loans granted to the Group (note 25(a)).

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Carrying amount at beginning of the period/year	160,487	162,595
New leases	–	12,371
Accretion of interest recognised during the period/year	6,476	10,660
Payments	(17,869)	(25,139)
Carrying amount at end of the period/year	149,094	160,487
Analysed into:		
Current portion	28,965	27,825
Non-current portion	120,129	132,662

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Interest on lease liabilities	6,476	10,660
Depreciation charge on right-of-use assets	39,586	42,977
Expense relating to short-term leases (included in cost of sales and administrative expenses)	694	1,205
Expense relating to leases of low-value assets (included in administrative expenses)	–	24
Total amount recognised in profit or loss	46,756	54,866

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(d) The total cash outflow for leases is disclosed in note 32(b) to the financial statements.

The Group as a lessor

The Group leased certain schools' spaces and buildings under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the Period was RMB13,028,000 (For the year ended 31 December 2019: RMB17,517,000), details of which are included in note 5 to the financial statements.

At 31 August 2020, the Group undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Within one year	**21,895**	26,201
After one year but within two years	**5,806**	10,211
After two years but within three years	**2,233**	2,769
After three years but within four years	**2,315**	1,857
After four years but within five years	**1,979**	1,743
After five years	**8,270**	7,058
	42,498	49,839

15. GOODWILL

	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Cost and net carrying amount at beginning of the period/year	590,456	481,143
Acquisition of subsidiaries	–	109,313
Cost and net carrying amount at end of the period/year	590,456	590,456

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units (CGU) for impairment testing:

- Sichuan Tianyi College cash-generating unit ("Tianyi College CGU");
- Jinci College of Shanxi Medical University cash-generating unit ("Jinci College CGU");
- Sichuan TOP IT Vocational Institute cash-generating unit ("TOP Institute CGU");
- Yinchuan University of Energy cash-generating unit ("Yinchuan Energy CGU"); and
- Suzhou Top Institute cash-generating unit ("Suzhou Top CGU").

The carrying amount of goodwill allocated to each CGU at the end of the reporting period is as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Tianyi College CGU	36,865	36,865
Jinci College CGU	16,311	16,311
TOP Institute CGU	427,967	427,967
Yinchuan Energy CGU	10,795	10,795
Suzhou Top CGU (note)	98,518	98,518
	590,456	590,456

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amounts of each of the above CGUs had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the Directors. The long term growth rate used to extrapolate the cash flows of the above CGUs during the terminal period is 3%.

Note:

Following the completion of the fair value review during the Period, the Group made a retrospective adjustment of RMB5,364,000 to the provisional "Payable for the acquisition of equity interest" originally recorded in 2019 arising from the acquisition of Suzhou Top Institute. The adjustment resulted in a restatement to the "Accruals and other payables – payable for the acquisition of equity interest" and goodwill in the consolidated statement of financial position. The effect of the adjustment made during the 12-month period from acquisition date (the "Measurement Period") made in the consolidated statement of financial position is set out below:

	Fair value recognised on the acquisition date RMB'000	Adjustment during the Measurement Period RMB'000	Fair value recognised on the acquisition date RMB'000 (Restated)
Property, plant and equipment	145,938	–	145,938
Right-of-use assets	166,085	–	166,085
Other intangible assets	52	–	52
Cash and bank balances	11,502	–	11,502
Trade receivables	16	–	16
Prepayments and other receivables	636	–	636
Contract liabilities	(5,072)	–	(5,072)
Accruals and other payables	(21,634)	–	(21,634)
Due to the Group	(24,255)	–	(24,255)
Tax payables	(1,405)	–	(1,405)
Total identifiable net assets at fair value	271,863	–	271,863
Goodwill	103,882	(5,364)	98,518
	375,745	(5,364)	370,381

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Assumptions were used in the value-in-use calculation of each of the above CGUs for 31 August 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The budgeted revenue is based on the historical data and management's expectation on the future market.

Budgeted EBIT – The basis used to determine the value assigned to the budgeted earnings before interest and taxes ("EBIT") is the average EBIT achieved in the period/year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate of 3% is based on the historical data and management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate reflects the risks relating to the relevant CGUs, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC education industry. The pre-tax discount rate used in the value-in-use calculation for each CGU is as follows:

	31 August 2020	31 December 2019
Tianyi College CGU	**16%**	16%
Jinci College CGU	**14%**	14%
TOP Institute CGU	**16%**	16%
Yinchuan Energy CGU	**14%**	14%
Suzhou Top CGU	**14%**	14%

The values assigned to the key assumptions on the market development of the cash-generating unit and discount rate are consistent with external information sources.

The major key assumptions on which management has based its determination of goodwill's recoverable amount are the budgeted tuition and boarding fees, which are dependent on the number of students and the unit price of tuition and boarding fees.

The Directors have estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount of the respective CGU then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the respective CGU, would still exceed its respective carrying amount.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Cooperation arrangements to operate independent colleges RMB'000	Licence to operate an under-graduate institution RMB'000	Total RMB'000
31 August 2020				
Cost at 1 January 2020, net of accumulated amortisation	36,437	94,754	87,785	218,976
Additions	1,540	–	–	1,540
Amortisation provided during the period	(3,711)	(2,838)	(1,676)	(8,225)
At 31 August 2020	34,266	91,916	86,109	212,291
At 31 August 2020				
Cost	55,358	117,438	88,622	261,418
Accumulated amortisation	(21,092)	(25,522)	(2,513)	(49,127)
Net carrying amount	34,266	91,916	86,109	212,291
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	34,584	99,012	–	133,596
Additions	3,340	–	–	3,340
Acquisition of subsidiaries	4,273	–	88,622	92,895
Amortisation provided during the year	(5,760)	(4,258)	(837)	(10,855)
At 31 December 2019	36,437	94,754	87,785	218,976
At 31 December 2019				
Cost	53,818	117,438	88,622	259,878
Accumulated amortisation	(17,381)	(22,684)	(837)	(40,902)
Net carrying amount	36,437	94,754	87,785	218,976

16. OTHER INTANGIBLE ASSETS *(Continued)*

The net carrying amount of the cooperation arrangements to operate independent colleges and the original contractual periods of operation of such colleges were as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000	Original contractual period
Jinci College of Shanxi Medical University	**12,198**	12,782	20 years
Business College of Guizhou University of Finance and Economics	**79,718**	81,972	30 years
	91,916	94,754	

The licence to operate an undergraduate institution is amortised on the straight-line basis over its estimated useful life of 35 years by considering the expected usage of the asset and legal or similar limits on the use of the asset.

17. INVESTMENT IN A JOINT VENTURE

	31 August 2020 RMB'000	31 December 2019 RMB'000
Share of net assets	**196,098**	196,242

The Group's loan to the joint venture is disclosed in note 31(c) to the financial statements.

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

The Group's joint venture is held by Guizhou Jiexing Huilv Air Service Consultant Services Limited ("Jiexing Huilv"), an indirect subsidiary of the Company. Particulars of the joint venture are as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership	Percentage of Voting interest	Percentage of Profit power	Principal sharing activities
College of Science and Technology of Guizhou University	RMB50,000,000	The PRC/ Mainland China	100%	*	100%	Provision of higher education services

* College of Science and Technology of Guizhou University is accounted for as a joint venture even though the Group owned a 100% ownership interest and a 100% profit sharing right in College of Science and Technology of Guizhou University. This is because in accordance with the articles of association of College of Science and Technology of Guizhou University, all decisions about the relevant activities require the approval by a two-third majority of the members of the board of directors of College of Science and Technology of Guizhou University. In accordance with the arrangement between Jiexing Huilv and Guizhou University, the board of directors of College of Science and Technology of Guizhou University consist of seven directors, among whom four directors shall be appointed by Guizhou University while only three directors were appointed by Jiexing Huilv. Therefore, the Group is able to exercise joint control over College of Science and Technology of Guizhou University of which the decisions about the relevant activities require the unanimous consent of the Group and Guizhou University.

The following table illustrates the summarised financial information in respect of College of Science and Technology of Guizhou University adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Cash and cash equivalents	**12,928**	3,094
Other current assets	**17,716**	4,576
Non-current assets	**651,064**	614,247
Contract liabilities	**(7,233)**	(69,089)
Other-current liabilities	**(143,166)**	(81,476)
Non-current liabilities	**(335,211)**	(275,110)
Net assets	**196,098**	196,242
Reconciliation to the Group's share of net assets of the joint venture:		
Proportion of the Group's ownership	**100%**	100%
Carrying amount of the investment	**196,098**	196,242

18. TRADE RECEIVABLES

	31 August 2020 RMB'000	31 December 2019 RMB'000
Tuition and boarding fee receivables	27,953	3,714
Impairment	–	–
	27,953	3,714

Trade receivables as at the end of the reporting period which are based on the transaction date were not individually nor collectively considered to be impaired. The outstanding receivables represent amounts due from students who have applied for work-study programs and amounts due from certain students who have applied for scholarships receivable from government. There is no fixed term for the trade receivable. As the Group's tuition and boarding fees relate to a large number of individual students, there is no significant concentration of credit risk. The trade receivables have no recent history of default.

No expected credit losses were provided as it is assessed that the overall expected credit loss rate for the above financial assets measured at amortised cost is minimal.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Within 1 month	2,034	1,068
1 to 2 months	107	–
2 to 3 months	6,558	–
Over 3 months	19,254	2,646
	27,953	3,714

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000
Current portion:			
Loans to third parties	(a)	707,551	468,550
Interest receivables from third parties	(a)	95,469	58,849
Cash in transit	(b)	37,534	–
Prepayments for management fees	7(i)	1,567	72,734
Prepaid expenses		12,706	12,248
Deposits		14,037	13,225
Refundable deposit related to proposed equity acquisitions		–	70,011
Staff advances		3,530	1,775
Interest receivable from time deposits		4,354	7,000
Other receivables		32,387	16,395
		909,135	720,787
Non-current portion:			
Prepayments for property, plant and equipment		19,569	3,375
Prepayments for intangible assets		–	1,000
Prepayments for acquisitions	(c)	291,288	–
Prepayments for land lease payments		25,000	220,440
		335,857	224,815
		1,244,992	945,602

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Loans to third parties and interest receivables from third parties consisted of:

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000
Guixi Property	(i)		
Principal		446,550	446,550
Interest receivables		81,548	58,849
		528,098	505,399
Songjiang Investment	(ii)	87,000	22,000
Zhongsheng Real Estate	(iii)		
Principal		174,001	–
Interest receivables		13,921	–
		187,922	–
		803,020	527,399

Notes:

(i) Loans of RMB446,550,000 to Chengdu Wuhou Guixi Property Development Company Limited ("Guixi Property"), a company controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute, which bear interest at a fixed rate of 7.5% per annum and will become mature within two years from the date when the loans were granted. The interest is paid half-yearly, and the principal of the loans will be repaid in a lump sum as the loans become mature. The loans are secured by the pledge of buildings and certain car parks (the "Collaterals") belonging to Guixi Property.

As at 31 August 2020, the principal of the loans of RMB442,550,000 and interest receivables with the amount of RMB68,832,000 arising from the loans have been partially past due for more than 1 year. The Group does not recognise any ECLs as the fair value of the Collaterals held by the Group as at 31 August 2020 over the principal loans and the interest receivables of approximately RMB1,098,013,000 is significantly higher than the aggregate amount of the loans and the interest receivables. The fair value of the Collaterals is determined by an independent qualified valuer. The Group has taken actions in recovering the loans and interest receivables through the Collaterals.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) Loans to third parties and interest receivables from third parties consisted of: *(Continued)*

Notes: *(Continued)*

(ii) As at 31 August 2020, the interest-free loans of RMB87,000,000 to Luohe City Yancheng District Songjiang Investment Development Co., Ltd. ("Songjiang Investment") for acquiring land use rights in Luohe City were past due. These loans were guaranteed by the People's Government of Yancheng District, Luohe City, Henan Province, and has been repaid up to the date of this report.

(iii) A loan of RMB174,001,000 to Zhongsheng Real Estate, a former subsidiary of the Group, which bears interest at a fixed rate of 8% per annum. The loan and interest receivable are secured by 60% equity interests in Zhongsheng Real Estate.

(b) The cash in transit represents the fees collected via third party online payment service providers at the end of the reporting period, which have yet to be transferred to the banks of the Group.

(c) The balance at 31 August 2020 represented the prepayment for the acquisition of certain potential sponsor rights in schools and certain equity interests in the sponsor whom own the sponsor rights over schools, of which the amount of RMB255,585,000 bears interest at a fixed rate of 12% per annum effective for the period before the completion of the acquisition. The remaining balance of RMB35,703,000 is interest-free.

The remaining receivables are unsecured and interest-free. None of the financial assets included in the above balances related to receivables is past due except for the loans and interest receivables from third parties as mentioned in notes (a) (i) and (ii) above.

The above financial assets related to receivables have no recent history of default.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August 2020 RMB'000	31 December 2019 RMB'000
Wealth management products	**5,000**	9,310

At 31 August 2020, the wealth management product was placed in an account as a deposit for a potential acquisition and issued by a licensed bank in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The coupon rate of the product is expected to be 3.75% (For the year ended 2019: 2.75%) per annum. None of the wealth management products are past due.

All the financial assets at fair value through profit or loss are denominated in RMB.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000
Cash and bank balances		3,127,988	1,553,220
Time deposits with original maturity of over three months		280,000	295,986
		3,407,988	1,849,206
Less:			
Pledged deposits for bank loans – non-current	25(a)	(260,000)	–
Pledged deposits for performance guarantee	(ii)		
Current		(15,700)	–
Non-current		(8,000)	–
Restricted bank balances in escrow accounts	(i)		
Current		(50,000)	(50,000)
Non-current		(179,851)	(108,787)
Cash and cash equivalents		2,894,437	1,690,419

Notes:

(i) The amount represents cash received from relating authorities and placed into escrow accounts for the construction of a new campus and procurement of school equipment in Jiangxi Province. Among the restricted bank balance, RMB50,000,000 will be released from the escrow account after the construction of the main structure of the building of the new campus within one year, and the remaining will be released when the construction condition is fulfilled at a later stage which is expected to be after 31 August 2021.

(ii) Pledged deposits mainly consisted of deposits pledged for the performance guarantee of the construction of new campus in Sichuan Province and will be released from pledged deposits according to the construction progress.

The cash and bank balances were denominated in the following currencies:

	31 August 2020 RMB'000	31 December 2019 RMB'000
RMB	1,163,042	1,589,138
Hong Kong dollar ("HK$")	1,071,622	437
Malaysian ringgit ("RM")	33	–
United States dollar ("US$")	1,173,291	259,631
Cash and bank balances	3,407,988	1,849,206

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES *(Continued)*

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The time deposits are made for two to three years and earn interest at the deposit rates ranging from 2.94% to 4.20% per annum (31 December 2019: 2.02% to 3.18%). The bank balances, restricted bank balance and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Within 1 month	17,795	26,676
1 to 2 months	3,450	2,433
2 to 3 months	1,300	1,440
Over 3 months	15,028	3,061
	37,573	33,610

The trade payables are non-interest-bearing and are normally settled on one to ten months' terms.

23. OTHER PAYABLES AND ACCRUALS

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Current portion:			
Payables for purchase of property, plant and equipment		567,349	441,906
Payables for the acquisition of equity interests		63,000	57,636
Miscellaneous advances received from students	(i)	74,498	98,956
Accrued bonuses and other employee benefits		89,018	80,548
Government scholarship		56,671	23,575
Payables for purchase of teaching materials and operating expenditure		39,084	55,540
Payables for management fees	7(i)	7,709	2,454
Construction deposits		38,916	36,325
Other taxes payable		51,366	26,315
Other payables and accrued expenses		244,178	238,414
Construction loan from the Mianzhu Education Bureau	(ii)	75,832	75,832
		1,307,621	1,137,501
Non-current portion:			
Payables for the acquisition of equity interests	(iv)	303,360	334,768
Other payables	(iii)	9,501	9,117
		312,861	343,885
		1,620,482	1,481,386

23. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(i) The advances received from students represented expenses relating to textbooks, military training, medical examination, insurance, etc. collected from students which will be paid out on behalf of students.

(ii) Sichuan Tianyi College obtained an interest-free and non-repayable construction loan from the Mianzhu Education Bureau in 2015.

(iii) The non-current other payables mainly represent the liabilities to Nanchong No.19 Middle School for the purchase of fixed assets and are measured at amortised cost.

(iv) At 31 August 2020, the non-current other payables for the acquisition of Yinchuan University of Energy is measured at amortised cost and is expected to be paid in 2022.

Except for payables arising from the acquisition of a 100% equity interest in Shanghai Pumeng Zhichuan Educational Technology Co., Ltd. amounting to RMB40,000,000, which bear interest at a fixed rate of 6.0% per annum and is expected to be paid in August 2021, all other payables and accruals are unsecured and non-interest-bearing.

24. DEFERRED INCOME

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Government grants related to assets		
At beginning of the period/year	**1,083,402**	667,490
Government grants received	**188,228**	420,106
Acquisition of subsidiaries	**–**	6,056
Released to profit or loss	**(7,467)**	(10,250)
At end of the period/year	**1,264,163**	1,083,402
Current	**11,498**	10,729
Non-current	**1,252,665**	1,072,673
	1,264,163	1,083,402
Government grants related to expense items		
At beginning of the period/year	**21,816**	–
Government grants received	**6,880**	3,484
Acquisition of subsidiaries	**–**	23,590
Released to profit or loss	**(2,511)**	(5,258)
At end of the period/year – current	**26,185**	21,816

Deferred income related to assets mainly represents the government grants received for subsidies relating to the construction of certain buildings. These grants related to assets are released to profit or loss as other income over the expected useful lives of the relevant assets.

Deferred income related to expense items refers to government grants received for the purpose of subsidizing-teaching related operating costs incurred during the provision of education services. Upon completion of the operating activities, the grants would be released to profit or loss as other income on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 August 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.35-6.00	2020-2021	493,570	5.66-6.09	2020	583,570
Bank loans – secured	8.55	On demand	82,495	8.55	On demand	82,495
Other borrowings – guaranteed		On demand	8,000		On demand	8,000
Current portion of						
– long term bank loans – secured	4.75-7.06	2020-2021	685,997	4.75-7.06	2020	132,142
– other borrowings – secured	7.00-7.50	2020-2021	173,271	7.00-7.50	2020	197,086
			1,443,333			1,003,293
Non-current						
Bank loans – secured	4.34-7.06	2021-2025	1,183,839	4.75-7.06	2021-2023	1,034,950
Other borrowings – secured	7.00-7.50	2021-2023	486,233	7.00-7.50	2021-2023	558,649
			1,670,072			1,593,599
			3,113,405			2,596,892

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	31 August 2020 RMB'000	31 December 2019 RMB'000
Analysed into:		
Bank loans repayable		
Within one year	**1,262,062**	798,207
In the second year	**501,689**	820,000
In the third to fifth years, inclusive	**682,150**	214,950
	2,445,901	1,833,157
Other borrowings repayable:		
Within one year	**181,271**	205,086
In the second year	**222,233**	179,394
In the third to fifth years, inclusive	**264,000**	379,255
	667,504	763,735
	3,113,405	2,596,892

Notes:

All the Group's bank and other borrowings are denominated in RMB.

The Group's bank loans and other borrowings are secured by:

(a) Mortgages over the following assets:

(i) Certain of the Group's non-current assets are pledged for bank loans of RMB157,500,000 as at 31 August 2020 (31 December 2019: RMB157,500,000):

	31 August 2020 RMB'000	31 December 2019 RMB'000
Net book amount of:		
Property, plant and equipment (note 13(b))	**380,446**	390,013
Prepaid land lease payments (note 14(a))	**44,842**	45,543
	425,288	435,556

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(a) Mortgages over the following assets: *(Continued)*

(ii) Buildings and car parks of third parties:

Guixi Property's buildings and car parks with the fair value of RMB843,723,000 as at 31 August 2020 (31 December 2019: RMB845,142,000) were pledged for the bank loans of the Group amounting to RMB250,000,000 as at 31 August 2020 (31 December 2019: RMB250,000,000).

The building in construction owned by Ningxia Baota Petrochemical Technology Industry Development Co., Ltd. ("Baota Petrochemical", 寧夏寶塔石化科技實業發展有限公司) and two prepaid land lease payments owed by Baota Petrochemical and Ningxia Baota United Chemical Co., Ltd (寧夏寶塔聯合化工有限公司) were pledged for the bank loans of the Group amounting to RMB64,995,000 as at 31 August 2020 (31 December 2019: RMB64,995,000).

(iii) The Company's time deposit amounting to RMB260,000,000 (note 21) as at 31 August 2020 (31 December 2019: Nil) was pledged for the bank loan of the Group amounting to RMB250,000,000.

(b) Pledges of equity interests in the following subsidiaries to secure the bank loans granted to the Group:

(i) 100% of the equity interest in Sichuan Yonghe Education Investment Limited has been pledged for bank loans of RMB300,000,000 as at 31 August 2020 (31 December 2019: RMB300,000,000);

(ii) 100% of the equity interest in Top Education has been pledged for the bank loans of RMB424,000,000 as at 31 August 2020 (31 December 2019: RMB524,000,000);

(iii) 100% of the equity interest in Sichuan Guojian Investment Limited, the guarantee granted by Hope Education, and the rights over tuition fees of Southwest Jiaotong University Hope College have been provided or pledged to China National Investment and Guaranty Corporation to counter-guarantee the corporate guarantee provided by China National Investment and Guaranty Corporation in relation to the Group's asset-backed securities borrowings of RMB302,000,000 as at 31 August 2020 (31 December 2019: RMB302,000,000);

(iv) 100% of the equity interest in Taiyuan Xudong Technology Development Co., Ltd. has been pledged for the bank loans of RMB90,000,000 as at 31 August 2020 (31 December 2019: RMB90,000,000);

(v) 100% of the equity interest in Shanghai Shurui Investment Consulting Co., Ltd. has been pledged for the bank loans of RMB250,000,000 as at 31 August 2020 (31 December 2019: RMB250,000,000); and

(vi) 100% of the equity interests in Shanghai Pumeng Zhichuan Educational Technology Co., Ltd. and Kunshan Xinwei Education Investment & Development Co., Ltd. have been pledged for the bank loan of RMB192,000,000 as at 31 August 2020 (31 December 2019: Nil).

(c) The Group's other borrowings of RMB8,000,000 as at 31 August 2020 (31 December 2019: RMB8,000,000) were guaranteed by a third party. At the same time, Yinchuan University of Energy has given a corporate guarantee to the third party to counter-guarantee the corporate guarantee over the Group's other borrowings.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(d) The rights over tuition or boarding fees of the following schools:

	Loan amount	
	31 August 2020 RMB'000	31 December 2019 RMB'000
Sichuan Tianyi College	**96,796**	115,817
Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Business College of Guizhou University of Finance and Economics, Sichuan Vocational College of Culture & Communication	**300,000**	300,000
Southwest Jiaotong University Hope College	**235,504**	231,649
Sichuan TOP IT Vocational Institute	**424,000**	524,000
Guizhou Vocational Institute of Technology	**–**	100,000
Jinci College of Shanxi Medical University	**249,040**	249,040
Yinchuan University of Energy	**17,500**	17,500
Suzhou Top Institute, Kunshan Technical School	**192,000**	–
College of Science and Technology of Guizhou University	**282,000**	–
	1,796,840	1,538,006

In addition, certain of the Group's bank loans are guaranteed by the following related parties:

	Loan amount	
	31 August 2020 RMB'000	31 December 2019 RMB'000
Tequ Education and Mr. Wang Huiwu	**50,000**	50,000
Mr. Wang Huiwu	**392,000**	180,000
	442,000	230,000

26. DEFERRED TAX

Deferred tax assets

The deferred tax assets were recognised as certain accrued interest expenses were expected to be deductible for corporate income tax purpose when they were paid and the movements in deferred tax assets during the period/year are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
At beginning of the period/year	1,404	–
Deferred tax credited to profit or loss during the period/year	1,020	1,404
At end of the period/year	2,424	1,404

Deferred tax liabilities

The deferred tax liabilities represented the taxable temporary differences arising from fair value adjustments from the acquisition of subsidiaries and the movements in deferred tax liabilities during the period/year are as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
At beginning of the period/year	5,889	10,154
Deferred tax credited to profit or loss during the period/year	(202)	(4,265)
At end of the period/year	5,687	5,889

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

26. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

At 31 August 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operations, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 August 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,689,224,000 (31 December 2019: RMB1,520,617,000).

At 31 August 2020, the Group has unused tax losses arising in Mainland China from PRC entities subject to income tax of RMB34,334,000 (31 December 2019: RMB35,682,000), which will expire in one to five years for offsetting against future profits. Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

	31 August 2020 US$	31 December 2019 US$
Authorised:		
10,000,000,000 shares of US$0.00001 each (2019: 10,000,000,000 shares of US$0.00001 each)	**100,000**	100,000
Issued and fully paid:		
7,229,881,918 ordinary shares (31 December 2019: 6,666,668,000 ordinary share) of US$0.00001 each	**72,299**	66,667
Equivalent to approximately	**RMB493,286**	RMB454,070

27. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's issued capital is as follows:

	Notes	Number of shares in issue	Issued capital RMB
At 1 January 2020		6,666,668,000	454,070
Placing of shares	(i)	465,000,000	32,284
Share options exercised	(ii)	98,213,918	6,932
At 31 August 2020		7,229,881,918	493,286

Notes:

(i) On 13 August 2020, the Company issued placing shares at the price of HK$2.55 per placing share, resulting in the issue of 465,000,000 shares for a total cash consideration, before expenses, of HK$1,185,750,000 (equivalent to approximately RMB1,062,112,000).

(ii) The subscription rights attaching to 98,213,918 share options were exercised at the subscription price from HK$0.68 to HK$1.30 per share (note 28), resulting in the issue of 98,213,918 shares for a total cash consideration, before expenses, of HK$108,792,000 (equivalent to approximately RMB99,022,000). An amount of RMB25,215,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

28. SHARE OPTION SCHEME

On 18 March 2018, the Company adopted a share option scheme (the "2018 Pre-IPO Share Option Scheme") for the purpose of providing incentives to senior management, mid-level employee and staff who contribute to the success of the Group. The 2018 Pre-IPO Share Option Scheme became effective on 18 March 2018. The 2018 Pre-IPO Share Option Scheme expired on 3 August 2018, the date on which the shares of the Company first commenced trading on the Stock Exchange, after which period no further Pre-IPO Share Options will be granted but the provisions of the 2018 Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO Share Options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the 2018 Pre-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE OPTION SCHEME *(Continued)*

(i) Movements in share options

The following share options were outstanding under the 2018 Pre-IPO Share Option Scheme during the period/year:

	Eight months ended 31 August 2020		Year ended 31 December 2019	
	Weighted average exercise price HKD	**Number of options**	Weighted average exercise price HKD	Number of options
At beginning of the period/year	**1.13**	**446,422,454**	1.13	451,951,661
Exercised during the period/year	**1.11**	**(98,213,918)**	–	–
Lapsed during the period/year	**1.22**	**(252,494)**	–	–
Forfeited during the period/year	**–**	**–**	1.07	(5,529,207)
At end of the period/year	**1.14**	**347,956,042**	1.13	446,422,454

There are in total three tranches of share options under the 2018 Pre-IPO Share Option Scheme, namely tranche A ("Tranche A Options"), tranche B ("Tranche B Options") and tranche C ("Tranche C Options").

28. SHARE OPTION SCHEME *(Continued)*

(ii) Outstanding share options

The following table discloses the details of share options outstanding at 31 August 2020 and 31 December 2019:

	Number of share options		Exercise price per share	Fair value per share	Vesting period/ exercise period of share options
	31 August 2020	31 December 2019	HKD	RMB	Notes
Tranche A Options	**2,707,731**	3,383,731	0.6800	0.4427	(a)
Tranche B Options – 1	**232,000,428**	254,810,427	1.0700	0.3542	(a)
Tranche B Options – 2	**–**	57,569,575	1.0700	0.2377	(b)
Tranche C Options – 1	**113,247,883**	113,249,883	1.3000	0.3133	(a)
Tranche C Options – 2	**–**	17,408,838	1.3000	0.1840	(b)
	347,956,042	446,422,454			

Notes:

(a) Tranche A Options, Tranche B Options – 1 and Tranche C Options – 1 were exercisable on 30 January 2019 and will expire on 18 March 2038.

(b) Tranche B Options – 2 and Tranche C Options – 2 have been vested and expired as at 31 August 2020.

28. SHARE OPTION SCHEME *(Continued)*

(iii) Fair value of the share options

The fair value of the share options under the 2018 Pre-IPO Share Option Scheme was RMB149,983,000 (RMB0.1840 to RMB0.4427 each), of which the Group recognised a share option expense of RMB862,000 (For the year ended 31 December 2019: RMB20,528,000) for the eight months ended 31 August 2020.

The 98,213,918 share options exercised during the period resulted in the issue of 98,213,918 ordinary shares of the Company, by increasing issued capital and share premium by approximately RMB7,000 and RMB124,230,000, respectively as further detailed in note 27 to the financial statements, of which RMB25,215,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

At 31 August 2020, the Company had 347,956,042 share options outstanding under the 2018 Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 347,956,042 additional ordinary shares of the Company and additional share capital of US$3,480 (equivalent to approximately RMB23,875) and share premium of RMB351,670,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 344,089,571 share options outstanding under the 2018 Pre-IPO Share Option Scheme, which represented approximately 6.6% of the Company's shares in issue as at that date.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity on page 127 of the financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time when the proposed dividend is to be paid.

Capital reserve

The capital reserve of the Group at 31 August 2020 represents the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

Statutory surplus reserves

Pursuant to the relevant laws in 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) the general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools that require reasonable returns, are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

30. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	31 August 2020 RMB'000	31 December 2019 RMB'000
Contracted but not provided for:		
Property, plant and equipment	945,923	740,782
Acquisition of subsidiaries	1,226,168	–
	2,172,091	740,782

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

The directors of the Company are of the opinion that the following parties/companies are related parties that had significant transactions or balances with the Group during the period/year.

Related parties	Relationships
Mr. Wang Huiwu	One of the ultimate jointly controlling parties
Mr. Cheng Yuxin	One of the ultimate jointly controlling parties
Hope Education Investment	Parent of the Company
Tequ Education	A company controlled by the jointly controlling shareholders
Ziyang Automobile Science and Technology Vocational College ("Ziyang Automobile College")	A school controlled by Tequ Education
College of Science and Technology of Guizhou University	Joint venture of the Group
Ziyang May Sunshine Property Development Co., Ltd. ("Ziyang Property")	A company controlled by Tequ Education
Sichuan Mayflower Wine Sales Co., Ltd ("Mayflower Wine Sales")	A company controlled by Ziyang Property
Sichuan Dawu Trading Co., Ltd. ("Dawu Trading")	A company controlled by a close relative of Mr. Wang Huiwu
Sichuan Rongxing Driving School Co., Ltd. ("Rongxing Driving School")	A company controlled by Tequ Education

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Name and relationship *(Continued)*

Related parties	Relationships
Xiwang Tianyuan Insurance Co., Ltd. (“Tianyuan Insurance”)	A company controlled by Dawu Trading
Chengdu Mayflower Property Management Co., Ltd. (“Chengdu Mayflower Property Management”)	A company controlled by a close relative of Mr. Wang Huiwu
Sichuan Wuyang Construction Project Company Limited (“Wuyang Construction”)	A company controlled by a close relative of Mr. Wang Huiwu
Chengdu Mayflower Senior Technical School (“Chengdu Mayflower Technical”)	A company controlled by Tequ Education
Mr. Wang Xiaoqiang	Relative of Mr. Wang Huiwu
Jintang Golden May Property Development Co., Ltd. (“Jintang Property”)	A company controlled by Tequ Education
Guizhou Mayflower Real Estate Development Co. Ltd (“Guizhou Mayflower Property”)	A company controlled by Tequ Education
Chengdu Pixian Hope Vocational College	A company controlled by Tequ Education

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(i) A loan provided to College of Science and Technology of Guizhou University:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Loan provided	**13,446**	275,110
Interest expense charged	**14,496**	5,413
Interest received	**(5,738)**	–
Effective interest rate, per annum	**8%**	8%

The above loan is unsecured. The interest is payable yearly and the principal of the loan will be repaid in a lump sum when the loan becomes mature in 2024.

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Transactions with related parties *(Continued)*

(ii) Procurement of property, equipment and fixtures

	Notes	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Wuyang Construction	ii-1	27,203	27,995
Dawu Trading	ii-1	–	1,096
Ziyang Property	ii-2	16,003	–
Jintang Property	ii-2	68,660	–
Total		111,866	29,091

ii-1: The considerations for the construction of property, equipment and fixtures were determined at prices mutually agreed between the Group and its related parties with reference to the arm's length pricing obtained from the market.

ii-2 The considerations for the purchase of properties were determined after arm's length negotiations between the Group and its related parties on normal commercial terms or better with reference to the valuation of the property by the independent valuer.

(iii) Goods purchased and services received from related parties

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Chengdu Mayflower Property Management	580	864
Tianyuan Insurance	393	543
Wuyang Construction	–	1,970
Mayflower Wine Sales	811	1,187
Wang Xiaoqiang	147	1,545
Others	451	169
Total	2,382	6,278

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Transactions with related parties *(Continued)*

(iii) Goods purchased and services received from related parties (Continued)

The purchases of goods or services from the related parties were determined at prices mutually agreed between the Group and its related parties with reference to the arm's length pricing obtained from the market.

(iv) Properties leased to related parties

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Chengdu Mayflower Technical	5,556	12,431
Ziyang Automobile College	1,909	4,631
Rongxing Driving School	927	1,390
Others	1,467	1,501
Total	9,859	19,953

Rental charges were determined at prices mutually agreed between the Group and its related parties with reference to the arm's length pricing obtained from an appraiser.

(v) Services provided to related parties

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
College of Science and Technology of Guizhou University	7,207	6,183
Chengdu Mayflower Technical	1,680	–
Ziyang Automobile College	785	–
Others	524	–
Total	10,196	6,183

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Transactions with related parties *(Continued)*

(v) Services provided to related parties (Continued)

Services provided to the related parties were charged at prices mutually agreed between the Group and its related parties with reference to the arm's length pricing obtained from the market.

The related party transactions in respect of the purchase of properties and properties leased to related parties constitute connected transaction or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(c) Balances with related parties

The Group had outstanding balances due from and to related parties at the end of the reporting period.

Amounts due from related parties

	Note	31 August 2020 RMB'000	31 December 2019 RMB'000
Non-trade in nature			
College of Science and Technology of Guizhou University			
– Current		**15,366**	5,738
– Non-current	31(b)(i)	**288,556**	275,110
		303,922	280,848
Trade in nature			
Chengdu Mayflower Technical		**20,006**	11,255
Chengdu Mayflower Property Management		**2,519**	2,519
Ziyang Automobile College		**8,543**	5,732
College of Science and Technology of Guizhou University		**7,695**	2,823
Guizhou Mayflower Property		**796**	1,100
Chengdu Pixian Hope Vocational College		**908**	–
Others		**219**	1,701
		40,686	25,130
		344,608	305,978

31. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Balances with related parties *(Continued)*

Except for the amount due from College of Science and Technology of Guizhou University of RMB288,556,000, amounts due from the related parties are unsecured, interest-free and have no fixed terms of repayment.

Amounts due to related parties

	31 August 2020 RMB'000	31 December 2019 RMB'000
Trade in nature		
Wuyang Construction	17,932	26,342
Ziyang Property	1,600	–
Tianyuan Insurance	714	1,956
Others	1,448	2,465
	21,694	30,763

Payables due to related parties are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Salaries, allowances and benefits in kind	1,000	3,636
Equity-settled share option expense	61	1,906
Pension scheme contributions	158	457
	1,219	5,999

Further details of directors' emoluments are included in note 8 to the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Other payables and accruals	Lease liabilities	An amount due to a related party	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 August 2020					
At 1 January 2020	**2,596,892**	**102,150**	**160,487**	**–**	**2,859,529**
Changes from financing cash flows	**511,679**	**(79,434)**	**(17,869)**	**–**	**414,376**
Non-cash changes:					
Interest expenses	**4,834**	**119,198**	**6,476**	**–**	**130,508**
At 31 August 2020	**3,113,405**	**141,914**	**149,094**	**–**	**3,404,413**
31 December 2019					
At 1 January 2019	2,131,732	79,695	–	–	2,211,427
Effect of adoption of IFRS 16	–	–	162,595	–	162,595
At 1 January 2019 (restated)	2,131,732	79,695	162,595	–	2,374,022
Changes from financing cash flows	312,738	(151,892)	(25,139)	(34,787)	100,920
Non-cash changes:					
New leases	–	–	12,371	–	12,371
Increase arising from acquisition of non-controlling interest	–	18,000	–	–	18,000
Increase arising from acquisition of subsidiaries	119,065	34,620	–	34,787	188,472
Interest capitalised	–	2,210	–	–	2,210
Interest expenses	33,357	119,517	10,660	–	163,534
At 31 December 2019	2,596,892	102,150	160,487	–	2,859,529

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Eight months ended 31 August 2020 RMB'000	Year ended 31 December 2019 RMB'000
Within operating activities	983	1,229
Within investing activities	197,512	293,590
Within financing activities	17,869	25,139
	216,364	319,958

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the period/year are as follows:

Financial assets

	31 August 2020 RMB'000	31 December 2019 RMB'000
Financial assets at fair value through profit or loss:		
Mandatorily designated as such:		
Structured deposits	–	1,002,967
Wealth management products	5,000	9,310
	5,000	1,012,277
Financial assets at amortised cost:		
Cash and cash equivalents	2,894,437	1,690,419
Financial assets included in prepayments, deposits and other receivables	894,862	635,805
Trade receivables	27,953	3,714
Restricted bank balances	229,851	158,787
Pledged deposits	283,700	–
Due from related parties	344,608	305,978
	4,675,411	2,794,703

33. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the period/year are as follows: *(continued)*

Financial liabilities

	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Financial liabilities at amortised cost:		
Trade payables	37,573	33,610
Due to related parties	21,694	30,763
Interest-bearing bank and other borrowings	3,113,405	2,596,892
Lease liabilities	149,094	160,487
Financial liabilities included in other payables and accruals	1,480,098	1,374,523
	4,801,864	4,196,275

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to their fair values, are as follows:

	Carrying amount		Fair value	
	31 August 2020 RMB'000	31 December 2019 RMB'000	**31 August 2020 RMB'000**	31 December 2019 RMB'000
Financial assets				
Restricted bank balances, non-current portion	**179,851**	108,787	**179,851**	108,787
Structured deposits	**–**	1,002,967	**–**	1,002,967
Amount due from a joint venture, non-current	**288,556**	275,110	**288,556**	275,110
Pledged deposits, non-current	**268,000**	–	**268,000**	–
Wealth management products	**5,000**	9,310	**5,000**	9,310
	741,407	1,396,174	**741,407**	1,396,174
Financial liabilities				
Other payables, non-current portion	**312,861**	343,885	**312,861**	343,885
Interest-bearing bank loans, non-current portion	**1,670,072**	1,593,599	**1,665,372**	1,590,863
	1,982,933	1,937,484	**1,978,233**	1,934,748

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of the restricted bank balance, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, trade payables, short-term interest-bearing bank and other borrowings and the current portion of amounts due from/to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments and the non-current restricted bank balance, the non-current amount due from a joint venture, and the non-current pledged deposits by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the non-current interest-bearing bank and other borrowings, and the non-current other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for non-current financial liabilities as at 31 August 2020 were assessed to be insignificant.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 August 2020

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Wealth management products	–	5,000	–	5,000

31 December 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Structured deposits	–	1,002,967	–	1,002,967
Wealth management products	–	9,310	–	9,310
	–	1,012,277	–	1,012,277

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
31 August 2020				
Restricted bank balance, non-current portion	–	179,851	–	179,851
Pledged deposits, non-current portion	–	268,000	–	268,000
Amount due from a joint venture, non-current portion	–	–	288,556	288,556
	–	447,851	288,556	736,407
31 December 2019				
Restricted bank balance, non-current portion	–	108,787	–	108,787
Amount due from a joint venture, non-current portion	–	–	275,110	275,110
	–	108,787	275,110	383,897

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
31 August 2020				
Interest-bearing bank loans, non-current portion	–	–	1,665,372	1,665,372
Other payables, non-current potion	–	–	312,861	312,861
	–	–	1,978,233	1,978,233
31 December 2019				
Interest-bearing bank loans, non-current portion	–	–	1,590,863	1,590,863
Other payables, non-current potion	–	–	343,885	343,885
	–	–	1,934,748	1,934,748

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and financial assets included in prepayments, deposits and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other payables and accruals, amounts due from related parties and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing bank and other borrowings. The interest rates and terms of repayments of the borrowings are disclosed in note 25. The Group manages its interest rate exposure arising from its interest-bearing bank loans through the use of fixed rates. The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The Group does not consider that it has any significant exposure to the risk of changes in market interest rates as the Group does not have any long-term receivables and loans which are subject to floating interest rates.

Foreign currency risk

The Group had currency exposures from its cash and cash equivalents as at 31 August 2020 and at 31 December 2019. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in US$/HK$ rate %	Increase/ (decrease) in profit after tax RMB'000
At 31 August 2020		
If the RMB weakens against US$	**(0.5)**	**4,412**
If the RMB strengthens against US$	**0.5**	**(4,412)**
If the RMB weakens against HK$	**(0.5)**	**5,358**
If the RMB strengthens against HK$	**0.5**	**(5,358)**
At 31 December 2019		
If the RMB weakens against US$	(0.5)	1,298
If the RMB strengthens against US$	0.5	(1,298)
If the RMB weakens against HK$	(0.5)	2
If the RMB strengthens against HK$	0.5	(2)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. Deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions. The Group's maximum exposure to credit risk refers to the carrying amounts of cash and cash equivalents, trade and other receivables, and amounts due from related parties.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and fiscal year-end staging classification as at 31 August 2020 and 31 December 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 August 2020					
Financial assets included in prepayments, deposits and other receivables					
– Normal**	296,480	–	–	–	296,480
– Doubtful**	–	87,000	511,382	–	598,382
Cash and cash equivalents	2,894,437	–	–	–	2,894,437
Restricted bank balances	229,851	–	–	–	229,851
Pledged deposits	283,700	–	–	–	283,700
Financial assets at fair value through profit or loss	5,000	–	–	–	5,000
Trade receivables*	–	–	–	27,953	27,953
Due from related parties	344,608	–	–	–	344,608
	4,054,076	87,000	511,382	27,953	4,680,411

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
Financial assets included in prepayments, deposits and other receivables					
– Normal**	583,887	–	–	–	583,887
– Doubtful**	–	51,918	–	–	51,918
Cash and cash equivalents	1,690,419	–	–	–	1,690,419
Restricted bank balance	158,787	–	–	–	158,787
Structured deposits	1,002,967	–	–	–	1,002,967
Financial assets at fair value through profit or loss	9,310	–	–	–	9,310
Trade receivables*	–	–	–	3,714	3,714
Due from related parties	305,978	–	–	–	305,978
	3,751,348	51,918	–	3,714	3,806,980

* For trade receivables to which the Group applies the simplified approach for impairment, the expected loss allowance for these balances was not material during the reporting period.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 August 2020 and at 31 December 2019, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

All of the trade receivables, the other receivables and amounts due from related parties have no collateral or guarantee, except for the receivables from third parties (note 19 (a)). The Group assesses the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractual due date, the existence of forecast changes in the market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follows up disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low. For receivables from the third parties with collateral, management is of the opinion that the expected cash flows to receive from the sale of collateral held, discounted at an approximation of the original effective interest rate, are higher than the aggregate amounts of the loans and the interest receivables with collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group assessed that the expected credit losses for these receivables without collateral and amounts due from related parties are not material under the 12-month expected credit loss method. Thus, no loss allowance provision was recognised during the Period and the year ended 31 December 2019.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	31 August 2020					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	849,294	738,219	1,793,012	–	3,380,525
Financial liabilities included in other payables and accruals	1,086,364	48,383	44,800	350,875	15,970	1,546,392
Lease liabilities	–	6,970	22,911	98,563	56,821	185,265
Trade payables	–	–	37,573	–	–	37,573
Due to related parties	21,694	–	–	–	–	21,694
	1,108,058	904,647	843,503	2,242,450	72,791	5,171,449

	31 December 2019					
	On demand RMB'000 (Restated)	Less than 3 months RMB'000	3 to 12 months RMB'000 (Restated)	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	136,940	1,019,372	1,735,861	–	2,892,173
Financial liabilities included in other payables and accruals	996,002	–	40,057	410,850	15,560	1,462,469
Lease liabilities	–	10,895	17,808	102,712	71,719	203,134
Trade payables	–	–	33,610	–	–	33,610
Due to related parties	30,763	–	–	–	–	30,763
	1,026,765	147,835	1,110,847	2,249,423	87,279	4,622,149

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group will minimise the capital expenditure and renew or extend its short-term loans as part of capital management.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Period.

The debt-to-asset ratio as at the end of the period/year is as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Total liabilities	6,729,662	6,285,879
Total assets	12,416,079	10,851,167
Debt-to-asset ratio	54%	58%

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 29 September 2020, the Group completed the acquisition of the entire issued share capital in Inti Education Holdings Sdn. Bhd. ("Inti Education"). The acquisition is at the consideration of US$140,000,000 (subject to certain adjustments) in the form of cash. Due to the effect of the COVID-19 pandemic and the complexity in valuing the new intangible assets identified from the acquisition, the Group needs more time to confirm the final fair values of the identifiable assets and liabilities. Therefore, it is not practicable for the Group to disclose further details and the financial effect about the acquisition.

(ii) On 12 October 2020, Tequ Mayflower entered into a share transfer agreement with an independent third party to purchase approximately 8.75% equity interests of Dingli Corp., Ltd. (珠海世紀鼎利科技股份有限公司) ("Dingli") at the consideration of RMB392,500,000 (subject to adjustments) upon fulfilment of certain condition.

On 12 October 2020, Tequ Mayflower was entrusted, by the actual controller of Dingli, the voting rights attached to his remaining 8% shareholdings, representing the voting rights attached to 45,744,700 shares, in aggregate. In addition, the actual controller of Dingli also entered into an acting-in-concert agreement with Tequ Mayflower to commit to exercise his voting rights at the general meeting of Dingli in accordance with the decision made by Tequ Mayflower.

On 12 October 2020, Tequ Mayflower has subscribed 171,000,000 shares of the Dingli at the subscription price amounted to RMB901,170,000 by contract upon obtaining consent from the board of directors and the general meeting of the Dingli and having approved or filed by the relevant regulatory authorities. Further information can be found in the Company's announcement dated 12 October 2020.

(iii) On 16 October 2020, the Group entered into an share transfer agreement with Nanchang Chuangzhi Supply Chain Co., Ltd. (南昌創智供應鏈有限公司) in relation to purchasing of shares of Nanchang Dongmei Education Technology Co., Ltd. (南昌東美教育科技有限公司), Nanchang Vocational Institute of Film and Television Communication, and Jiangxi Fanmei Art Secondary Professional School (collectively Nanchang Schools) at the consideration of RMB1. The acquisition was completed and effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the period/year is as follows:

	31 August 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS		
Pledged deposits	**260,000**	–
CURRENT ASSETS		
Prepayments and other receivables	**5,013**	5,575
Amounts due from a subsidiary	**2,361,407**	1,174,970
Structured deposits	**–**	1,002,967
Cash and cash equivalents	**1,081,390**	525,837
Total current assets	**3,447,810**	2,709,349
CURRENT LIABILITIES		
Other payables and accruals	**36,920**	5,210
NET CURRENT ASSETS	**3,410,890**	2,704,139
NET ASSETS	**3,670,890**	2,704,139
EQUITY		
Issued capital	**493**	454
Reserves (note)	**3,670,397**	2,703,685
Total equity	**3,670,890**	2,704,139

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	2,701,755	122,345	(108,323)	2,715,777
Profit and total comprehensive income for the year	–	–	72,875	72,875
Equity-settled share option arrangements	–	20,528	–	20,528
Final 2018 dividend declared	(105,495)	–	–	(105,495)
At 31 December 2019 and 1 January 2020	2,596,260	142,873	(35,448)	2,703,685
Placing of new shares	1,062,080	–	–	1,062,080
Share issue expenses	(8,048)	–	–	(8,048)
Issue of shares upon the exercise of share option	124,230	(25,215)	–	99,015
Transfer from the share option reserve upon the lapse of share option	–	(51)	51	–
Loss and total comprehensive loss for the period	–	–	(35,029)	(35,029)
Equity-settled share option arrangements	–	862	–	862
Final 2019 dividend declared	(152,168)	–	–	(152,168)
At 31 August 2020	3,622,354	118,469	(70,426)	3,670,397

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 November 2020.

In this report, unless the context otherwise requires, the following expressions shall have the meanings set forth below:

"2018 Pre-IPO Share Option Scheme"	The 2018 pre-IPO share option scheme conditionally approved and adopted by our Shareholders on 18 March 2018 for the benefit of, amongst others, our Group's directors, senior management, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers, a summary of the principal terms of which is set out in "Appendix V – Statutory and General Information" of the Prospectus
"Board" or "Board of Directors"	The board of Directors of the Company
"Business College of Guizhou University of Finance and Economics"	Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院), a college established under the laws of PRC in 2004, acquired by our Group in April 2014 and approved by the MOE to be operated under the cooperation between Guizhou University of Finance and Economics and our Group in September 2014
"Business Day" or "Business Day"	A day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CG Code" or "Corporate Governance Code"	The code on corporate governance practices set out in Appendix 14 to the Listing Rules
"China" or "PRC"	The People's Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region and Taiwan
"Company" or "our Company"	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
"date of this annual report"	31 December 2020
"Director(s)"	The directors of our Company
"Group," "our Group," "We" or "Us"	Our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guizhou Vocational Institute of Technology"	Guizhou Vocational Institute of Technology* (貴州應用技術職業學院), a college established by our Group under the laws of PRC in March 2016

DEFINITIONS

"HK$" or "Hong Kong Dollar(s)"	The lawful currency of Hong Kong, Hong Kong dollars
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Exchanges and Clearing Limited"	Hong Kong Exchanges and Clearing Limited
"Hope Education"	Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) (formerly known as Sichuan Mayflower Investment Company Limited (四川五月花投資有限公司), Sichuan Hope Mayflower Investment Limited (四川希望五月花投資有限公司), Sichuan Hope Education Industry Company Limited (四川希望教育產業有限公司)), a limited liability company established under the laws of PRC on 12 January 2005
"IFRS"	The International Financial Reporting Standard(s)
"Independent Third Party(ies)"	An individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Jiexing Huilv"	Guizhou Jiexing Huilv Air Service Consultant Services Limited (貴州捷星慧旅航空空乘諮詢服務有限公司), a limited liability company established under the laws of PRC on 9 September 2010
"Jinci College of Shanxi Medical University"	Jinci College of Shanxi Medical University* (山西醫科大學晉祠學院), a college established under the laws of PRC in June 2002, acquired by our Group in April 2014, and approved by the MOE to be operated under the cooperation between Shanxi Medical University and our Group in August 2014
"Listing"	The listing of the Company's Shares on the Main Board of the Stock Exchange of Hong Kong Limited
"Listing Date"	3 August 2018, the date on which the Company's Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange of Hong Kong Limited
"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 is independent of and operated in parallel with the GEM of the Stock Exchange

"Model Code"	The Model Code for securities transactions by Directors of listed issuers set out in Appendix 10 to the Listing Rules
"MOE"	Ministry of Education of the PRC
"M&A"	Mergers and acquisitions
"Prospectus"	The prospectus published by the Company on 24 July 2018
"Reporting Period"	The eight months ended 31 August 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SFO" or "Securities and Futures Ordinance"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Pumeng Group"	Shanghai Pumeng and its subsidiary, Kunshan Xinwei, which held 100% sponsor interest in each of Suzhou Top Institute and Kunshan Technical School
"Share(s)"	Ordinary share(s) of a nominal value of US$0.00001 each in the share capital of our Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Sichuan Department of Education"	Sichuan Department of Education
"Sichuan Hope Automotive Technical College"	Sichuan Hope Automotive Technical College* (四川希望汽車技師學院), a college established by our Group under the laws of PRC in July 2016
"Sichuan Hope Automotive Vocational College"	Sichuan Hope Automotive Vocational College* (四川希望汽車職業學院), a college established by our Group under the laws of PRC in March 2013
"Sichuan TOP IT Vocational Institute"	Sichuan TOP IT Vocational Institute (四川托普信息技術職業學院), a college established by Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) in June 2000 and acquired by our Group in December 2017
"Sichuan Vocational College of Culture & Communication"	Sichuan Vocational College of Culture & Communication* (四川文化傳媒職業學院), a college established as a higher vocational college in 2005 and acquired by our Group in March 2014

DEFINITIONS

"Southwest Jiaotong University Hope College"	Southwest Jiaotong University Hope College* (西南交通大學希望學院), a college approved by the MOE to be established under the cooperation between Southwest Jiaotong University, Chengdu West Hope Group Limited and our Group in April 2009
"State"	The central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	Has the meaning ascribed to it in the Listing Rules
"Tequ Education"	Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司), a limited liability company established under the laws of PRC on 30 November 2017 following the division under reorganization, the shareholding of which largely mirrors that of Hope Education and is indirectly controlled by Mr. Wang Huiwu
"The College of Science and Technology of Guizhou University"	The College of Science and Technology of Guizhou University* (貴州大學科技學院), a college established under the laws of PRC in May 2001, approved by the MOE to be operated under the cooperation between Guizhou University and a third party in December 2014
"The Stock Exchange of Hong Kong Limited"	The Stock Exchange of Hong Kong Limited
"Tianyi College"	Sichuan Tianyi College* (四川天一學院), a college established and named as Sichuan Tianyi Open College (四川天一開放函授進修學院) in 1991, approved by the State Education Commission (currently, the MOE) to be a formal junior-college-level higher education institution in 1994 and acquired by our Group in September 2011
"U.S." or "United States"	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Yinchuan Group"	The six entities the Group acquired during the year, namely Yinchuan University of Energy, Yinchuan Vocational School of Science and Technology, Vocational-technical Training Center of Yinchuan University, Ningxia Modern Senior Technical School, Car Driving Training School of Yinchuan University Education Group, and Auto Repair Factory of Yinchuan University Education Group
"%"	Percent